ENNIS®

Ennis, Inc.

2007 Annual Report on Form 10-K
and
Proxy Statement

Annual Meeting of Shareholders
June 28, 2007

2007 Shareholder Letter

To Our Shareholders:

While we enjoyed record sales and earnings in 2007, we believe there were opportunities to do better. The growth of the company has brought challenges to making those opportunities a reality. The expansion of the company has brought not only new sales, but new employees, products, locations, customers, shareholders and markets. We are truly an international company today with half of our workforce outside the United States. We look forward to addressing these opportunities with increased enthusiasm in 2008 and achieving better results throughout the upcoming year.

Results of Past Year

- Revenues increased by $25.3 million over the last year, or 4.5%.
- Earnings before income taxes increased 3.8% for the year, from approximately $64.0 million to approximately $66.4 million.
- Diluted EPS increased by 2.5%, from $1.58 per share to $1.62 per share for the year.

Financial Overview

For the year, net sales increased by approximately $25.3 million, or 4.5% from $559.4 million for the year ended February 28, 2006 to $584.7 million for the year ended February 28, 2007. Our Print sales for the period were $325.7 million, compared to $321.4 million for the same period last year, or an increase of 1.3%. Our Apparel sales for the period were $259.0 million, compared to $238.0 million for the same period last year, or an increase of 8.8%. The Company's margins overall declined slightly from 25.4% for the year ended February 28, 2006 to 25.0% for the year ended February 28, 2007. Our Print margins increased slightly for the period from 24.8% to 25.2%. Our Apparel margins decreased for the period from 26.1% to 24.7% due to raw material cost increases and market penetration pricing strategies. Our earnings before income taxes increased $2.4 million, or 3.8% from $64.0 million, or 11.4% of sales to $66.4 million, or 11.4% of sales for the years ended February 28, 2006 and 2007, respectively. However, due to a higher effective tax rate this year, our net earnings increased by only 2.7%, or $1.1 million from $40.5 million for the year ended February 28, 2006 to $41.6 million for the year ended February 28, 2007. The higher effective tax rate this year was caused by a higher foreign and state income tax burden over the previous year. Our diluted earnings increased from $1.58 per share to $1.62 per share for the year ended February 28, 2006 and 2007, respectively.

Past Year Challenges

One of the areas of potential improvement is our acquisition program. The type of acquisition we would consider today has changed considerably from a few years ago. We feel that while the printing industry continues to provide excellent cash flows, most business form printers would no longer make economic sense as a target company due to the commodity nature of their products. Printing related products with a better product life cycle will still be considered, but not to the extent as in the past. The Apparel segment of our business, which continues to show organic growth, will become of increasing interest in our future acquisition strategies. Last year numerous candidates were investigated in both the Printing and the

Apparel segments, but only Specialized Printing and Block Graphics were completed. Both acquisitions brought us new products and new geographic markets consistent with our changing focus. However, we look forward to the research of this past year paying dividends through additional acquisitions this year.

We faced raw material cost challenges in both paper and cotton, which were higher than we have experienced in a number of years. The bond paper market in particular has consolidated into a few players which are using their stronger position to increase returns on their products. Unfortunately, those price increases were difficult to pass on to the end user in such a concentrated time frame. We also experienced cotton price increases of approximately 5% last year. As this market does not normally accept pass-through pricing, we saw increased pressure on our apparel margins last year as well. In these environments, costs increases must generally be covered by operational expense reductions in the manufacturing, selling and general and administrative areas. We believe this is possible, however as the time cycle is longer most of these potential savings will not be fully realized until this coming fiscal year.

We also believe we can still improve on manufacturing efficiencies in both the Apparel and Print segments. As our need for additional capacity grew in the Apparel segment, our efficiency in our cut-and-sew operations did not keep pace with the increased demand for our products. We believe with a few months of additional experience at the current production levels, these facilities will see improvements in their operational performance and costs more in line with their historical levels. In the Print segment we expect that better management of our variable costs will improve our operational results during the upcoming fiscal year as well.

Acquisition Strategy

One of the drivers in our growth strategy of acquiring printing companies has been the solid cash flow generated by these printing operations. A main reason for the cash flow is the made-to-order aspect of the Print segment business. Little, if any, finished goods inventory is required in the Print segment. This cash flow compliments a cash hungry industry, such as apparel, which often requires large finished goods inventories and is much more capital intensive. The blending of these two industries within our company allows us to expand into a growth industry with potentially less financing and capital costs than our competitors.

The time spent in our target company research convinced us that we were ready to pursue more apparel opportunities. Several have been investigated which has resulted in the fine tuning of our original plans. We expect this year to be a success on the acquisition front. We believe that additional manufacturing scale in apparel will benefit our manufacturing cost structure as we increase our capacity to meet our anticipated sales growth. We continue to like the active wear segment due to its quick-turn-around and less fashion orientation.

The Print Segment will now be pursuing print acquisition opportunities which add strategic locations or new product lines to our portfolio. As mentioned earlier, business forms manufacturing will be of lesser concern as target companies. One exception might be buying a company which would fit as a consolidation to an existing facility if the price makes sense.

Consideration has also been given to a third segment outside Apparel or Printing. An example could be Advertising Specialties which fits between the two product lines. We have only done preliminary research in this area and other segments may surface over time.

Core Competencies

We continue to feel that the core strength of our business is the ability to manufacture at low costs without a large overhead structure. The decentralized strategy of our manufacturing allows good general managers to react quickly to changing market conditions without requiring direction from the corporate office.

But we have grown to appreciate the strength of our apparel segment's marketing and sales channel as a new core competency. They have grown the top line each year and we believe show excellent prospects for the future.

Special Recognition

Mr. Harold Hartley has notified the Board of Directors of his intent not to run for re-election for another term. Mr. Hartley has served on the Ennis Board for 36 years and most recently served as a member of the Audit Committee and the Nominating and Corporate Governance Committee. We want to thank Mr. Hartley for his service and wish him the very best in his future endeavors.

In closing, while we enjoyed record sales and profits this year, we look forward to the potential of fiscal year 2008 and the continuing evolution of our Company. We thank you for your continued support and trust.

Keith S. Walters

Keith S. Walters
Chairman, CEO and President

2007 Annual Report on Form 10-K

Form 10-K

Ennis, Inc.

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

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended February 28, 2007

Commission File Number 1-5807

ENNIS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Texas	**75-0256410**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
2441 Presidential Pkwy., Midlothian, Texas	**76065**
(Address of Principal Executive Offices)	(Zip code)

(Registrant's Telephone Number, Including Area Code) (972) 775-9801

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $2.50 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Act).

Large accelerated filer ☐ Accelerated filer ☑ Non-accelerated filer ☐

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

The aggregate market value of voting stock held by non-affiliates of the Registrant as of August 31, 2006 was approximately $518 million. Shares of voting stock held by executive officers, directors and holders of more than 10% of the outstanding voting stock have been excluded from this calculation because such persons may be deemed to be affiliates. Exclusion of such shares should not be construed to indicate that any of such persons possesses the power, direct or indirect, to control the Registrant, or that any such person is controlled by or under common control with the Registrant.

The number of shares of the Registrant's Common Stock, par value $2.50, outstanding at April 30, 2007 was 25,585,451.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the 2007 Annual Meeting of Shareholders are incorporated by reference into Part III of this Report.

ENNIS, INC. AND SUBSIDIARIES
FORM 10-K
FOR THE PERIOD ENDED FEBRUARY 28, 2007

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PART I

ITEM 1. BUSINESS

Overview

Ennis, Inc. (formerly Ennis Business Forms, Inc.) was organized under the laws of Texas in 1909. Ennis, Inc. and its subsidiaries (collectively known as the "Company," "Registrant," "Ennis," "we," "us," or "our") print and manufacture a broad line of business forms and other business products and also manufacture a line of activewear for distribution throughout North America. Distribution of business products and forms throughout the United States and Canada is primarily through independent dealers, and with respect to our activewear products, through sales representatives. This distributor channel encompasses print distributors, stationers, quick printers, computer software developers, activewear wholesalers, screen printers, and advertising agencies, among others. The company's apparel business was acquired on November 19, 2004.

On August 8, 2006, we purchased the outstanding stock of Block Graphics, Inc. ("Block"), a privately held company headquartered in Portland, Oregon for $14.8 million in cash. Block had sales of approximately $38.6 million for the year ended December 31, 2005. The acquisition of Block continues the strategy of growth in our print segment through related manufactured products to further service our existing customer base. The acquisition added additional short-run print products (snaps, continuous forms, and cut-sheet forms) as well as the production of envelopes, a new product for the Company.

On March 31, 2006, we purchased all of the outstanding stock of Specialized Printed Forms, Inc. ("SPF"), a privately held company headquartered in Caledonia, New York and the associated land and buildings for $4.6 million in cash. SPF had sales of $9.2 million for the twelve month period ended July 31, 2005. The acquisition of SPF continues the strategy of growth through related manufactured products to further service our existing customer base. The acquisition added additional short-run print products, long-run (jumbo rolls) products and solutions as well as integrated labels and form/label combinations sold through the indirect sales (distributorship) marketplace.

On January 3, 2006, we purchased the outstanding stock of Tennessee Business Forms, Inc. ("TBF"), a privately held company located in Tullahoma, Tennessee, as well as the associated land and buildings from a partnership which leased the facility to TBF. The purchase price of this transaction was $1.2 million. TBF had sales of $2.2 million for the twelve month period ended December 31, 2005. The acquisition of TBF continues the Ennis strategy of growth through acquisition of complimentary manufactured products to further service our existing customer base. The acquisition added additional short-run print products and solutions as well as integrated labels and form/label combinations sold through the indirect sales (distributorship) marketplace.

In addition to the foregoing, we purchased: 1) all the outstanding stock of Alstyle Apparel ("Alstyle"), an active-wear apparel company, on November 19, 2004, for approximately $246.0 million (8,803,583 shares of Ennis Common Stock, plus $2.9 million in cash, plus debt assumed of approximately $98.1 million), 2) Royal Business Forms, Inc. ("Royal"), a short-run print products and solutions provider, on November 1, 2004, for approximately $3.7 million (178,000 shares of Ennis Common Stock), and 3) Crabar/GBF, Inc. ("Crabar"), a high-quality medium and short-run print products and solutions provider, on June 30, 2004, for approximately $18.0 million ($6.5 million in cash plus debt assumed of approximately $11.5 million).

Business Segment Overview

We operate in two business segments, the Print Segment and the Apparel Segment. For additional financial information concerning segment reporting, please see note 14 of the notes to our consolidated financial statements beginning on page F-26 included elsewhere herein, which information is incorporated herein by reference.

Print Segment

The Print Segment, representing approximately 56%, 57%, and 85% of our consolidated net sales for the fiscal years ended February 28, 2007, February 28, 2006, and February 28, 2005, respectively, is in the business of manufacturing, designing and selling business forms and other printed business products primarily to distributors located in the United States. The Print Segment operates 39 manufacturing locations throughout the United States in 16 strategically located domestic states. Approximately 96% of the business products manufactured by the Print Segment are custom and semi-custom products, constructed in a wide variety of sizes, colors, and quantities on an individual job basis depending upon the customers' specifications.

The products sold include snap sets, continuous forms, laser cut sheets, tags, labels, envelopes, integrated products, jumbo rolls and pressure sensitive products in short, medium and long runs under the following labels: Ennis®, Royal™, Block™, Specialized Printed Forms™, TBF/Avant-Garde™, 360º Custom Labels™, Enfusion™, Witt Printing™ and Calibrated Forms™. The Print Segment also sells the Adams-McClure™ brand (which provides Point of Purchase advertising for large franchise and fast food chains as well as kitting and fulfillment); the Admore® brand (which provides presentation folders and document folders); Ennis Tag & Label™ (which provides tags and labels, promotional products and advertising concept products); GenForms™ (which provides short-run and long-run label production) and Northstar® and GFS™ (which provide financial and security documents).

The Print Segment sells predominantly through private printers and independent distributors. Northstar and GFS also sell to a small number of direct customers. Northstar has continued its focus with large banking organizations on a direct basis (where a distributor is not acceptable or available to the end-user) and has acquired several of the top 100 banks in the United States as customers and is actively working on other large banks within the top 100 tier of banks in the United States. Adams-McClure sales are generally provided through advertising agencies.

The printing industry generally sells its products in two ways. One market direction is to sell predominately to end users, and is dominated by a few large manufacturers, such as Moore Wallace (a subsidiary of R.R. Donnelly), Standard Register, and Cenveo. The other market direction, which the Company primarily serves, sells forms and other business products through a variety of independent distributors and distributor groups. While it is not possible, because of the lack of adequate statistical information, to determine Ennis' share of the total business products market, management believes Ennis is one of the largest producers of business forms in the United States distributing primarily through independent dealers, and that its business forms offering is more diversified than that of most companies in the business forms industry.

There are a number of competitors that operate in this segment, ranging in size from single employee-owner operations to multi-plant organizations, such as Cenveo and their resale brand known as: PrintXcel, Discount Label and Printegra. We believe our strategic locations and buying power permit us to compete on a favorable basis within the distributor market on competitive factors, such as service, quality, and price.

Distribution of business forms and other business products throughout the United States is primarily done through independent dealers, including business forms distributors, stationers, printers, computer software developers, and advertising agencies.

Raw materials of the Print Segment principally consist of a wide variety of weights, widths, colors, sizes, and qualities of paper for business products purchased from a number of major suppliers at prevailing market prices.

Business products usage in the printing industry is generally not seasonal. General economic conditions and contraction of the traditional business forms industry are the predominant factor in quarterly volume fluctuations.

Apparel Segment

The Apparel Segment represented approximately 44%, 43%, and 15% of our consolidated net sales for the fiscal years ended February 28, 2007, February 28, 2006, and February 28, 2005, respectively. This segment operates under the name of Alstyle Apparel ("Alstyle"). Alstyle markets high quality knit basic activewear (t-shirts, tank tops and fleece) across all market segments. Approximately 95% of Alstyle's revenues are derived from t-shirt sales, and 92% of those are domestic sales. Alstyle's branded product lines are AAA Alstyle Apparel & Activewear®, Gaziani®, Diamond Star®, Murina®, A Classic, Tennessee River®, D Drive™, and Hyland® Headware.

Alstyle is headquartered in Anaheim, California, where it knits domestic cotton yarn and some polyester fibers into tubular material. The material is dyed at that facility and then shipped to its plants in Ensenada or Hermosillo, Mexico, where it is cut and sewn into finished goods. Alstyle also ships a small amount of their dyed and cut product to El Salvador and Costa Rica for sewing. After sewing and packaging is completed, product is shipped to one of Alstyle's seven distribution centers located across the United States and in Canada.

Alstyle utilizes a customer-focused internal sales team comprised of 20 sales representatives assigned to specific geographic territories in the United States and Canada. Sales representatives are allocated performance objectives for their respective territories and are provided financial incentives for achievement of their target objectives. Sales representatives are responsible for developing business with large accounts and spend approximately half their time in the field.

Alstyle employs a staff of customer service representatives that handle call-in orders from smaller customers. Sales personnel sell directly to Alstyle's customer base, which consists primarily of screen printers, embellishers, retailers, and mass marketers.

A majority of Alstyle's sales are to direct customer branded products, and the remainder relates to private label and re-label programs. Generally, sales to screen printers and mass marketers are driven by the availability of competitive products and price considerations, which drive our requirements for inventory levels of our various products, while sales in the private label business are characterized by slightly higher customer loyalty.

Alstyle's most popular styles are produced based on demand management forecasts to permit quick shipment and to level production schedules. Alstyle offers same-day shipping and uses third party carriers to ship products to its customers.

Alstyle's sales are seasonal, with sales in the first and second quarters generally being the highest. The general apparel industry is characterized by rapid shifts in fashion, consumer demand and competitive pressures, resulting in both price and demand volatility. However, the imprinted activewear market that Alstyle sells to is generally "event" driven. Blank t-shirts can be thought of as "walking billboards" promoting movies, concerts, sports teams, and "image" brands. Still, the demand for any particular product varies from time to time based largely upon changes in consumer preferences and general economic conditions affecting the apparel industry.

The products of the Apparel Segment are standardized shirts manufactured in a variety of sizes and colors. The Apparel Segment operates six manufacturing facilities, one in California and five in Mexico.

The apparel industry is comprised of numerous companies who manufacture and sell a wide range of products. Alstyle is primarily involved in the activewear market and produces t-shirts, fleece items, and outsources such products as hats, shorts, pants and other such activewear apparel from China, Thailand, Pakistan, India, Indonesia, Russia, and other foreign sources to sell to its customers through its sales representatives. Its primary competitors are Delta Apparel ("Delta"), Russell, Hanes and Gildan Activewear ("Gildan"). While it is not possible to calculate precisely, based on public information available, management believes that Alstyle is one of the top three providers of blank t-shirts in North America. Alstyle competes with many branded and private label manufacturers of knit apparel in the United States and Canada, some of which are larger in size and have greater financial resources than Alstyle. Alstyle competes on the basis of price, quality, service and delivery. Alstyle's strategy is to provide the best value to its customers by delivering a consistent, high-quality product at a competitive price. Alstyle's competitive disadvantage is that its brand name, Alstyle Apparel, is not as well known as the brand names of its largest competitors, such as Gildan, Delta, Hanes and Russell.

Distribution of the Apparel Segment's products is through Alstyle's own staff of sales representatives and regional distribution centers selling to local distributors who resell to retailers, or directly to screen printers, embellishers, retailers and mass marketers.

Raw materials of the Apparel Segment principally consist of cotton and polyester yarn purchased from a number of major suppliers at prevailing market prices, although we purchase more than 70% of our cotton and yarn from one supplier. Reference is made to — "Risk Factors" of this Report.

Patents, Licenses, Franchises and Concessions

The Company does not have any significant patents, licenses, franchises, or concessions.

Intellectual Property

We market our products under a number of trademarks and tradenames. We have registered trademarks in the United States for Ennis, A Alstyle Apparel, AA Alstyle Apparel & Activewear, AAA Alstyle Apparel & Activewear, American Diamond, Classic by Alstyle Apparel, Diamond Star, Executive by Alstyle, Gaziani, Gaziani Fashions, Hyland, Hyland Headwear by Alstyle, Murina, Tennessee River, 360º Custom Labels, Admore, CashManagementSupply.com, Securestar, Northstar, MICRLink, MICR Connection, Ennisstores.com, General Financial Supply, Calibrated, Witt Printing, GenForms, Royal, Crabar/GBF, Adams McClure, Advertising Concepts, ColorWorx, Star Award Ribbon, and variations of these brands as well as other trademarks. We have similar trademark registrations internationally. The protection of our trademarks is important to our business. We believe that our registered and common law trademarks have significant value and these trademarks are instrumental to our ability to create and sustain demand for our products.

Customers

No single customer accounts for as much as five percent of consolidated net sales.

Backlog

At February 28, 2007, the Company's backlog of orders believed to be firm was approximately $18,658,000 as compared to approximately $19,482,000 at February 28, 2006.

Research and Development

While the Company continuously looks for new products to sell through its distribution channel, there have been no material amounts spent on research and development in the fiscal year ended February 28, 2007.

Environment

We are subject to various federal, state, and local environment laws and regulations concerning, among other things, wastewater discharges, air emissions and solid waste disposal. Our manufacturing processes do not emit substantial foreign substances into the environment. We do not believe that our compliance with federal, state, or local statutes or regulations relating to the protection of the environment has any material effect upon capital expenditures, earnings or our competitive position. There can be no assurance, however, that future changes in federal, state, or local regulations, interpretations of existing regulations or the discovery of currently unknown problems or conditions will not require substantial additional expenditures. Similarly, the extent of our liability, if any, for past failures to comply with laws, regulations, and permits applicable to our operations cannot be determined.

Employees

At February 28, 2007, the Company had approximately 6,383 employees. Approximately 3,139 of the employees are in Mexico and approximately 25 employees are in Canada. Of the USA employees, approximately 449 were represented by three unions, under seven separate contracts expiring at various times. Of the employees in Mexico, two unions represent substantially all employees with contracts expiring at various times.

Available Information

The Company makes its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934 available free of charge under the Investors Relations page on its website, www.ennis.com, as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the Securities and Exchange Commission ("SEC"). The Company's SEC filings are also available through the SEC's website, www.sec.gov. In addition, the public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 450 Fifth Street, NW., Washington, DC 20549. Information regarding the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330.

ITEM 1A. RISK FACTORS

You should carefully consider the risks described below, as well as the other information included or incorporated by reference in this Annual Report on Form 10-K, before making an investment in the Company's common stock. The risks described below are not the only ones we face in our business. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also impair our business operations. If any of the following risks occur, our business, financial condition or operating results could be materially harmed. In such an event, our common stock could decline in price and you may lose all or part of your investment.

We may be required to write down goodwill and other intangible assets in the future, which could cause our financial condition and results of operations to be negatively affected in the future.

When we acquire a business, a portion of the purchase price of the acquisition may be allocated to goodwill and other identifiable intangible assets. The amount of the purchase price allocated to goodwill and other intangible assets is the excess of the purchase price over the net identifiable assets acquired. At February 28, 2007, our goodwill and other intangible assets were approximately $178.3 million and $83.3 million, respectively. Under current accounting standards, if we determine goodwill or intangible assets are impaired, we would be required to write down the value of these assets. Annually, we have conducted a review of our goodwill and other identifiable intangible assets to determine whether there has been impairment. Such a review was completed for our fiscal year ended February 28, 2007, and we concluded that no impairment charge was necessary. We cannot provide assurance that we will not be required to take an impairment charge in the future. Any impairment charge would have a negative effect on our shareholders' equity and financial results and may cause a decline in our stock price.

Printed business forms may be superceded over time by "paperless" business forms or otherwise affected by technological obsolescence and changing customer preferences, which could reduce our sales and profits.

Printed business forms and checks may eventually be superceded by "paperless" business forms, which could have a material adverse effect on our business over time. The price and performance capabilities of personal computers and related printers now provide a cost-competitive means to print low-quality versions of many of our business forms on plain paper. In addition, electronic transaction systems and off-the-shelf business software applications have been designed to automate several of the functions performed by our business form and check products. In response to the gradual obsolescence of our standardized forms business, we continue to develop our capability to provide custom and full-color products. If new printing capabilities and new product introductions do not continue to offset the obsolescence of our standardized business forms products, there is a risk that the number of new customers we attract and existing customers we retain may diminish, which could reduce our sales and profits. Decreases in sales of our standardized business forms and products due to obsolescence could also reduce our gross margins. This reduction could in turn adversely impact our profits, unless we are able to offset the reduction through the introduction of new high margin products and services or realize cost savings in other areas.

Our distributors face increased competition from various sources, such as office supply superstores. Increased competition may require us to reduce prices or to offer other incentives in order to enable our distributors to attract new customers and retain existing customers.

Low price, high value office supply chain stores offer standardized business forms, checks and related products. Because of their size, these superstores have the buying power to offer many of these products at competitive prices. These superstores also offer the convenience of "one-stop" shopping for a broad array of office supplies that our distributors do not offer. In addition, superstores have the financial strength to reduce prices or increase promotional discounts to expand market share. This could result in us reducing our prices or offering incentives in order to enable our distributors to attract new customers and retain existing customers.

Technological improvements may reduce our competitive advantage over some of our competitors, which could reduce our profits.

Improvements in the cost and quality of printing technology are enabling some of our competitors to gain access to products of complex design and functionality at competitive costs. Increased competition from these competitors could force us to reduce our prices in order to attract and retain customers, which could reduce our profits.

We could experience labor disputes that could disrupt our business in the future.

As of February 28, 2007, approximately 14% of our domestic employees are represented by labor unions under collective bargaining agreements, which are subject to periodic renegotiations. Two unions represent all of our hourly employees in Mexico. There can be no assurance that any future labor negotiations will prove successful, which may result in a significant increase in the cost of labor, or may break down and result in the disruption of our business or operations.

We obtain our raw materials from a limited number of suppliers and any disruption in our relationships with these suppliers, or any substantial increase in the price of raw materials, material shortages, or an increase in transportation costs, could have a material adverse effect on us.

Cotton yarn is the primary raw material used in Alstyle's manufacturing processes. Cotton accounts for approximately 40% of the manufactured product cost. Alstyle acquires its yarn from five major sources that meet stringent quality and on-time delivery requirements. The largest supplier provides over 70% of Alstyle's yarn requirements and has an entire yarn mill dedicated to Alstyle's production. If Alstyle's relations with its suppliers are disrupted, Alstyle may not be able to enter into arrangements with substitute suppliers on terms as favorable as its current terms and our results of operations could be materially adversely affected.

Alstyle generally acquires its cotton yarn under short-term purchase orders with its suppliers, and has exposure to swings in cotton market prices. Alstyle does not use derivative instruments, including cotton option contracts, to manage its exposure to movements in cotton market prices. Alstyle may use such derivative instruments in the future. We believe we are competitive with other companies in the United States apparel industry in negotiating the price of cotton. However, any significant increase in the price of cotton or shortages in the availability of cotton as the result of farmers switching to alternative crops, such as corn, could have a material adverse effect on our results of operations.

Freight costs also represent a significant cost to our apparel company. We incur freight costs associated with the delivery of yarn to our manufacturing facility in Anaheim, CA. We also incur freight costs associated with transporting our knit and dyed products to Mexico and our final sewn products from Mexico to our various distribution centers. Any significant increase in transportation costs due to increased fuel costs, etc. could have a material impact on our reported apparel margins.

We also purchase our paper products from a limited number of sources, which meet stringent quality and on-time delivery standards under long-term contracts. However, fluctuations in the quality of our paper, unexpected prices increases, or material shortages, etc. could have a material adverse effect on our operating results.

Alstyle faces intense competition to gain market share, which may lead some competitors to sell substantial amounts of goods at prices against which we cannot profitably compete.

Demand for Alstyle's products is dependent on the general demand for shirts and the availability of alternative sources of supply. Alstyle's strategy in this market environment is to be a low cost producer and to differentiate itself by providing quality service to its customers. Even if this strategy is successful, its results may be offset by reductions in demand or price declines.

Apparel business is subject to cyclical trends.

The United States apparel industry is sensitive to the business cycle of the national economy. Moreover, the popularity, supply and demand for particular apparel products can change significantly from year to year. Alstyle may be unable to compete successfully in any industry downturn due to excess capacity.

Our apparel foreign operations could be subject to unexpected changes in regulatory requirements, tariffs and other market barriers and political and economic instability in the countries where it operates, which could negatively impact our operating results.

Alstyle operates cutting and sewing facilities in Mexico, and sources certain product manufacturing and purchases in El Salvador, Pakistan, China and Southeast Asia. Alstyle's foreign operations could be subject to unexpected changes in regulatory requirements, tariffs and other market barriers and political and economic instability in the countries where it operates. The impact of any such events that may occur in the future could subject Alstyle to additional costs or loss of sales, which could adversely affect our operating results. In particular, Alstyle operates its facilities in Mexico pursuant to the “maquiladora” duty-free program established by the Mexican and United States governments. This program enables Alstyle to take advantage of generally lower costs in Mexico, without paying duty on inventory shipped into or out of Mexico. There can be no assurance that the governments of Mexico and the United States will continue the program currently in place or that Alstyle will continue to be able to benefit from this program. The loss of these benefits could have an adverse effect on our business.

Our apparel products are subject to foreign competition, which in the past has been faced with significant U.S. government import restrictions.

Foreign producers of apparel often have significant labor cost advantages. Given the number of these foreign producers, the substantial elimination of import protections that protect domestic apparel producers could materially adversely affect Alstyle’s business. The extent of import protection afforded to domestic apparel producers has been, and is likely to remain, subject to considerable political considerations.

The North American Free Trade Agreement (NAFTA) became effective on January 1, 1994 and has created a free-trade zone among Canada, Mexico and the United States. NAFTA contains a rule of origin requirement that products be produced in one of the three countries in order to benefit from the agreement. NAFTA has phased out all trade restrictions and tariffs among the three countries on apparel products competitive with those of Alstyle. Alstyle performs substantially all of its cutting and sewing in five plants located in Mexico in order to take advantage of the NAFTA benefits. Subsequent repeal or alteration of NAFTA could adversely affect our business.

The Central American Free Trade Agreement (CAFTA) became effective May 28, 2004 and retroactive to January 1, 2004 for textiles and apparel. It creates a free trade zone similar to NAFTA by and between the United States and Central American countries (El Salvador, Honduras, Costa Rica, Nicaragua and Dominican Republic.) Textiles and apparel will be duty-free and quota-free immediately if they meet the agreement’s rule of origin, promoting new opportunities for U.S. and Central American fiber, yarn, fabric and apparel manufacturing. The agreement will also give duty-free benefits to some apparel made in Central America that contains certain fabrics from NAFTA partners Mexico and Canada. Alstyle sources approximately 12% of its sewing to a contract manufacturer in El Salvador, and we do not anticipate that this will have a material effect on our operations.

The World Trade Organization (WTO), a multilateral trade organization, was formed in January 1995 and is the successor to the General Agreement on Tariffs and Trade (GATT). This multilateral trade organization has set forth mechanisms by which world trade in clothing is being progressively liberalized by phasing-out quotas and reducing duties over a period of time that began in January of 1995. As it implements the WTO mechanisms, the U.S. government is negotiating bilateral trade agreements with developing countries, which are generally exporters of textile and apparel products, that are members of the WTO to get them to reduce their tariffs on imports of textiles and apparel in exchange for reductions by the United States in tariffs on imports of textiles and apparel.

In January 2005, United States import quotas have been removed on knitted shirts from China. The elimination of quotas and the reduction of tariffs under the WTO may result in increased imports of certain apparel products into North America. In May 2005, quotas on three categories of clothing imports, including knitted shirts, from China were re-imposed. These factors could make Alstyle’s products less competitive against low cost imports from developing countries.

Environmental regulations may impact our future operating results.

We are subject to extensive and changing federal, state and foreign laws and regulations establishing health and environmental quality standards, and may be subject to liability or penalties for violations of those standards. We are also subject to laws and regulations governing remediation of contamination at facilities currently or formerly owned or operated by us or to which we have sent hazardous substances or wastes for treatment, recycling or disposal. We may be subject to future liabilities or obligations as a result of new or more stringent interpretations of existing laws and regulations. In addition, we may have liabilities or obligations in the future if we discover any environmental contamination or liability at any of our facilities, or at facilities we may acquire.

We depend upon the talents and contributions of a limited number of individuals, many of whom would be difficult to replace.

The loss or interruption of the services of our Chief Executive Officer, Executive Vice President, Chief Financial Officer and Vice President Apparel Division, could have a material adverse effect on our business, financial condition and results of operations. Although we maintain employment agreements with these individuals, it cannot be assured that the services of such individuals will continue.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable

ITEM 2. PROPERTIES

The Company's corporate headquarters are located in Midlothian, Texas. It operates manufacturing and distribution throughout the United States and in Mexico and Canada. See the table below for additional information on our locations.

All of the Print Segment properties are used for the production, warehousing and shipping of the following: business forms, flexographic printing, advertising specialties and Post-it® Notes (Wolfe City, Texas); presentation products (Macomb, Michigan and Anaheim, California); and printed and electronic promotional media (Denver, Colorado and Dallas, Texas); financial forms and other business products. The Apparel Segment properties are used for the manufacturing or distribution of T-shirts and other activewear apparel.

The plants are being operated at normal productive capacity. Productive capacity fluctuates with market demands and depends upon the product mix at any given point in time. Equipment is added as existing machinery becomes obsolete or not repairable, and as new equipment becomes necessary to meet market demands; however, at any given time, these additions and replacements are not considered to be material additions to property, plant and equipment, although such additions or replacements may increase a plant's efficiency or capacity.

All of the foregoing facilities are considered to be in good condition. The Company does not anticipate that substantial expansion, refurbishing or re-equipping will be required in the near future.

All of the rented property is held under leases with original terms of two or more years, expiring at various times from March 2007 through April 2012. No difficulties are presently foreseen in maintaining or renewing such leases as they expire.

The accompanying list contains each of our owned and leased locations:

		Approximate Square Footage	
Location	**General Use**	**Owned**	**Leased**
Print Segment			
Ennis, Texas	Three Manufacturing Facilities	325,118	—
Chatham, Virginia	Two Manufacturing Facilities	127,956	—
Paso Robles, California	Manufacturing	94,120	—
DeWitt, Iowa	Two Manufacturing Facilities	95,000	—
Milwaukee, Wisconsin	Sales Office	—	300
Knoxville, Tennessee	Manufacturing	48,057	—
Ft, Scott, Kansas	Manufacturing	86,660	—
Portland, Oregon	Two Manufacturing Facilities	—	186,330
Wolfe City, Texas	Two Manufacturing Facilities	119,259	—
Moultrie, Georgia	Manufacturing	25,000	—
Coshocton, Ohio	Manufacturing	24,750	—
Macomb, Michigan	Manufacturing	56,350	—
Anaheim, California	Three Manufacturing Facilities	—	63,750
Bellville, Texas	Manufacturing	70,196	—
Denver, Colorado	Four Manufacturing Facilities	—	126,505
Dallas, Texas	Held for sale	82,400	—
San Antonio, Texas	Manufacturing	47,426	—
Brooklyn Park, Minnesota	Manufacturing	94,800	—

Location	General Use	Approximate Square Footage Owned	Leased
Roseville, Minnesota	Manufacturing	—	42,500
Arden Hills, Minnesota	Warehouse	—	31,684
Lakewood, New York	Administrative Offices	—	650
Nevada, Iowa	Manufacturing	232,000	—
Bridgewater, Virginia	Manufacturing	—	27,000
Columbus, Kansas	Manufacturing	201,000	—
Dayton, Ohio	Vacant	—	5,526
Leipsic, Ohio	Manufacturing	83,216	—
El Dorado Springs, Missouri	Manufacturing	70,894	—
Princeton, Illinois	Manufacturing	—	74,340
Arlington, Texas	Manufacturing and Warehouse	88,235	33,120
Mechanicsburg, Pennsylvania	Warehouse	—	7,500
Sacramento, California	Administrative Offices	—	414
Tullahoma, Tennessee	Manufacturing	24,950	—
Caledonia, New York	Manufacturing	138,730	—
Sun City, California	Manufacturing	52,617	—
Sparks, Nevada	Manufacturing	—	18,589
		2,188,734	618,208
Apparel Segment			
Anaheim, California	Office and Distribution Center	—	200,000
Anaheim, California	Manufacturing*	—	450,315
Chicago, Illinois	Distribution Center	—	120,000
Atlanta, Georgia	Distribution Center	—	31,958
Carrollton, Texas	Distribution Center	—	26,136
Bensalem, Pennsylvania	Distribution Center	—	60,848
Mississauga, Canada	Distribution Center	—	53,982
Los Angeles, California	Distribution Center	—	31,600
Ensenada, Mexico	Two Manufacturing Facilities	112,622	53,820
Ensenada, Mexico	Car Parking	—	22,000
Ensenada, Mexico	Warehouse	—	2,583
Hermosillo, Mexico	Administrative Offices	—	215
Hermosillo, Mexico	Three Manufacturing Facilities	—	126,263
Hermosillo, Mexico	Yard Space	—	19,685
Hermosillo, Mexico	Vacant	—	8,432
Hermosillo, Mexico	Storage for Machines	—	1,640
		112,622	1,209,477
Corporate Offices			
Ennis, Texas	Administrative Offices	9,300	—
Midlothian, Texas	Executive and Administrative Offices	28,000	—
		37,300	—
	Totals	2,338,656	1,827,685

* Apparel Segment — 150,000 square feet of the manufacturing facilities in Anaheim, California is subleased.

ITEM 3. LEGAL PROCEEDINGS

From time to time we are involved in various litigation matters arising in the ordinary course of our business. We do not believe the disposition of any current matter will have a material adverse effect on our consolidated financial position or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of fiscal 2007.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASE OF EQUITY SECURITIES

Our common stock, par value $2.50, is traded on the New York Stock Exchange ("NYSE") under the trading symbol "EBF". The following table sets forth for the periods indicated: the high and low sales prices, the common stock trading volume as reported by the New York Stock Exchange and dividends per share paid by the Company.

	Common Stock Price Range		Common Stock Trading Volume (number of shares in thousands)	Dividends per share of Common Stock
	High	Low		
Fiscal Year Ended February 28, 2007				
First Quarter	$ 20.16	$ 18.57	6,684	$ 0.155
Second Quarter	20.87	18.52	6,185	$ 0.155
Third Quarter	23.37	19.99	6,850	$ 0.155
Fourth Quarter	27.11	22.19	4,801	$ 0.155
Fiscal Year Ended February 28, 2006				
First Quarter	$ 17.70	$ 14.11	5,472	$ 0.155
Second Quarter	19.27	15.83	6,248	$ 0.155
Third Quarter	18.17	16.13	5,857	$ 0.155
Fourth Quarter	20.33	17.34	5,575	$ 0.155

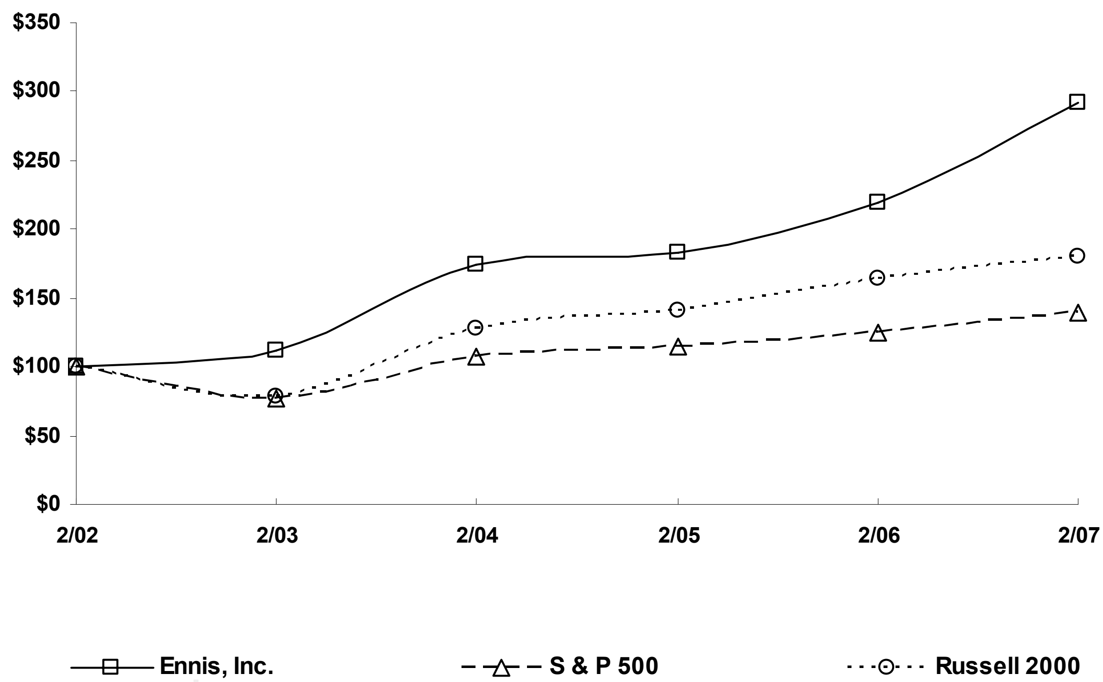
The last reported sale price of our common stock on NYSE on April 30, 2007 was $24.45. As of that date, there were approximately 1,239 shareholders of record of our common stock. Cash dividends may be paid or repurchases of our common stock may be made from time-to-time, as our Board of Directors deems appropriate, after considering our growth rate, operating results, financial condition, cash requirements, restrictive lending covenants, and such other factors as the Board of Directors may deem appropriate. The Company does not currently have an approved stock repurchase program.

See Item 12 — "Security Ownership of Beneficial Owners and Management and Related Stockholder Matters" section of this Report for information relating to our equity compensation plans.

Stock Performance Graph

The graph below matches the cumulative 5-year total return of holders of Ennis, Inc.'s common stock with the cumulative total returns of the S & P 500 index and the Russell 2000 index. The graph assumes that the value of the investment in the Company's common stock and in each of the indexes (including reinvestment of dividends) was $100 on February 28, 2002 and tracks it through February 28, 2007.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL
Among Ennis, Inc., The S & P 500 Index
And The Russell 2000 Index



* $100 invested on 2/28/02 in stock or index-including reinvestment of dividends. Fiscal year ending February 28.

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	2/02	2/03	2/04	2/05	2/06	2/07
Ennis, Inc.	**100.00**	**112.09**	**174.24**	**182.78**	**218.62**	**292.43**
S & P 500	**100.00**	**77.32**	**107.10**	**114.57**	**124.20**	**139.07**
Russell 2000	**100.00**	**77.90**	**128.08**	**140.28**	**163.55**	**179.70**

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data has been derived from our audited consolidated financial statements. Our consolidated financial statements and notes thereto as of February 28, 2007 and 2006, and for the three years in the period ended February 28, 2007, and the reports of Grant Thornton LLP are included in Item 15 of this Report. The selected financial data should be read in conjunction with Item 7 — "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and notes thereto included in Item 15 of this Report.

	Fiscal Years Ended				
	2007	2006	2005	2004	2003
	(Dollars and shares in thousands, except per share amounts)				
Operating results:					
Net sales	$ 584,713	$ 559,397	$ 365,353	$ 259,360	$ 240,757
Gross profit	145,937	142,090	90,757	68,548	63,272
SG&A expenses	72,579	70,060	51,159	38,521	37,559
Net earnings	41,601	40,537	22,959	17,951	15,247
Earnings and dividends per share:					
Basic	$ 1.63	$ 1.59	$ 1.21	$ 1.10	$ 0.94
Diluted	1.62	1.58	1.19	1.08	0.93
Dividends	0.62	0.62	0.62	0.62	0.62
Weighted average shares outstanding:					
Basic	25,531	25,453	18,936	16,358	16,285
Diluted	25,759	25,728	19,260	16,602	16,478
Financial Position:					
Working capital	$ 102,269	$ 94,494	$ 70,247	$ 38,205	$ 39,718
Current assets	151,516	158,455	151,630	63,605	65,012
Total assets	478,228	494,401	497,246	154,043	152,537
Current liabilities	49,247	63,961	81,383	25,400	25,294
Long-term debt	88,971	102,916	112,342	7,800	18,135
Total liabilities	161,825	197,066	225,515	43,461	55,634
Equity	316,403	297,335	271,731	110,582	96,903
Current ratio	3.08 to 1.0	2.48 to 1.0	1.86 to 1.0	2.50 to 1.0	2.57 to 1.0
Long-term debt to equity	.28 to 1.0	.35 to 1.0	.41 to 1.0	.07 to 1.0	.19 to 1.0

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Statements

You should read this discussion and analysis in conjunction with our Consolidated Financial Statements and the related notes appearing elsewhere in this Report. In addition, certain statements in this Report, and in particular, statements found in Management's Discussion and Analysis of Financial Condition and Results of Operations, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We believe these forward-looking statements are based upon reasonable assumptions within the bounds of our knowledge of Ennis. All such statements involve risks and uncertainties, and as a result, actual results could differ materially from those projected, anticipated or implied by these statements. Such forward-looking statements involve known and unknown risks, including but not limited to, general economic, business and labor conditions; the ability to implement our strategic initiatives; the ability to be profitable on a consistent basis; dependence on sales that are not subject to long-term contracts; dependence on suppliers; the ability to recover the rising cost of key raw materials in markets that are highly price competitive; the ability to meet customer demand for additional value-added products and services; the ability to timely or adequately respond to technological changes in the industry; the impact of the Internet and other electronic media on the demand for forms and printed materials; postage rates; the ability to manage operating expenses; the ability to manage financing costs and interest rate risk; a decline in business volume and profitability could result in an impairment of goodwill; the ability to retain key management personnel; the ability to identify, manage or integrate future acquisitions; the costs associated with and the outcome of outstanding and future litigation; and changes in government regulations.

In view of such uncertainties, investors should not place undue reliance on our forward-looking statements since such statements may prove to be inaccurate and speak only as of the date when made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Results of Operations

Consolidated Statements of Earnings – Data	Fiscal Years Ended 2007		2006		2005	
Net sales	$ 584,713	100.0%	$ 559,397	100.0%	$ 365,353	100.0%
Cost of goods sold	438,776	75.0	417,307	74.6	274,596	75.2
Gross profit	145,937	25.0	142,090	25.4	90,757	24.8
Selling, general and administrative	72,579	12.4	70,060	12.5	51,159	14.0
Income from operations	73,358	12.6	72,030	12.9	39,598	10.8
Other expense	(6,993)	(1.2)	(8,059)	(1.4)	(2,133)	(0.6)
Earnings before income taxes	66,365	11.4	63,971	11.4	37,465	10.3
Provision for income taxes	24,764	4.2	23,434	4.2	14,506	4.0
Net earnings	$ 41,601	7.2%	$ 40,537	7.2%	$ 22,959	6.3%

Critical Accounting Policies and Judgments

In preparing our consolidated financial statements, we are required to make estimates and assumptions that affect the disclosures and reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. We evaluate our estimates and judgments on an ongoing basis, including those related to allowance for doubtful receivables, inventory valuations, property, plant and equipment, intangible assets, pension plan, accrued liabilities and income taxes. We base our estimates and judgments on historical experience and on various other factors that we believe to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions or conditions. We believe the following accounting policies are the most critical due to their affect on our more significant estimates and judgments used in preparation of our consolidated financial statements.

We maintain a defined-benefit pension plan for employees. Included in our financial results are pension costs that are measured using actuarial valuations. The actuarial assumptions used may differ from actual results.

Amounts allocated to intangibles are determined based on independent valuations for our acquisitions and are amortized over their expected useful lives. We evaluate these amounts periodically (at least once a year) to determine whether the value has been impaired by events occurring during the fiscal year.

We exercise judgment in evaluating our long-lived assets for impairment. We assess the impairment of long-lived assets that include other intangible assets, goodwill, and property, plant, and equipment annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. In performing tests of impairment, we must make assumptions regarding the estimated future cash flows and other factors to determine the fair value of the respective assets in assessing the recoverability of our goodwill and other intangibles. If these estimates or the related assumptions change, we may be required to record impairment charges for these assets in the future. Actual results could differ from assumptions made by management. We believe our businesses will generate sufficient undiscounted cash flow to more than recover the investments we have made in property, plant and equipment, as well as the goodwill and other intangibles recorded as a result of our acquisitions. We cannot predict the occurrence of future impairment triggering events nor the impact such events might have on our reported asset values.

Revenue is generally recognized upon shipment of products. Net sales consist of gross sales invoiced to customers, less certain related charges, including discounts, returns and other allowances. Returns, discounts and other allowances have historically been insignificant. In some cases and upon customer request, Ennis prints and stores custom print product for customer specified future delivery, generally within twelve months. In this case, risk of loss from obsolescence passes to the customer, the customer is invoiced under normal credit terms and revenue is recognized when manufacturing is complete. Approximately $20.1 million, $16.4 million and $13.9 million of revenue was recognized under these agreements during fiscal years ended February 28, 2007, 2006, and 2005 respectively.

Derivative instruments are recognized on the balance sheet at fair value. Changes in fair values of derivatives are accounted for based upon their intended use and designation. When utilized, interest rate swaps are held for purposes other than trading. In the past, the Company utilized swap agreements related to its term and revolving loans to effectively fix the interest rate for a specified principal amount. The swaps have been designated as cash flow hedges, and the after-tax effect of the mark-to-market valuation that relates to the effective amount of derivative financial instrument is recorded as an adjustment to accumulated other comprehensive income with the offset included in accrued expenses. There were no derivatives, swaps or deferred gains or losses at the end of fiscal year 2007 or 2006.

We maintain an allowance for doubtful receivables to reflect estimated losses resulting from the inability of customers to make required payments. On an on-going basis, we evaluate the collectability of accounts receivable based upon historical collection trends, current economic factors, and the assessment of the collectability of specific accounts. We evaluate the collectability of specific accounts using a combination of factors, including the age of the outstanding balances, evaluation of customers' current and past financial condition and credit scores, recent payment history, current economic environment, discussions with our project managers, and discussions with the customers directly.

Our inventories are valued at the lower of cost or market. We regularly review inventory values on hand, using specific aging categories, and write down inventory deemed obsolete and/or slow-moving based on historical usage and estimated future usage to its estimated market value. As actual future demand or market conditions may vary from those projected by management, adjustments to inventory valuations may be required.

As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each jurisdiction in which we operate. This process involves estimating our actual current tax exposure together with assessing temporary differences resulting from different treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in our consolidated balance sheets. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income. To the extent we believe that recovery is not likely, we must establish a valuation allowance. To the extent we establish a valuation allowance we must include an expense within the tax provision in the consolidated statements of earnings. In the event that actual results differ from these estimates, our provision for income taxes could be materially impacted.

In addition to the above, we also have to make assessments as to the adequacy of our accrued liabilities, more specifically our liabilities recorded in connection with our workers compensation and health insurance, as these plans are self funded. To help us in this evaluation process, we routinely get outside third party assessments of our potential liabilities under each plan.

In view of such uncertainties, investors should not place undue reliance on our forward-looking statements since such statements speak only as of the date when made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Results of Operations – Consolidated

Net Sales. Net sales for fiscal year 2007 were $584.7 million, compared to $559.4 million for fiscal year 2006, an increase of $25.3 million, or 4.5%. The increase in our sales for the period related primarily to an increase in our Apparel Segment sales which increased $21.0 million during the period, or 8.8%. Our Print Segment sales increased by approximately $4.3 million, or 1.3% during the period. See "Results of Operations – Segments" of this Report for further discussion.

For fiscal year 2006, our net sales increased by approximately $194.0 million, or 53.1%, from $365.4 million for fiscal year 2005 to $559.4 million for fiscal year 2006. Our increase in sales related primarily to the additional sales associated with the acquisition of Alstyle Apparel completed during the later half of fiscal year 2005, as this acquisition provided $181.9 million of our fiscal year 2006 increase, or 94%. The remaining increase related principally to our Print Segment's acquisitions of Royal and Crabar/GBF, which accounted for an additional $8.0 million and $4.0 million of our fiscal year 2006 increase in sales, respectively.

Cost of Goods Sold. Our cost of goods sold for fiscal year 2007 was approximately $438.8 million, or 75.0% of sales, compared to $417.3 million, or 74.6% of sales for fiscal year 2006. The increase in our cost of sales, on a dollar-basis relates primarily to our increased sales volume as previously discussed. Our cost of sales, as a percentage of sales, increased primarily as a result of raw material cost increases experienced by both our Print and Apparel Segments during the year and market penetration pricing strategies employed by our Apparel Segment during the later half of fiscal year 2007. As a result, our gross profit margins decreased slightly from 25.4 % in fiscal year 2006 to 25.0% in fiscal year 2007.

Our cost of goods sold for fiscal year 2006 was $417.3 million compared to $274.6 million for fiscal year 2005. As a percentage of sales, our cost of goods sold was 74.6% and 75.2% for fiscal years 2006 and 2005, respectively. The increase in our cost of goods sold, on a dollar-basis, related primarily to our increased sales volume. The decrease in our cost of goods sold, on a percentage of sales basis, related primarily to a reduction in our cost of sales associated with our Apparel Segment, which is the direct result of various cost saving programs implemented by the Company during fiscal year 2006. As a result, our gross profit margin as a percentage-of-sales increased from 24.8% for fiscal year 2005 to 25.4% for fiscal year 2006.

Selling, general, and administrative expenses. For fiscal year 2007, our selling, general, and administrative expenses were $72.6 million, or 12.4% of sales, compared to $70.1 million, or 12.5% of sales, for fiscal year 2006. On a dollar basis these expenses increased by $2.5 million or 3.6% and related primarily to our Print Segment acquisitions of Block , SPF, and full year expenses associated with the acquisition of TBF. The decrease in these expenses on a percentage of sales basis is directly related to the fact that our sales increased by 4.5% during the year while these expenses only increased by 3.6%, which is attributable to our continued emphasis on reducing redundant expenses associated with our acquisitions and general economies of sales associated with higher revenues.

For fiscal year 2006, our selling, general, and administrative expenses increased approximately $18.9 million, or 36.9%, from $51.2 million for fiscal year 2005 to $70.1 million for fiscal 2006. While up on a dollar-basis, due to our acquisitions in fiscal year 2005, these expenses as a percentage of sales basis decreased from 14.0% in fiscal year 2005 to 12.5% in fiscal year 2006. This decrease results primarily from our continued emphasis on reducing redundant expenses associated with our acquisitions and general economies of scale associated with our increased revenues.

Income from operations. Our income from operations for the year increased from $72.0 million, or 12.9% of sales for fiscal year 2006, to $73.4 million, or 12.5% for fiscal year 2007. The slight decrease as a percentage of sales basis related primarily to the reduction in the gross profit margin during the year as discussed above.

Our earnings from operations for fiscal year 2006 increased by approximately $32.4 million, or 81.8%, from operational earnings of $39.6 million in fiscal year 2005 to operational earnings of $72.0 million in fiscal year 2006.

As a percentage of sales, our operational earnings increased from 10.8% in fiscal 2005 to 12.9% in fiscal year 2006. The increase in our operational earnings during fiscal year 2006 related primarily to the increase in our sales during the year due to our acquisition of Alstyle Apparel in fiscal year 2005.

Other income and expense. For fiscal year 2007, our other expense decreased by approximately $1.1 million, from $8.1 million for fiscal year 2006 to $7.0 million for the current period. The decrease during the current period related primarily to a reduction in our interest expense which resulted from decreased levels of outstanding debt. Our interest expense decreased from $8.3 million to $6.9 million for fiscal years 2006 and 2007, respectively.

For fiscal year 2005 and 2006, our other income and expense changed approximately $6.0 million, from $2.1 million to $8.1 million, respectively. The increase during fiscal year 2006 related primarily to increased interest expense which increased from $2.8 million in fiscal year 2005 to approximately $8.3 million in fiscal year 2006. The increased interest expense during fiscal 2006 related primarily our increased levels of outstanding debt during fiscal 2006 which was directly related to our acquisition of Crabar/GBF and Alstyle Apparel in June 2004 and November 2004, respectively.

Provision for income taxes. Our effective tax rates were 37.3% and 36.6% for fiscal years 2007 and 2006, respectively. The increase in our overall effective tax rate during the current period related primarily to an increase in our effective foreign and state income tax rates.

Our effective tax rates for fiscal years 2006 and 2005 were 36.6% and 38.7%, respectively. The decrease in our effective tax rate during 2006 over the comparable prior year related primarily to an increase in our foreign income tax credit and the American Jobs Creation Act credit.

Net earnings. As a result of the above factors, our net earnings increased from approximately $40.5 million, or 7.2% of sales for fiscal year 2006 to $41.6 million, or 7.1% of sales for fiscal year 2007. Basic earnings per share increased from earnings of $1.59 per share for fiscal year 2006 to $1.63 for fiscal year 2007. Diluted earnings per share increased from earnings of $1.58 per share for fiscal year 2006 to $1.62 for fiscal year 2007, or an increase of 2.5%.

Our net earnings increased by approximately $17.5 million, or 76.1%, from earnings of $23.0 million, or 6.3% of sales in fiscal 2005, to $40.5 million, or 7.2% of sales in fiscal year 2006. Basic earnings per share increased from earnings of $1.21 per share to $1.59 per share in fiscal years 2005 and 2006, respectively. Diluted earnings per share increased from earnings of $1.19 per share to $1.58 per share in fiscal years 2005 and 2006, respectively. The increase in our earnings and earnings per share during fiscal year 2006 related primarily to the additional earnings derived from Alstyle Apparel which was acquired in November 2004.

Results of Operations – Segments

	Fiscal year ending		
Net Sales by Segment (in thousands)	**2007**	**2006**	**2005**
Print	$ 325,679	$ 321,410	$ 309,308
Apparel	259,034	237,987	56,045
Total	$ 584,713	$ 559,397	$ 365,353

Print Segment. The print segment net sales represented 55.7%, 57.5%, and 84.7% of our consolidated net sales for fiscal years 2007, 2006, and 2005, respectively.

Our net sales for the Print Segment were approximately $325.7 million for fiscal year 2007 compared to approximately $321.4 million for fiscal year 2006, or an increase of $4.3 million, or 1.3%. The increase in the Print Segment's net sales for the fiscal year 2007 is primarily due to our acquisitions of SPF, TBF and Block which added approximately $32.0 million to our print sales during the current year. This increase was offset by the loss of two large customers, which we ceased doing business with during the fourth quarter of fiscal year 2006 and second quarter of fiscal year 2007, respectively. This loss amounted to approximately $19.6 million in lost revenues this fiscal year. We realized our decision to cease doing business with these large customers would most likely impact our top-line revenue in the short-term; however, given the gross profit margins afforded by these customers, this was a business decision that needed to be made and one that on a bottom-line basis would prove beneficial to our shareholders. In addition, due to the contracting nature of the print industry, our traditional print plants saw their sales decline by $8.1 million or 2.8% during the year.

Our net sales for the Print Segment were approximately $321.4 million for fiscal year 2006 compared to approximately $309.3 million for fiscal year 2005, or an increase of $12.1 million, or 3.9%. The increase in our fiscal year 2006 Print Segment sales related principally to our acquisition of Crabar/GBF and Royal in June 2004 and November 2004, respectively, which accounted for $11.9 million of this Segment's fiscal year 2006 sales increases. The sales in the Print Solutions Group during fiscal year 2006 were negatively impacted by the closing of our Edison and Medfield plants by approximately $3.6 million. While the closing of these plants negatively impacted our sales during the current period, it had a positive impact of our operational results for the period.

Apparel Segment. The Apparel Segment net sales represented 44.3%, 42.5% and 15.3% of our consolidated net sales for fiscal years 2007, 2006 and 2005 respectively.

Our fiscal year 2007 net sales for the Apparel Segment was approximately $259.0 million compared to approximately $238.0 million for fiscal year 2006, or an increase of $21.0 million, or 8.8%. The increase in the Apparel Segment's net sales was primarily due to increased volume associated with new customers, which is attributable to our market penetration pricing strategies, which contributed to growth in the third and fourth quarter.

For fiscal year 2005, our Apparel Segment net sales were approximately $56.0 million. Annualizing this Segment's fiscal year 2005 revenues would arrive at a comparable full-year sales figure of approximately $202.5 million, which would correlate in a full year 2006 over year 2005 sales increase of approximately $35.5 million, or 17.5%. Alstyle Apparel was acquired November 19, 2004 and formed our Apparel Segment. As such, Apparel net sales were included for approximately a quarter in our fiscal year 2005 results. Historically, our third and fourth quarters have been this group's lowest quarters, and conversely, our first and second quarters have been the Segment's highest revenue quarters.

	Fiscal year ending		
Gross Profit by Segment (in thousands)	**2007**	**2006**	**2005**
Print	$ 81,986	$ 79,859	$ 78,521
Apparel	63,951	62,231	12,236
Total	$ 145,937	$ 142,090	$ 90,757

Print Segment. Our Print Segment's gross profit increased approximately $2.1 million, or 2.7% and $1.3 million, or 1.7% for fiscal years 2007 and 2006, respectively. As a percentage of sales, our gross profit was 25.2%, 24.8% and 25.4% for fiscal years 2007, 2006 and 2005, respectively. Our gross profit during fiscal year 2006 was impacted by the decrease in margins at our Adams McClure facility, which related primarily to operational performance issues encountered in executing several large promotional contracts. This conversely had a positive impact on our margins during fiscal year 2007 when we exited these contracts in the later half of fiscal year 2006 and the first half of fiscal year 2007.

Apparel Segment. Our Apparel Segment's gross profit increased approximately $1.7 million, or 2.7% for fiscal year 2007 as a result of increased sales. Our Apparel Segment's gross profit increased $50.0 million for fiscal year 2006. As previously discussed, this segment's results for fiscal year 2005 were only for a portion of the year (since November 19, 2004). As a percentage of sales, our gross profit was 24.7%, 26.1% and 21.8% for fiscal years 2007, 2006 and 2005, respectively. Our Apparel Segment's gross profit as a percentage of sales decreased during fiscal year 2007 due to raw material cost increases and the inability to pass these through to the marketplace, lower absorption of fixed costs and manufacturing costs due to lower manufacturing levels, and market penetration pricing strategies employed during the third and fourth quarters of this fiscal year which drove higher sales. In addition, our margins during the current period were impacted by a lower manufacturing absorption factor as we reduced our apparel inventory levels during the year by over $10 million. While the aforementioned factors had a negative impact on our apparel margins this year, they in turn had a positive impact on our apparel margins last year. Our Apparel Segment's gross profit as a percentage of sales increased during fiscal year 2006 primarily as a result of the following factors: 1) favorable product mix, 2) reduced material costs, 3) improved manufacturing processes which resulted in manufacturing efficiencies and 4) inventory reserves.

	Fiscal year ending		
Profit by Segment (in thousands)	**2007**	**2006**	**2005**
Print	$ 46,077	$ 45,121	$ 45,678
Apparel	33,321	30,085	3,575
Total	79,398	75,206	49,253
Less corporate expenses	13,033	11,235	11,788
Earnings before income taxes	$ 66,365	$ 63,971	$ 37,465

Print Segment. Our Print Segment's profit increased approximately $1.0 million, or 2.1% for fiscal year 2007 primarily as a result of our acquisitions of Specialized Printed Forms and Block Graphics, Inc. Our Print Segment's profit for fiscal year 2006 decreased by approximately $0.6 million, or 1.2% from fiscal year 2005. As a percent of sales, this Segment's profits were 14.1%, 14.0%, and 14.8% for fiscal years 2007, 2006 and 2005, respectively. This Segment's profits during fiscal year 2006, as discussed previously, was impacted by operational performance issues encountered by our Adams McClure plant in executing several large contracts. We exited these contracts during the later part of fiscal year 2006 and the first part of fiscal year 2007, which as indicated above had a positive impact of this segment's operational profits during the current fiscal year.

Apparel Segment. Our Apparel Segment's profit increased approximately $3.2 million, or 10.6% for fiscal year 2007 primarily due to increased sales. Our Apparel Segment's profit increased $26.5 million for fiscal year 2006. As previously discussed, this Segment's fiscal year 2005 results were only for a portion of the year (since November 19, 2004). As a percent of sales, this Segment's profits were 12.9%, 12.6%, and 6.4% for fiscal years 2007, 2006 and 2005, respectively. During the current year, while this segment's gross margins were down slightly due to the factors previously mentioned, we were able to successfully leverage increased sales volume to bring increased profits to our bottom-line, as evidenced by the fact that sales increased by 8.8% for the year but profits increased 10.6% for the year. The majority of the improvement in profit as a percent of sales for fiscal year 2006 as compared to fiscal year 2005 came through improvements in this segment's manufacturing performance as discussed previously; the remainder came through operational improvements which reduced expense.

Liquidity and Capital Resources

(Dollars in thousands)	February 28, 2007	February 28, 2006	Change
Working Capital	$ 102,269	$ 94,494	8.2%
Cash and cash equivalents	$ 3,582	$ 13,860	-74.2%

Working Capital. Our working capital increased by approximately $7.8 million, or 8.2% from $94.5 million at February 28, 2006 to $102.3 million at February 28, 2007. The increase in our working capital during the period related primarily to an increase in our accounts receivable and prepaid expenses of $6.8 million, and a decrease in the current portion of our long-term debt of $11.0 million, which related primarily to a $10.0 million payment on the former Alstyle shareholder notes. This was offset by a reduction in our cash of $10.3 million. As a result, our current ratio, calculated by dividing our current assets by our current liabilities increased from 2.5-to-1.0 at February 28, 2006 to 3.1-to-1.0 at February 28, 2007.

Cash and cash equivalents. Cash and cash equivalents consists of highly liquid investments, such as time deposits held at major banks, commercial paper, United States government agency discounts notes, money market mutual funds and other money market securities with original maturities of 90 days or less. We used cash during the period to pay down our debt and to acquire certain businesses.

	Fiscal year ending		
(Dollars in thousands)	2007	2006	Change
Net Cash provided by operating activities	$ 49,517	$ 47,427	4.4%
Net Cash used in investing activities	$ (19,825)	$ (9,942)	99.4%
Net Cash used in financing activities	$ (39,978)	$ (34,895)	14.6%

Cash flows from operating activities. Cash provided by our operating activities increased by $2.1 million, or 4.4% to $49.5 million for fiscal year 2007 as compared to $47.4 million for fiscal year 2006. This increase is primarily attributable to better management of inventory levels at our Apparel Segment through improved forecasting techniques. This resulted in a $10 million reduction in our finished goods inventory levels at this operation, as well as the improved overall management of receivables and payables during the current year when compared to 2006 offset by the reduction of accounts receivable sold to factoring companies.

Cash flows from investing activities. Cash used for our investing activities increased by $9.9 million, or 99.4% to $19.8 million for fiscal year 2007 as compared to $9.9 million for fiscal year 2006. The increase in cash used during the current period related primarily to acquisitions of businesses of $17.6 million, offset by reduced expenditures for capital equipment of $5.0 million and from the disposal of certain property and equipment (primarily the Medfield property) which provided an additional $2.8 million in cash during the year.

Cash flows from financing activities. We used $5.1 million more in cash associated with our financing activities in 2007 when compared to the same period last year. We borrowed $6.6 million more and paid down $12.1 million more on our outstanding debt during 2007 when compared to the same period last year. This difference related primarily to the acquisition of Block on August 8, 2006, which was $14.8 million and was financed through these borrowings.

Credit Facility – On March 31, 2006, we entered into an amended and restated credit agreement with a group of lenders led by LaSalle Bank N.A. (the "Facility"). The Facility provides us access to $150 million in revolving credit and matures on March 31, 2010. The facility bears interest at the London Interbank Offered Rate ("LIBOR") plus a spread ranging from .50% to 1.50% (currently LIBOR + .75% — 6.12%), depending on our total funded debt to EBITDA ratio, as defined. The Facility contains financial covenants, restrictions on capital expenditures, acquisitions, asset dispositions, and additional debt, as well as other customary covenants. As of February 28, 2007, we had $88.5 million of borrowings under the revolving credit line and $3.9 million outstanding under standby letters of credit arrangements, leaving us availability of approximately $57.6 million. The Facility is secured by substantially all of our assets.

During fiscal year 2007, we repaid $29.0 million on the revolver and $11.6 million on other debt. It is anticipated that the available line of credit is sufficient to cover, should it be required, working capital requirements for the foreseeable future.

Alstyle continues to sell a substantial portion of its accounts receivable to factors (fiscal year 2007 – 53%) based upon agreements in place with these factors. We will continue with our plans to reduce the amount of receivables we factor each year through the utilization of our existing bank line or from working capital generated by Alstyle over the next couple years.

Pension – We are required to make contributions to our defined benefit pension plan. These contributions are required under the minimum funding requirements of the Employee Retirement Pension Plan Income Security Act (ERISA). We anticipate that we will contribute from $2.0 million to $3.0 million during our next fiscal year. We made contributions of $3 million to our pension plan during fiscal year 2007.

In addition, during fiscal year 2007, we adopted Statement of Financial Accounting Standards No. 158 ("FAS 158"), Employers Accounting for Defined Benefit Pension and Other Postretirement Plans. See Note 11 in the Notes to our Consolidated Financial Statements with respect to the impact related to the adoption of FAS 158.

Inventories – We believe our current inventory levels are sufficient to satisfy our customer demands and we anticipate having adequate sources of raw materials to meet future business requirements. The previously reported long-term contracts (that govern prices, but do not require minimum volume) with paper and yarn suppliers continue to be in effect.

Capital Expenditures – We expect our capital requirements for 2008, exclusive of capital required for possible acquisitions, will be in-line with our historical levels of between $5.0 million and $7.0 million. We would expect to fund these expenditures through existing cash flows. We would expect to generate sufficient cash flows from our operating activities in order to cover our operating and other capital requirements for our foreseeable future.

Contractual Obligations & Off-Balance Sheet Arrangements – There have been no significant changes in our contractual obligations since February 28, 2006 that have, or are reasonably likely to have, a material impact on our results of operations or financial condition. We had no off-balance sheet arrangements in place as of February 28, 2007 (in thousands).

	Total	2008	2009	2010	2011	2012 to 2017
Debt:						
Revolving credit facility	$ 88,500	$ —	$ —	$ —	$ 88,500	$ —
Notes to finance companies	314	314	—	—	—	—
Capital leases	784	326	248	210	—	—
Other	25	12	13	—	—	—
Debt subtotal	89,623	652	261	210	88,500	—
Interest on capital leases	54	32	17	5	—	—
Debt and interest total	89,677	684	278	215	88,500	—
Other contractual commitments:						
Estimated pension benefit payments	34,899	3,080	2,612	2,555	3,499	23,153
Letters of credit	3,938	3,938	—	—	—	—
Operating leases	18,286	7,252	6,062	2,755	1,765	452
Total other contractual commitments	57,123	14,270	8,674	5,310	5,264	23,605
Total	$ 146,800	$ 14,954	$ 8,952	$ 5,525	$ 93,764	$ 23,605

New Accounting Pronouncements

FIN 48. In June 2006, the Financial Accounting Standards Board issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48), effective for fiscal years beginning after December 15, 2006. FIN 48 requires a two-step approach to determine how to recognize tax benefits in the financial statements where recognition and measurement of a tax benefit must be evaluated separately. A tax benefit will be recognized only if it meets a "more-likely-than-not" recognition threshold. For tax positions that meet this threshold, the tax benefit recognized is based on the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement with the taxing authority. We have completed a substantial analysis of FIN 48, except for the effects of transfer pricing of transactions between United States and foreign subsidiaries, and therefore, we have not completed our analysis and determined whether an adjustment will be required.

SAB 108. In September 2006, the United States Securities and Exchange Commission issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements", ("SAB 108"). SAB 108 provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. SAB 108 is effective for fiscal years ending after November 15, 2006. We do not have any misstatements in our prior year financial statements that would be deemed material under the provisions of SAB 108 and therefore, have made no adjustment.

FAS 157. In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("FAS 157"). The provisions of FAS 157 define fair value, establish a framework for measuring fair value in generally accepted accounting principles, and expand disclosures about fair value measurements. The provisions of FAS 157 are effective for fiscal years beginning after November 15, 2006. We are currently assessing the impact of FAS 157 on our consolidated financial position, results of operations, or cash flows.

FAS 158. In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FAS Statements No. 87, 106, and 132(R)", ("FAS 158"). FAS 158 requires companies to recognize a net liability or asset and an offsetting adjustment to accumulated other comprehensive income (loss) to report the funded status of defined benefit pension and other postretirement benefit plans. Additionally, FAS 158 requires companies to measure plan assets and obligations at their year-end balance sheet date. We adopted this statement at the end of fiscal year 2007. See Note 11 in the Notes to our Consolidated Financial Statements for additional information with respect to the impact associated with our adoption of FAS 158.

FAS 159. In February 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FAS No. 115", ("FAS 159"). FAS 159 allows measurement at fair value of eligible financial assets and liabilities that are not otherwise measured at fair value. If the fair value option for an eligible item is elected, unrealized gains and losses on that item shall be reported in current earnings at each subsequent reporting date. FAS 159 also establishes presentation and disclosure requirements designed to draw comparison between the different measurement attributes the company elects for similar types of assets and liabilities. FAS 159 is effective for fiscal years beginning after November 15, 2007. Early adoption is permitted. We are currently assessing the impact of FAS 159 on our consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

Interest Rates

We are exposed to market risk from changes in interest rates on debt. We may from time to time utilize interest rate swaps to manage overall borrowing costs and reduce exposure to adverse fluctuations in interest rates. We do not use derivative instruments for trading purposes. We are exposed to interest rate risk on short-term and long-term financial instruments carrying variable interest rates. Our variable rate financial instruments, including the outstanding credit facilities, totaled $88.5 million at February 28, 2007. The impact on our results of operations of a one-point interest rate change on the outstanding balance of the variable rate financial instruments as of February 28, 2007 would be approximately $0.9 million.

Foreign Exchange

We have global operations and thus make investments and enter into transactions in various foreign currencies. The value of our consolidated assets and liabilities located outside the United States (translated at period end exchange rates) and income and expenses (translated using average rates prevailing during the period), generally denominated in Pesos and Canadian Dollars, are affected by the translation into our reporting currency (the U.S. Dollar). Such translation adjustments are reported as a separate component of shareholders' equity. In future periods, foreign exchange rate fluctuations could have an increased impact on our reported results of operations. However, due to the self-sustaining nature of our foreign operations, we believe we can effectively manage the effect of these currency fluctuations.

This market risk discussion contains forward-looking statements. Actual results may differ materially from this discussion based upon general market conditions and changes in domestic and global financial markets.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our Consolidated Financial Statements and Supplementary Data required by this Item 8 are set forth following the signature page of this report and are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

No matter requires disclosure.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. An evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design of our "disclosure controls and procedures" (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of February 28, 2007, pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that our disclosure controls and procedures as of February 28, 2007 are effective to ensure that information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and include controls and procedures designed to ensure that information required to be disclosed by us in such reports is accumulated and communicated to our management, including our principal executive and financial officers as appropriate to allow timely decisions regarding required disclosure. Due to the inherent limitations of control systems, not all misstatements may be detected. Those inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple errors or mistakes. Additionally, controls could be circumvented by the individual acts of some persons or by collusion of two or more people. Our controls and procedures can only provide reasonable, not absolute, assurance that the above objectives have been met.

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The financial statements, financial analysis and all other information in this Annual Report on Form 10-K were prepared by management, who is responsible for their integrity and objectivity and for establishing and maintaining adequate internal controls over financial reporting.

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. The Company's internal control over financial reporting includes those policies and procedures that:

i. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets of the Company;

ii. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

iii. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or dispositions of the Company's assets that could have a material effect on the financial statements.

There are inherent limitations in the effectiveness of any internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal controls can provide only reasonable assurances with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal controls may vary over time.

Management assessed the design and effectiveness of the Company's internal control over financial reporting as of February 28, 2007. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control—Integrated Framework*. Based on management's assessment using those criteria, we believe that, as of February 28, 2007, the Company's internal control over financial reporting is effective.

Grant Thornton, LLP, an independent registered public accounting firm, has audited the financial statements of the Company for the fiscal year ended February 28, 2007 and has attested to management's assertion regarding the effectiveness of the Company's internal control over financial reporting as of February 28, 2007. Their report is presented on page F-3 of this Report.

ITEM 9B. OTHER INFORMATION

No matter requires disclosure.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Except as set forth below, the information required by Item 10 is incorporated herein by reference to the definitive Proxy Statement for our 2007 Annual Meeting of Shareholders.

In the wake of well-publicized corporate scandals, the Securities and Exchange Commission and the New York Stock Exchange have issued multiple new regulations, requiring the implementation of policies and procedures in the corporate governance area. In complying with new regulations requiring the institution of policies and procedures, it has been the goal of the Ennis Board of Directors and senior leadership to do so in a way which does not inhibit or constrain Ennis' unique culture, and which does not unduly impose a bureaucracy of forms and checklists. Accordingly, formal, written policies and procedures have been adopted in the simplest possible way, consistent with legal requirements, including a Code of Ethics applicable to the company's principal executive officer, principal financial officer, and principal accounting officer or controller. The Company's Corporate Governance Guidelines, its charters for each of its Audit, Compensation, Nominating and Corporate Governance Committees and its Code of Ethics covering all Employees are available on the Company's website, www.ennis.com, and a copy will be mailed upon request to Ms. Sharlene Andrews at 2441 Presidential Parkway, Midlothian, TX 76065. If we make any substantive amendments to the Code, or grant any waivers to the Code for any of our senior officers or directors, we will disclose such amendment or waiver on our website and in a report on Form 8-K.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is hereby incorporated herein by reference to the definitive Proxy Statement for our 2007 Annual Meeting of Shareholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 12, as to certain beneficial owners and management, is hereby incorporated by reference to the definitive Proxy Statement for our 2007 Annual Meeting of Shareholders.

The following table provides information about securities authorized for issuance under the Company's equity compensation plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options a)	Weighted average exercise price of outstanding options b)	Number of securities available for future issuances under equity compensation plans (excluding securities reflected in column (a)) c)
Equity compensation plans approved by the security holders (1)....	593,432	$ 11.08	381,958
Equity compensation plans not approved by security holders.........	—	—	—
Total..	593,432	$ 11.08	381,958

(1) Includes the 1998 Option and Restricted Stock Plan, amended and restated as of June 17, 2004 and the 1991 Incentive Stock Option Plan. Includes 39,919 shares of restricted stock.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by Item 13 is hereby incorporated herein by reference to the definitive Proxy Statement for our 2007 Annual Meeting of Shareholders.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by Item 14 is hereby incorporated herein by reference to the definitive Proxy Statement for our 2007 Annual Meeting of Shareholders.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as a part of the report:

(1) Index to Consolidated Financial Statements of the Company

An "Index to Consolidated Financial Statements" has been filed as a part of this Report beginning on page F-1 hereof.

(2) All schedules for which provision is made in the applicable accounting regulation of the SEC have been omitted because of the absence of the conditions under which they would be required or because the information required is included in the consolidated financial statements of the Registrant or the notes thereto.

(3) Exhibits

An "Index to Exhibits" has been filed as a part of this Report beginning on page E-1 and is herein incorporated by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

ENNIS, INC.

Date: May 9, 2007	BY: /s/ KEITH S. WALTERS Keith S. Walters, Chairman of the Board, Chief Executive Officer and President
Date: May 9, 2007	BY: /s/ RICHARD L. TRAVIS, JR. Richard L. Travis, Jr. Vice President — Finance and CFO, Secretary and Principal Financial and Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date: May 9, 2007	BY: /s/ KEITH S. WALTERS Keith S. Walters, Chairman
Date: May 9, 2007	BY: /s/ RONALD M. GRAHAM Ronald M. Graham, Director
Date: May 9, 2007	BY: /s/ JAMES B. GARDNER James B. Gardner, Director
Date: May 9, 2007	BY: /s/ HAROLD W. HARTLEY Harold W. Hartley, Director
Date: May 9, 2007	BY: /s/ GODFREY M. LONG, JR. Godfrey M. Long, Jr., Director
Date: May 9, 2007	BY: /s/ THOMAS R. PRICE Thomas R. Price, Director
Date: May 9, 2007	BY: /s/ KENNETH G. PRITCHETT Kenneth G. Pritchett, Director
Date: May 9, 2007	BY: /s/ ALEJANDRO QUIROZ Alejandro Quiroz, Director
Date: May 9, 2007	BY: /s/ JAMES C. TAYLOR James C. Taylor, Director

ENNIS, INC. AND SUBSIDIARIES
Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
Ennis, Inc.

We have audited the accompanying consolidated balance sheets of Ennis, Inc. (a Texas corporation) and subsidiaries as of February 28, 2007 and 2006 and the related consolidated statements of earnings, changes in shareholders' equity and comprehensive income, and cash flows for each of the three years in the period ended February 28, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ennis, Inc. and subsidiaries as of February 28, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended February 28, 2007 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 8 to the consolidated financial statements, the Company has adopted Financial Accounting Standard Board (FASB) Statement of Financial Accounting Standards No. 123(R), Share-Based Payment, effective March 1, 2006. As discussed in Note 11 to the consolidated financial statements, the Company also adopted FASB Statement of Financial Accounting Standards No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans: An Amendment of FASB Statements No. 87, 88, 106, and 132R, effective February 28, 2007.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Ennis, Inc. and subsidiaries' internal control over financial reporting as of February 28, 2007, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated May 9, 2007 expressed an unqualified opinion on both management's assessment of Ennis, Inc.'s internal control over financial reporting and on the effectiveness of Ennis, Inc.'s internal control over financial reporting.

/s/ Grant Thornton LLP

Dallas, Texas
May 9, 2007

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
Ennis, Inc.

We have audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting, that Ennis, Inc. (a Texas corporation) and subsidiaries maintained effective internal control over financial reporting as of February 28, 2007, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Ennis, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Ennis, Inc. and subsidiaries maintained effective internal control over financial reporting as of February 28, 2007, is fairly stated, in all material respects, based on criteria established in Internal Control-Integrated Framework issued by COSO. Also in our opinion, Ennis, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of February 28, 2007, based on criteria established in Internal Control-Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Ennis, Inc. and subsidiaries as of February 28, 2007 and 2006 and the related consolidated statements of earnings, changes in shareholders' equity and comprehensive income, and cash flows for each of the three years in the period ended February 28, 2007 and our report dated May 9, 2007 expressed an unqualified opinion on those financial statements.

/s/ Grant Thornton LLP

Dallas, Texas
May 9, 2007

ENNIS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	February 28, 2007	February 28, 2006
Assets		
Current assets		
Cash and cash equivalents	$ 3,582	$ 13,860
Accounts receivable, net of allowance for doubtful receivables of $2,698 at February 28, 2007 and $3,001 at February 28, 2006	47,285	41,686
Prepaid expenses	5,628	4,425
Inventories	85,696	89,155
Deferred income taxes	7,444	6,935
Assets held for sale	1,881	2,394
Total current assets	151,516	158,455
Property, plant and equipment, at cost		
Plant, machinery and equipment	127,521	120,456
Land and buildings	40,680	38,038
Other	22,506	20,292
Total property, plant and equipment	190,707	178,786
Less accumulated depreciation	127,650	114,983
Net property, plant and equipment	63,057	63,803
Goodwill	178,314	178,280
Trademarks and tradenames, net	63,052	61,941
Customer lists, net	20,287	21,632
Deferred finance charges, net	1,382	1,390
Prepaid pension asset	—	8,277
Other assets	620	623
Total assets	$ 478,228	$ 494,401

See accompanying notes to consolidated financial statements.

ENNIS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except for share amounts)

	February 28, 2007	February 28, 2006
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	$ 25,597	$ 26,589
Accrued expenses		
Employee compensation and benefits	15,799	17,250
Taxes other than income	611	1,488
Federal and state income taxes payable	973	2,490
Other	5,615	4,524
Current installments of long-term debt	652	11,620
Total current liabilities	49,247	63,961
Long-term debt, less current installments	88,971	102,916
Liability for pension benefits	2,702	—
Deferred income taxes	19,603	28,172
Other liabilities	1,302	2,017
Total liabilities	161,825	197,066
Commitments and contingencies		
Shareholders' equity		
Series A junior participating preferred stock of $10 par value. authorized 1,000,000 shares; none issued	—	—
Common stock $2.50 par value, authorized 40,000,000 shares; issued 30,053,443 shares in 2007 and 2006	75,134	75,134
Additional paid in capital	122,305	122,922
Retained earnings	207,190	181,423
Accumulated other comprehensive income (loss):		
Foreign currency translation	25	460
Minimum pension liability	(7,396)	—
	(7,371)	460
	397,258	379,939
Treasury stock		
Cost of 4,475,962 shares in 2007 and 4,574,329 shares in 2006	(80,855)	(82,604)
Total shareholders' equity	316,403	297,335
Total liabilities and shareholders' equity	$ 478,228	$ 494,401

See accompanying notes to consolidated financial statements.

ENNIS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(Dollars in thousands, except share and per share amounts)

	Fiscal Years Ended		
	2007	2006	2005
Net sales	$ 584,713	$ 559,397	$ 365,353
Cost of goods sold	438,776	417,307	274,596
Gross profit	145,937	142,090	90,757
Selling, general and administrative	72,579	70,060	51,159
Income from operations	73,358	72,030	39,598
Other income (expense)			
Interest expense	(6,936)	(8,331)	(2,755)
Other income (expense), net	(57)	272	622
	(6,993)	(8,059)	(2,133)
Earnings before income taxes	66,365	63,971	37,465
Provision for income taxes	24,764	23,434	14,506
Net earnings	$ 41,601	$ 40,537	$ 22,959
Weighted average common shares outstanding			
Basic	25,530,732	25,452,582	18,935,533
Diluted	25,758,948	25,728,299	19,259,550
Per share amounts			
Net earnings — basic	$ 1.63	$ 1.59	$ 1.21
Net earnings — diluted	$ 1.62	$ 1.58	$ 1.19
Cash dividends per share	$ 0.62	$ 0.62	$ 0.62

See accompanying notes to consolidated financial statements.

ENNIS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME FOR THE FISCAL YEARS ENDED 2005, 2006, AND 2007
(Dollars in thousands, except share and per share amounts)

	Common Stock		Additional		Accumulated	Treasury Stock		
	Shares	Amount	Paid-in Capital	Retained Earnings	Other Comprehensive Income (Loss)	Shares	Amount	Total
Balance March 1, 2004	21,249,860	$53,125	$ 126	$145,653	$ (114)	(4,856,626)	$(88,208)	$110,582
Net earnings	—	—	—	22,959	—	—	—	22,959
Foreign currency translation					5			5
Unrealized gain on derivative instruments, net					115			115
Comprehensive income								23,079
Dividends declared ($.62 per share)	—	—	—	(11,574)	—	—	—	(11,574)
Shares issued in acquisitions	8,803,583	22,009	123,514	—	—	177,458	3,700	149,223
Exercise of stock options	—	—	—	(372)	—	43,850	795	423
Treasury stock purchases	—	—	—	—	—	(126)	(2)	(2)
Balance February 28, 2005	30,053,443	75,134	123,640	156,666	6	(4,635,444)	(83,715)	271,731
Net earnings	—	—	—	40,537	—	—	—	40,537
Foreign currency translation					455			455
Unrealized loss on derivative instruments, net					(1)			(1)
Comprehensive income								40,991
Dividends declared ($.62 per share)	—	—	—	(15,780)	—	—	—	(15,780)
Exercise of stock options	—	—	(718)	—	—	79,369	1,434	716
Treasury stock purchases	—	—	—	—	—	(18,254)	(323)	(323)
Balance February 28, 2006	30,053,443	75,134	122,922	181,423	460	(4,574,329)	(82,604)	297,335
Net earnings	—	—	—	41,601	—	—	—	41,601
Foreign currency translation					(435)			(435)
Comprehensive income								41,166
Adjustment to initially apply FAS 158, net of tax					(7,396)			(7,396)
Dividends declared ($.62 per share)	—	—	—	(15,834)	—	—	—	(15,834)
Excess tax benefit of stock option exercises	—	—	169	—	—	—	—	169
Stock based compensation	—	—	302	—	—	—	—	302
Exercise of stock options	—	—	(1,088)	—	—	98,367	1,749	661
Balance February 28, 2007	30,053,443	$75,134	$122,305	$207,190	$ (7,371)	(4,475,962)	$(80,855)	$316,403

See accompanying notes to consolidated financial statements.

ENNIS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	Fiscal Years Ended		
	2007	**2006**	**2005**
Cash flows from operating activities:			
Net earnings	$ 41,601	$ 40,537	$ 22,959
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation	14,670	15,474	10,367
Amortization of deferred financing charges	451	495	242
Amortization of trademarks and customer lists	1,957	2,337	709
Gain on the sale of equipment	(258)	(188)	(316)
Bad debt expense	1,390	317	893
Stock based compensation	302	—	—
Excess tax benefit of stock option exercises	(169)	—	—
Deferred income taxes	(4,963)	456	(833)
Changes in operating assets and liabilities, net of the effects of acquisitions:			
Accounts receivable	(3,762)	4,633	(2,922)
Prepaid expenses	(1,225)	761	(1,315)
Inventories	5,797	(9,332)	(3,958)
Other current assets	—	334	(2,084)
Prepaid pension asset/liability for pension benefits	3,255	6	(735)
Other liabilities	(734)	1,144	(1,403)
Other assets	(482)	(2,320)	5,078
Accounts payable and accrued expenses	(8,313)	(7,227)	(6,640)
Net cash provided by operating activities	49,517	47,427	20,042
Cash flows from investing activities:			
Capital expenditures	(4,999)	(9,040)	(6,143)
Purchase of businesses, net of cash acquired	(17,637)	(1,196)	(115,429)
Proceeds from disposal of plant and property	2,811	294	481
Net cash used in investing activities	(19,825)	(9,942)	(121,091)
Cash flows from financing activities:			
Borrowings on debt	15,647	9,000	114,200
Repayment of debt	(40,621)	(28,508)	(6,375)
Dividends	(15,834)	(15,780)	(11,574)
Purchase of treasury stock	—	—	(2)
Proceeds from exercise of stock options	661	393	423
Excess tax benefit of stock option exercises	169	—	—
Net cash provided by (used in) financing activities	(39,978)	(34,895)	96,672
Effect of exchange rate changes on cash	8	576	4
Net change in cash and cash equivalents	(10,278)	3,166	(4,373)
Cash and cash equivalents at beginning of period	13,860	10,694	15,067
Cash and cash equivalents at end of period	$ 3,582	$ 13,860	$ 10,694

See accompanying notes to consolidated financial statements.

(1) Significant Accounting Policies and General Matters

Nature of Operations. Ennis, Inc. and its wholly owned subsidiaries (the Company) are principally engaged in the production of and sale of business forms, other business products and apparel to customers primarily located in the United States.

Basis of Consolidation. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. The Company's fiscal years ended on the following days: February 28, 2007, February 28, 2006 and February 28, 2005 (fiscal years ended 2007, 2006, and 2005, respectively).

Cash and Cash Equivalents. Cash and cash equivalents consist of highly liquid investments, such as time deposits held at major banks, commercial paper, United States government agency discount notes, money market mutual funds and other money market securities with original maturities of 90 days or less. At February 28, 2007, the Company had $993,000 in Mexican and $460,000 in Canadian bank accounts.

Accounts Receivable. Trade receivables are uncollateralized customer obligations due under normal trade terms requiring payment generally within 30 days from the invoice date. The Company's allowance for doubtful receivables reserve is based on an analysis that estimates the amount of its total customer receivable balance that is not collectible. This analysis includes assessing a default probability to customers' receivable balances, which is influenced by several factors including (i) current market conditions, (ii) periodic review of customer credit worthiness, and (iii) review of customer receivable aging and payment trends.

Select trade accounts receivable are sold by the Company to various factors on both non-recourse and recourse bases. These transactions are accounted for as a sale of financial assets if sold without recourse and a secured borrowing if sold with recourse. Advances may be paid at the Company's request on receivables not yet collected by the factors.

Inventories. With the exception of approximately one third of the raw materials of its print segment, inventories valued at the lower of last-in, first-out (LIFO) cost or market, the Company values its inventories at the lower of first in, first out (FIFO) cost or market. At fiscal years ended 2007 and 2006, approximately 6.24% and 6.65% of inventories, respectively, are valued at LIFO with the remainder of inventories valued at FIFO. The Company provides reserves for excess and obsolete inventory when necessary based upon analysis of quantities on hand, recent sales volumes and reference to market prices.

Property, Plant and Equipment. Depreciation of property, plant and equipment is calculated using the straight-line method over a period presently considered adequate to amortize the total cost over the useful lives of the assets, which range from 3 to 11 years for plant machinery and equipment and 10 to 40 years for buildings and improvements. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the improvements. Repairs and maintenance are expensed as incurred. Renewals and betterments are capitalized and depreciated over the remaining life of the specific property unit. The Company capitalizes all leases that are in substance acquisitions of property. At February 28, 2007, the Company had property, plant and equipment of approximately $1.9 million classified as *assets held for sale* on the consolidated balance sheet. This balance reflects the net book value of a vacant facility and the associated land held for sale as well as equipment, which is expected to be sold during fiscal year 2008. At February 28, 2006, the Company had property, plant and equipment of approximately $2.4 million classified as *assets held for sale* on the consolidated balance sheet. This balance reflects the net book value of a vacant facility and the associated land held for sale which was sold in June 2006. See Note 16 – Assets Held For Sale for further discussion.

Goodwill and Other Intangible Assets. Goodwill is the excess of the purchase price paid over the value of net assets of businesses acquired and is not amortized. Intangible assets with determinable lives are amortized on a straight-line basis over the estimated useful life. Goodwill and indefinite-lived intangibles are evaluated for impairment on an annual basis, or more frequently if impairment indicators arise, using a fair-value-based test that compares the fair value of the related business unit to its carrying value.

(1) Significant Accounting Policies and General Matters-continued

Long-Lived Assets. Long-lived assets, including intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is based upon future discounted net cash flows.

Fair Value of Financial Instruments. The carrying amounts of cash and cash equivalents, accounts receivables and accounts payable approximate fair value because of the short maturity of these instruments. Long-term debt as of fiscal years ended 2007 and 2006 approximates its fair value as the interest rate is tied to market rates.

Deferred Finance Charges. The Company accounts for deferred finance charges in connection with its revolving and term credit facility. The costs associated with the debt are amortized using the straight-line method over the term of the facility. If the facility is extinguished before the end of the term, the remaining balance of the deferred finance charges will be amortized fully in such year.

Derivative Financial Instruments. Derivative instruments are recognized on the balance sheet at fair value. Changes in fair values of derivatives are accounted for based upon their intended use and designation. When utilized, interest rate swaps are held for purposes other than trading. In the past, the Company utilized swap agreements related to its term and revolving loans to effectively fix the interest rate for a specified principal amount. The swaps have been designated as cash flow hedges and the after-tax effect of the mark-to-market valuation that relates to the effective amount of derivative financial instrument is recorded as an adjustment to accumulated other comprehensive income with the offset included in accrued expenses. There were no derivatives, swaps or deferred gains or losses at the end of fiscal year 2007 or 2006.

Revenue Recognition. Revenue is generally recognized upon shipment of products. Net sales represent gross sales invoiced to customers, less certain related charges, including sales tax, discounts, returns and other allowances. Returns, discounts and other allowances have historically been insignificant. In some cases and upon customer request, the Company prints and stores custom print product for customer specified future delivery, generally within twelve months. In this case, risk of loss passes to the customer, the customer is invoiced under normal credit terms, and revenue is recognized when manufacturing is complete. Approximately $20,147,000, $16,395,000, and $13,945,000 of revenue was recognized under these arrangements during fiscal years 2007, 2006, and 2005 respectively.

Advertising Expenses. The Company expenses advertising costs as incurred. Catalog and brochure preparation and printing costs, which are considered direct response advertising, are amortized to expense over the life of the catalog, which typically ranges from three to twelve months. Advertising expense was approximately $1,905,000, $1,559,000 and $1,628,000, during the fiscal years ended 2007, 2006 and 2005, respectively. Included in advertising expense is amortization related to direct response advertising of $703,000, $622,000 and $454,000 for the fiscal years ended 2007, 2006 and 2005, respectively. Unamortized direct advertising costs included in other current assets at fiscal years ended 2007 and 2006 were $529,000 and $379,000, respectively.

Income Taxes. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Earnings Per Share. Basic earnings per share is computed by dividing earnings by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing earnings by the weighted average number of common shares outstanding plus the number of additional shares that would have been outstanding if potentially dilutive securities had been issued, calculated using the treasury stock method. For fiscal year ended 2006, 61,619 of options were not included in the diluted earnings per share computation because their effect was anti-dilutive. No shares were anti-dilutive for either fiscal year 2007 or 2005.

(1) Significant Accounting Policies and General Matters-continued

Accumulated Other Comprehensive Income (Loss). Accumulated other comprehensive income (loss) includes adjustments of the changes in the fair value of the Company's cash flow hedge, foreign currency translation and pension plan. Amounts charged directly to shareholders' equity related to the Company's interest rate swap and pension plan are included in "other comprehensive income." Adjustments resulting from the translation of the financial statements of our Mexican and Canadian operations are charged or credited directly to shareholders' equity and shown as cumulative translation adjustments in other comprehensive income (loss).

Foreign Currency Translation. The functional currency for the Company's foreign subsidiaries is the applicable local currency. Assets and liabilities of the foreign subsidiaries are translated to U.S. dollars at year-end exchange rates. Income and expense items are translated at the rates of exchange prevailing during the year. The adjustments resulting from translating the financial statements of the foreign subsidiary are reflected in shareholders' equity as accumulated other comprehensive income or loss.

Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations in other income (expense), net as incurred.

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

Shipping and Handling Costs. In accordance with Emerging Issues Task Force ("EITF") 00-10, "Accounting for Shipping and Handling Fees and Costs," the Company records amounts billed to customers for shipping and handling costs in net sales and related costs are included in cost of goods sold.

Stock Based Compensation. The Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" (FAS 123R), effective March 1, 2006. FAS 123R requires the recognition of the fair value of stock-based compensation in net earnings. The Company recognizes stock-based compensation expense net of estimated forfeitures (estimated at 1.1%) over the requisite service period of the individual grants, which generally equals the vesting period. For the fiscal year ended February 28, 2007, in accordance with FAS 123R, the Company recorded stock based compensation expense of approximately $302,000, and related tax benefit of $112,000, related to this stock based compensation. For a further discussion of the impact of FAS 123R on the results of our financial statements, see Note 8, "Stock Option Plans and Stock Based Compensation."

Prior to March 1, 2006, the Company applied the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation", (FAS 123). In accordance with the provisions of FAS 123, the Company accounted for stock options granted to its employees and Board of Directors using the recognition and measurement provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and its related interpretations, (APB 25) and accordingly did not recognize compensation expense for stock options issued to employees and board members. For disclosure purposes, the Company used the Black-Scholes option pricing model to calculate the related compensation expense for stock options granted, as if it had applied the fair value recognition provisions of FAS 123. The Company has elected to utilize the modified prospective transition method for adopting FAS 123R. Under this method, the provisions of FAS 123R apply to all awards granted or modified after the date of adoption and any unvested awards outstanding at the date of adoption.

(1) Significant Accounting Policies and General Matters-continued

The accompanying consolidated statements of earnings for fiscal year 2006 and 2005 were not restated since the Company elected not to use the retrospective application method under FAS 123R. A summary of the effect on net earnings and earnings per share for fiscal years 2006 and 2005 as if the Company had applied the fair value recognition provisions of FAS 123 to share-based compensation for all outstanding and nonvested stocks options and restricted shares is as follows (in thousands except per share amounts):

	2006	2005
Net earnings as reported	$ 40,537	$ 22,959
Deduct: Stock-based employee compensation expense not included in reported earnings, net of related tax effect of $85 and $29, respectively	(134)	(47)
Pro forma earnings	$ 40,403	$ 22,912
Net earnings per share		
Basic — as reported	$ 1.59	$ 1.21
Basic — pro forma	$ 1.59	$ 1.21
Diluted — as reported	$ 1.58	$ 1.19
Diluted — pro forma	$ 1.57	$ 1.19

For purposes of pro forma disclosures, the estimated fair value of stock-based compensation plans and other options is amortized to expense over the vesting period.

New Accounting Pronouncements

FIN 48. In June 2006, the Financial Accounting Standards Board issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48), effective for fiscal years beginning after December 15, 2006. FIN 48 requires a two-step approach to determine how to recognize tax benefits in the financial statements where recognition and measurement of a tax benefit must be evaluated separately. A tax benefit will be recognized only if it meets a "more-likely-than-not" recognition threshold. For tax positions that meet this threshold, the tax benefit recognized is based on the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement with the taxing authority. The Company has completed a substantial analysis of FIN 48, except for the effects of transfer pricing of transactions between United States and foreign subsidiaries, and therefore, it has not completed its analysis and determined whether an adjustment will be required.

SAB 108. In September 2006, the United States Securities and Exchange Commission issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements", ("SAB 108"). SAB 108 provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. SAB 108 is effective for fiscal years ending after November 15, 2006. The Company does not have any misstatements in the prior year financial statements that would be deemed material under the provisions of SAB 108 and therefore has made no adjustment.

FAS 157. In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements", ("FAS 157"). The provisions of FAS 157 define fair value, establish a framework for measuring fair value in generally accepted accounting principles, and expand disclosures about fair value measurements. The provisions of FAS 157 are effective for fiscal years beginning after November 15, 2006. The Company is currently assessing the impact of FAS 157 on its consolidated financial position, results of operations, or cash flows.

FAS 158. In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FAS Statements No. 87, 106, and 132(R)", ("FAS 158"). FAS 158 requires companies to recognize a net liability or asset and an offsetting adjustment to accumulated other comprehensive income (loss) to report the funded status of defined benefit pension and other postretirement benefit plans. Additionally, FAS 158 requires companies to measure plan assets and obligations at their year-end balance sheet date. The Company adopted this statement at the end of fiscal year 2007. See Note 11 in the Notes to the Consolidated Financial Statements for additional information with respect to the impact associated with the adoption of FAS 158.

(1) Significant Accounting Policies and General Matters-continued

FAS 159. In February 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FAS No. 115", ("FAS 159"). FAS 159 allows measurement at fair value of eligible financial assets and liabilities that are not otherwise measured at fair value. If the fair value option for an eligible item is elected, unrealized gains and losses on that item shall be reported in current earnings at each subsequent reporting date. FAS 159 also establishes presentation and disclosure requirements designed to draw comparison between the different measurements attributes the company elects for similar types of assets and liabilities. FAS 159 is effective for fiscal years beginning after November 15, 2007. Early adoption is permitted. The Company is currently assessing the impact of FAS 159 on its consolidated financial statements.

Concentrations of Risk.

Financial instruments that potentially subject the Company to a concentration of credit risk principally consist of cash and cash equivalents, short-term investments, and trade receivables. Cash and cash equivalents and short-term investments are placed with high-credit quality financial institutions. The Company's credit risk with respect to trade receivables is limited in management's opinion due to industry and geographic diversification. As disclosed on the Consolidated Balance Sheets, the Company maintains an allowance for doubtful receivables to cover estimated credit losses associated with accounts receivable.

The Company, for quality and pricing reasons, purchases its paper, cotton and yarn products from a limited number of suppliers. To maintain its high standard of color control associated with its apparel products, the Company purchases its dyeing chemicals from a single source. While other sources may be available to the Company to purchase these products, they may not be available at the cost or at the quality the Company has come to expect.

(2) Due From Factors

Pursuant to terms of an agreement between the Company and various factors, the Company sold approximately 53% of its trade accounts receivable of Alstyle Apparel ("Alstyle") to the factors on a non-recourse basis in fiscal year 2007. The price at which the accounts are sold is the invoice amount reduced by the factor commission of between 0.25% and 1.50%. Additionally, some trade accounts receivable are sold to the factors on a recourse basis.

Trade accounts receivable not sold to the factor remain in the custody and control of the Company and the Company maintains all credit risk on those accounts as well as accounts which are sold to the factor with recourse. The Company accounts for receivables sold to factors with recourse as secured borrowings.

The Company may request payment from the factor in advance of the collection date or maturity. Any such advance payments are assessed interest charges through the collection date or maturity at the JP Morgan Chase Prime Rate. The Company's obligations with respect to advances from the factor are limited to the interest charges thereon. Advance payments are limited to a maximum of 90% (ninety percent) of eligible accounts receivable.

The following table represents amounts due from factors included in accounts receivable for the fiscal years ended 2007 and 2006 (in thousands):

	2007	2006
Outstanding factored receivables		
Without recourse	$ 18,766	$ 19,762
With recourse	405	1,099
Advances from factors	(16,088)	(17,772)
Due from factors	$ 3,083	$ 3,089

(3) Accounts Receivable and Allowance for Doubtful Receivables

Accounts receivable are reduced by an allowance for an estimate of amounts that are uncollectible. Approximately 98% of the Company's receivables are due from customers in North America. The Company extends credit to its customers based upon its evaluation of the following factors: (i) the customer's financial condition, (ii) the amount of credit the customer requests and (iii) the customer's actual payment history (which includes disputed invoice resolution). The Company does not typically require its customers to post a deposit or supply collateral. The Company's allowance for doubtful receivables reserve is based on an analysis that estimates the amount of its total customer receivable balance that is not collectible. This analysis includes assessing a default probability to customers' receivable balances, which is influenced by several factors including (i) current market conditions, (ii) periodic review of customer credit worthiness, and (iii) review of customer receivable aging and payment trends.

The Company writes-off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance in the period the payment is received. Credit losses from continuing operations have consistently been within management's expectations.

The following table represents the activity in the Company's allowance for doubtful receivables for the fiscal years ended (in thousands):

	2007	2006	2005
Balance at beginning of period	$ 3,001	$ 3,567	$ 1,771
Bad debt expense	1,390	317	893
Other (1)	—	3	1,505
Recoveries	101	67	115
Accounts written off	(1,794)	(953)	(717)
Balance at end of period	$ 2,698	$ 3,001	$ 3,567

(1) Principally the allowance established in connection with certain acquisitions.

(4) Inventories

The following table summarizes the components of inventories at the different stages of production for the fiscal years ended (in thousands):

	2007	2006
Raw material	$ 11,074	$ 12,694
Work-in-process	16,694	16,886
Finished goods	57,928	59,575
	$ 85,696	$ 89,155

The excess of current costs at FIFO over LIFO stated values was approximately $4,671,000 and $4,269,000 at fiscal years ended 2007 and 2006, respectively. There were no significant liquidations of LIFO inventories during the fiscal years ended 2007, 2006 and 2005.

(5) Other Accrued Expenses

The following table summarizes the components of other accrued expenses for the fiscal years ended (in thousands):

	2007	2006
Accrued interest	$ 975	$ 685
Accrued taxes	424	329
Accrued legal and professional fees	267	367
Accrued utilities	786	428
Factored receivables with recourse	772	—
Other accrued expenses	2,391	2,715
	$ 5,615	$ 4,524

(6) Long-Term Debt

Long-term debt consisted of the following at fiscal years ended (in thousands):

	2007	2006
Revolving credit facility	$ 88,500	$ 62,500
Term credit facility	—	40,000
Capital lease obligations	784	736
Notes payable to finance companies	314	1,300
Notes payable to former Alstyle Shareholders	—	10,000
Other	25	—
	89,623	114,536
Less current installments	652	11,620
Long-term debt	$ 88,971	$ 102,916

On March 31, 2006, the Company entered into an amended and restated credit agreement with a group of lenders led by LaSalle Bank N.A. (the “Facility”). The Facility provides the Company access to $150 million in revolving credit and matures on March 31, 2010. The facility bears interest at the London Interbank Offered Rate (“LIBOR”) plus a spread ranging from .50% to 1.50% (currently LIBOR + .75% — 6.12%), depending on our total funded debt to EBITDA ratio, as defined. The Facility is secured by substantially all of our personal and investment property. The Facility contains financial covenants, restrictions on capital expenditures, acquisitions, asset dispositions, and additional debt, as well as other customary covenants, such as total funded debt to EBITDA ratio, as defined. The Facility is secured by substantially all of the Company’s assets.

Assets under capital leases have a total gross book value of $1,092,000 and $1,196,000 and the related accumulated amortization of $240,000 and $477,000 for fiscal years ended 2007 and 2006, respectively, and are included in property and equipment. Amortization of assets under capital leases is included in depreciation expense.

Notes payable to finance companies have interest due monthly at 4.82% to 9.46% and principal paid in equal monthly installments. The notes mature at dates ranging from March 2007 through January 2010 and are collateralized by certain equipment.

Notes payable to former Alstyle Shareholders were obligations of Alstyle Apparel. These notes were assumed by the Company in connection with its acquisition of Alstyle Apparel in November 2004. These loans were to individuals with annual payments bearing interest at rates of 4.0% and matured in November 2006. Payments on these notes were subject to set-off arbitration procedures relating to subsequently discovered pre-acquisition liabilities that were either undisclosed or inappropriately accrued for in the books and records, at the time of closing. The Company made all principal payments during fiscal 2007 relating to these notes. In connection with these payments, the former shareholders of Alstyle were required to provide a three year irrevocable letter of credit through 2010 in favor of the Company to cover the resolution of any potential pre-acquisition liabilities incurred.

The Company’s long-term debt maturities for the five years following February 28, 2007 are as follows (in thousands):

	Debt	Capital Leases	Total
2008	$ 326	$ 358	$ 684
2009	13	265	278
2010	—	215	215
2011	88,500	—	88,500
2012	—	—	—
	88,839	838	89,677
Less amount representing interest	—	54	54
	$ 88,839	$ 784	$ 89,623

(7) Shareholders' Equity

In fiscal year 1999, the Company adopted a Shareholder Rights Plan, which provides that the holders of the Company's common stock receive one preferred share purchase right (a Right) for each share of the Company's common stock they own. Each Right entitles the holder to buy one one-thousandth of a share of Series A Junior Participating Preferred Stock, par value $10.00 per share, at a purchase price of $27.50 per one one-thousandth of a share, subject to adjustment. The Rights are not currently exercisable, but would become exercisable if certain events occurred relating to a person or group acquiring or attempting to acquire 15% or more of the outstanding shares of common stock of the Company (the Event). Under those circumstances, the holders of the Rights would be entitled to buy shares of the Company's common stock or stock of an acquirer of the Company at a 50% discount. The Rights expire on November 4, 2008, unless earlier redeemed by the Company. At any time prior to the Event, the Board of Directors of the Company may redeem the Rights in whole, but not in part, at a price of $0.01 per Right (the Redemption Price). The redemption of the Rights may be made effective at such time and on such basis and conditions as the Board of Directors, in its sole discretion, may establish. Immediately upon any redemption of the Rights, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price. The terms of the Rights may be amended by the Board of Directors of the Company without the consent of the holders of the Rights, except that from and after such time as any person or group of affiliated or associated persons becomes an Acquiring Person, no such amendment may adversely affect the interests of the holders of the Rights.

The Company's revolving credit facility restricts acquisition of treasury shares and distributions to its shareholders.

(8) Stock Option Plans and Stock Based Compensation

The Company has stock options granted to key executives and managerial employees and non-employee directors. At fiscal year ended 2007, the Company has two stock option plans: the 1998 Option and Restricted Stock Plan amended and restated as of June 17, 2004 and the 1991 Incentive Stock Option Plan. The Company has 975,390 shares of unissued common stock reserved under the stock option plans for issuance to officers and directors, and supervisory employees of the Company and its subsidiaries. The exercise price of each option granted equals the quoted market price of the Company's common stock on the date of grant, and an option's maximum term is ten years. Options may be granted at different times during the year and vest ratably over various periods, from upon grant to five years. The Company uses treasury stock to satisfy option exercises and restricted stock awards.

As a result of the adoption of FAS 123R, the financial results were lower than under the previous accounting method for share based compensation by the following amounts (in thousands except per share amounts):

	2007
Earnings before income taxes	$ 302
Net earnings	190
Basic and diluted net earnings per common share	$ 0.01

Prior to the adoption of FAS 123R, all tax benefits resulting from the exercise of stock options were presented as operating cash flows in the Consolidated Statements of Cash Flows. FAS 123R requires that cash flows from the exercise of stock options resulting from tax benefits in excess of recognized cumulative compensation cost (excess tax benefits) be classified as financing cash flows. For fiscal year 2007, $169,000 of such excess tax benefits were classified as financing cash flows.

(8) Stock Option Plans and Stock Based Compensation-continued

The Company had the following stock option activity for the three years ended February 28, 2007:

	Number of Shares *(exact quantity)*	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life *(in years)*	Aggregate Intrinsic Value(a) *(in thousands)*
Outstanding at March 1, 2004	699,425	$ 9.23	5.6	
Granted	48,700	16.05		
Terminated	(12,000)	10.42		
Exercised	(40,550)	9.61		
Outstanding at February 28, 2005	695,575	$ 9.67	4.9	
Granted	72,700	18.51		
Terminated	(750)	10.25		
Exercised	(79,675)	9.02		
Outstanding at February 28, 2006	687,850	$ 10.63	4.6	
Granted	—	—		
Terminated	(22,500)	11.13		
Exercised	(111,837)	8.33		
Outstanding at February 28, 2007	553,513	$ 11.08	3.9	$ 8,149
Exercisable at February 28, 2007	454,488	$ 10.17	3.2	$ 7,103

(a) Value is calculated on the basis of the difference between the market value of the Company's Common Stock as reported on the New York Stock Exchange on February 28, 2007 ($25.80) and the weighted average exercise price, multiplied by the number of shares indicated.

The Company did not grant any stock options during fiscal year 2007. The per share weighted-average fair value of options granted during fiscal years 2006 and 2005 was $3.52 and $2.86, respectively, on the date of grant using the Black Scholes option-pricing model with the following weighted-average assumptions for the fiscal years ended:

	2006	2005
Expected volatility	23.85%	23.59%
Expected term (years)	5	5
Risk free interest rate	4.37%	3.93%
Dividend yield	3.64%	3.42%
Weighted average grant-date fair value	$ 3.52	$ 2.86

A summary of the stock options exercised is presented below for the three fiscal years ended (in thousands):

	2007	2006	2005
Total cash received	$ 661	$ 393	$ 421
Income tax benefits	169	86	33
Total grant-date fair value	102	87	52
Intrinsic value	1,364	593	285

A summary of the status of the company's unvested stock options at February 28, 2007, and changes during the fiscal year ended February 28, 2007 is presented below:

	Number of Options	Weighted Average Grant Date Fair Value
Unvested at March 1, 2006	143,700	$ 2.28
New grants	—	—
Vested	(44,675)	1.76
Forfeited	—	—
Unvested at February 28, 2007	99,025	$ 2.52

(8) Stock Option Plans and Stock Based Compensation-continued

As of February 28, 2007, there was $140,000 of unrecognized compensation cost related to nonvested share based compensation arrangements granted under the Plan. The weighted average remaining requisite service period of the unvested stock options was 2.2 years. The total fair value of shares vested during the fiscal year ended February 28, 2007 was $615,000.

The following table summarizes information about stock options outstanding at the end of fiscal year 2007:

	Options Outstanding			Options Exercisable	
Exercise Prices	Number Outstanding	Weighted Averaqge Remaining Contractual Life (in Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$7.0625 to $8.6875	239,613	2.8	$ 8.07	239,613	$ 8.07
10.0625 to 11.6700	163,750	2.2	10.42	148,750	10.29
13.2800 to 16.4200	112,450	7.0	15.56	28,425	14.61
19.6900	37,700	9.0	19.69	37,700	19.69
	553,513	3.9	11.08	454,488	10.17

The Company had the following restricted stock grants activity for the fiscal year ended February 28, 2007:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at March 1, 2006	23,919	$ 19.69
Granted	16,000	19.64
Terminated	—	—
Exercised	—	—
Outstanding at February 28, 2007	39,919	$ 19.67
Exercisable at February 28, 2007	7,970	$ 19.69

As of February 28, 2007, the total remaining unrecognized compensation cost related to unvested restricted stock was approximately $558,000. The weighted average remaining requisite service period of the unvested restricted stock awards was 2.2 years.

(9) Earnings per Share

Basic earnings per share have been computed by dividing net earnings by the weighted average number of common shares outstanding during the applicable period. Diluted earnings per share reflect the potential dilution that could occur if stock options or other contracts to issue common shares were exercised or converted into common stock. The following table sets forth the computation for basic and diluted earnings per share for the fiscal years ended:

	2007	2006	2005
Basic weighted average common shares outstanding	25,530,732	25,452,582	18,935,533
Effect of dilutive options and unvested restricted stock	228,216	275,717	324,017
Diluted weighted average common shares outstanding	25,758,948	25,728,299	19,259,550
Per share amounts:			
Net earnings — basic	$ 1.63	$ 1.59	$ 1.21
Net earnings — diluted	$ 1.62	$ 1.58	$ 1.19
Cash dividends	$ 0.62	$ 0.62	$ 0.62

(10) Income Taxes

The following table represents components of the provision for income taxes for fiscal years ended (in thousands):

	2007	2006	2005
Current:			
Federal	$ 19,611	$ 20,517	$ 13,254
State and local	3,849	2,900	2,234
Foreign	1,624	1,237	—
Deferred	(320)	(1,220)	(982)
Total provision for income taxes	$ 24,764	$ 23,434	$ 14,506

(10) Income Taxes-continued

The following summary reconciles the statutory U.S. Federal income tax rate to the Company's effective tax rate for the fiscal years ended:

	2007	2006	2005
Statutory rate	35.0%	35.0%	35.0%
Provision for state income taxes, net of Federal income tax benefit	3.9	3.0	3.9
Other	(1.6)	(1.4)	(0.2)
	37.3%	36.6%	38.7%

Deferred taxes are recorded to give recognition to temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. The tax effects of these temporary differences are recorded as deferred tax assets and deferred tax liabilities. Deferred tax assets generally represent items that can be used as a tax deduction or credit in future years. Deferred tax liabilities generally represent items that have been deducted for tax purposes, but have not yet been recorded in the consolidated statements of earnings. To the extent there are deferred tax assets that are more likely than not to be realized, a valuation allowance and would be recorded. The components of deferred income tax assets and liabilities are summarized as follows (in thousands) for fiscal years ended:

	2007	2006
Current deferred tax assets related to:		
Allowance for doubtful receivables	$ 1,052	$ 1,170
Inventories	4,454	3,417
Employee compensation and benefits	1,800	1,957
Other	138	391
	$ 7,444	$ 6,935
Noncurrent deferred tax liability related to:		
Property, plan and equipment	$ 4,718	$ 8,003
Goodwill and other intangible assets	18,238	17,648
Pension and noncurrent employee compensation benefits	(1,949)	2,309
Net operating loss and foreign tax credits	(1,503)	—
Other	99	212
	$ 19,603	$ 28,172

The Company maintains a valuation allowance to adjust the basis of net deferred tax assets in accordance with FAS 109 "Accounting for Income Taxes" for approximately $250,000 as of February 28, 2007 and 2006 related to foreign tax credits. The Company has federal and state net operating loss carry forwards as a result of an acquisition in the amount of $3,667,000 expiring in fiscal years 2016 through 2025.

(11) Employee Benefit Plans

The Company and certain subsidiaries have a noncontributory defined benefit retirement plan covering approximately 15% of their employees. Benefits are based on years of service and the employee's average compensation for the highest five compensation years preceding retirement or termination. The Company's funding policy is to contribute annually an amount in accordance with the requirements of the Employee Retirement Income Security Act of 1974 (ERISA).

The Company's pension plan asset allocation, by asset category, is as follows for the fiscal years ended:

	2007	2006
Equity securities	47%	47%
Debt securities	44%	43%
Cash and cash equivalents	9%	10%
Total	100%	100%

(11) Employee Benefit Plans-continued

The Company's target asset allocation is 47.0% equities, 44.0% fixed income, and 9.0% cash with a 10.0% plus or minus factor based upon the combined judgments of the Company's Administrative Committee and its investment advisors.

The Company estimates the long-term rate of return on plan assets will be 8.0% based upon target asset allocation. Expected returns are developed based upon the information obtained from the Company's investment advisors. The advisors provide ten-year historical and five-year expected returns on the fund in the target asset allocation. The return information is weighted based upon the asset allocation at the end of the fiscal year. The expected rate of return at the beginning of the fiscal year ended 2007 was 8.0%, the rate used in the calculation of the current year pension expense.

The Company's retirement benefit plan costs are accounted for using a valuation required by Statement of Financial Accounting Standard No. 87 ("FAS 87"), "Employers' Accounting for Pensions." The Company adopted Statement of Financial Accounting Standard No. 158, "Employer's Accounting for Defined Benefit Pension and other Postretirement Plans – an amendment FASB Statements No. 87, 88, 106 and 132R" ("FAS 158") as of February 28, 2007. FAS 158 requires an entity to recognize the funded status of its defined pension plans on the balance sheet and to recognize changes in the funded status that arise during the period but are not recognized as components of net periodic benefit cost, within accumulated other comprehensive income (loss), net of income taxes.

The following is a summary of the effects of adopting FAS 158 on the Company's balance sheet at February 28, 2007:

	Before Application of FAS 158	Adjustment (in thousands)	After Application of FAS 158
Prepaid pension asset	$ 9,427	$ (9,427)	$ —
Total assets	487,655	(9,427)	478,228
Liability for pension benefits	—	2,702	2,702
Deferred income taxes	24,333	(4,730)	19,603
Accumulated other comprehensive income (loss)	25	(7,396)	(7,371)
Total shareholders' equity	323,799	(7,396)	316,403
Total liabilities and shareholders' equity	487,655	(9,427)	478,228

Pension expense is composed of the following components included in cost of goods sold and selling, general and administrative expenses in our consolidated statements of earnings for fiscal years ended (in thousands):

	2007	2006	2005
Components of net periodic benefit cost Service cost	$ 1,440	$ 1,422	$ 1,470
Interest cost	2,440	2,443	2,417
Expected return on plan assets	(2,848)	(2,771)	(2,663)
Amortization of:			
Prior service cost	(145)	(145)	(145)
Unrecognized net loss	956	1,057	1,066
Net periodic benefit cost	$ 1,843	$ 2,006	$ 2,145

The following table represents the assumptions used to determine benefit obligations and net periodic pension cost for fiscal years ended:

	2007	2006	2005
Weighted average discount rate	6.00%	6.00%	6.00%
Earnings progression (net periodic pension cost)	3.50%	3.50%	3.50%
Earnings progression (benefit obligations)	3.00%	3.50%	3.50%
Expected long-term rate of return on plan assets	8.00%	8.00%	8.00%

(11) Employee Benefit Plans-continued

The accumulated benefit obligation ("ABO"), change in projected benefit obligation ("PBO"), change in plan assets, funded status, and reconciliation to amounts recognized in the consolidated balance sheets are as follows:

	2007	2006
Change in benefit obligation		
Projected benefit obligation at beginning of year	$ 42,542	$ 42,578
Service cost	1,440	1,422
Interest cost	2,440	2,443
Actuarial loss	(763)	(725)
Benefits paid	(2,799)	(3,176)
Projected benefit obligation at end of year	$ 42,860	$ 42,542
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 37,607	$ 35,779
Company contributions	3,000	2,000
Investment earnings on plan assets	2,350	3,004
Benefits paid	(2,799)	(3,176)
Fair value of plan assets at end of year	$ 40,158	$ 37,607
Funded status (benefit obligation less plan assets)	$ (2,702)	$ (4,935)
Unrecognized losses	13,373	14,601
Unrecognized prior service cost	(1,244)	(1,389)
Prepaid pension asset (prior to adoption of FAS 158)	9,427	8,277
Adjustment to initially apply FAS 158	(12,129)	—
Liability for pension benefits	$ (2,702)	$ —
Accumulated benefit obligation at end of year	$ 36,902	$ 36,586

The measurement dates used to determine pension and other postretirement benefits is the Company's fiscal year end. The Company expects to contribute from $2.0 million to $3.0 million during fiscal year 2008.

Estimated future benefit payments which reflect expected future service, as appropriate, are expected to be paid in the fiscal years ended (in thousands):

Year	Projected Payments
2008	$ 3,080
2009	2,612
2010	2,555
2011	3,499
2012	4,136
2013 – 2017	19,017

Effective February 1, 1994, the Company adopted a Defined Contribution 401(k) Plan (the 401(k) Plan) for its United States employees. The 401(k) Plan covers substantially all full-time employees who have completed sixty days of service and attained the age of eighteen. United States employees can contribute up to 100 percent of their annual compensation, but are limited to the maximum annual dollar amount allowable under the Internal Revenue Code. The 401(k) Plan provides for employer matching contributions or discretionary employer contributions for certain employees not enrolled in the pension plan for employees of the Company. Eligibility for employer contributions, matching percentage, and limitations depends on the participant's employment location and whether the employees are covered by the Company's pension plan, etc. The Company's matching contributions are immediately vested. The Company made matching 401(k) contributions in the amount of $360,000, $226,000 and $187,000 in fiscal years ended 2007, 2006 and 2005, respectively.

In addition, the Northstar Computer Forms, Inc. 401(k) Profit Sharing Plan was merged into the 401(k) Plan on February 1, 2001. The Company declared profit sharing contributions on behalf of the former employees of Northstar Computer Forms, Inc. in accordance with its original plan in the amounts of $370,000, $370,000, and $375,000 in fiscal years ended 2007, 2006, and 2005, respectively.

(12) Acquisitions and Disposal

The Company purchased all of the outstanding stock of Block Graphics, Inc. ("Block"), a privately held company headquartered in Portland, Oregon for $14.8 million in cash on August 8, 2006. Block Graphics had sales of approximately $38.6 million for the year ended December 31, 2005. The acquisition of Block continues the strategy of growth through related manufactured products to further service the Company's existing customer base. The acquisition added additional short-run print products (snaps, continuous forms, and cut-sheet forms) as well as the production of envelopes, a new product for the Company.

The following is a summary of the purchase price allocation for Block, net of cash acquired (in thousands):

Accounts receivable	$ 2,492
Inventories	1,864
Property, plant & equipment	7,398
Other assets	152
Deferred tax asset	2,166
Trademarks	1,260
Accounts payable and accrued liabilities	(2,292)
	$ 13,040

The Company purchased all of the outstanding stock of Specialized Printed Forms, Inc. ("SPF"), a privately held company headquartered in Caledonia, New York and the associated land and buildings for $4.6 million in cash on March 31, 2006. SPF had sales of $9.2 million for the twelve month period ended July 31, 2005. The acquisition of SPF continues the strategy of growth through related manufactured products to further service the Company's existing customer base. The acquisition added additional short-run print products, long-run (jumbo rolls) products and solutions as well as integrated labels and form/label combinations sold through the indirect sales (distributorship) marketplace.

The following is a summary of the purchase price allocation for SPF (in thousands):

Accounts receivable	$ 826
Inventories	579
Property, plant & equipment	3,689
Other assets	5
Deferred tax asset	1,780
Noncompete	25
Accounts payable and accrued liabilities	(2,316)
	$ 4,588

The Company purchased all the outstanding stock of Tennessee Business Forms, Inc. ("TBF"), a privately held company located in Tullahoma, Tennessee, and the associated land and buildings from a partnership, which leased the facility to TBF, for $1.2 million on January 3, 2006. The acquisition of TBF continues the strategy of growth through acquisition of related manufactured products to further service the Company's existing customer base. The acquisition added additional short-run print products and solutions as well as integrated labels and form/label combinations sold through the indirect sales (distributorship) marketplace.

Accounts receivable	$ 115
Inventories	186
Property, plant & equipment	900
Other assets	25
Goodwill	78
Accounts payable and accrued liabilities	(104)
	$ 1,200

(12) Acquisitions and Disposal-continued

The results of operations for Block, SPF, and TBF are included in the Company's consolidated financial statements from the dates of acquisition. The following table represents certain operating information on a pro forma basis as though all three companies had been acquired as of March 1, 2005, after the estimated impact of adjustments such as amortization of intangible assets, interest expense, interest income and related tax effects (in thousands except per share amounts):

	Unaudited 2007	Unaudited 2006
Pro forma net sales	$ 602,385	$ 608,573
Pro forma net earnings	41,463	40,512
Pro forma earnings per share — diluted	1.61	1.57

The pro forma results are not necessarily indicative of what would have occurred if the acquisitions had been in effect for the periods presented.

(13) Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of net assets of acquired businesses and is not amortized. Goodwill and indefinite-lived intangibles are evaluated for impairment on an annual basis, or more frequently if impairment indicators arise, using a fair-value-based test that compares the fair value of the asset to its carrying value. Fair values of reporting units are typically calculated using a factor of expected earnings before interest, taxes, depreciation, and amortization. Based on this evaluation, no impairment was recorded. The Company must make assumptions regarding estimated future cash flows and other factors to determine the fair value of the respective assets in assessing the recoverability of its goodwill and other intangibles. If these estimates or the related assumptions change, the Company may be required to record impairment charges for these assets in the future.

Intangible assets with determinable lives are amortized on a straight-line basis over the estimated useful life. The cost of trademarks is based on fair values at the date of acquisition. Trade names with determinable lives and a net book value of $792,000 at fiscal year end 2007 are amortized on a straight-line basis over the estimated useful life (between 1 and 10 years). Trademarks with indefinite lives with a net book value of $62,260,000 at fiscal year end 2007 are evaluated for impairment on an annual basis.

The cost of purchased trade names is based on appraised values at the date of acquisition and is amortized on a straight-line basis over the estimated useful life (between 10 and 15 years) of such trade names. The Company assesses the recoverability of its definite-lived intangible assets primarily based on its current and anticipated future undiscounted cash flows.

	Gross Carrying Amount	Accumulated Amortization	Net
As of February 28, 2007			
Amortized intangible assets (in thousands)			
Tradenames	$ 1,234	$ 442	$ 792
Purchased customer lists	24,057	3,770	20,287
Noncompete	467	417	50
	$ 25,758	$ 4,629	$ 21,129
As of February 28, 2006			
Amortized intangible assets (in thousands)			
Tradenames	$ 1,234	$ 293	$ 941
Purchased customer lists	23,760	2,128	21,632
Noncompete	417	251	166
	$ 25,411	$ 2,672	$ 22,739

	February 28, 2007	February 28, 2006
Unamortized intangible assets Trademarks	$ 62,260	$ 61,000

(13) Goodwill and Other Intangible Assets-continued

Aggregate amortization expense for fiscal years 2007, 2006 and 2005 was $1,957,000, $2,337,000, and $709,000, respectively.

The Company's estimated amortization expense for the next five years is as follows:

2008	$ 1,852,000
2009	1,827,000
2010	1,811,000
2011	1,810,000
2012	1,810,000

The following table represents changes in the carrying amount of goodwill for the fiscal years ended (in thousands):

	Print Segment Total	Apparel Solutions Group	Total
Balance as of March 1, 2005	$ 40,338	$ 138,134	$ 178,472
Goodwill adjusted during year	242	(434)	(192)
Impairment losses	—	—	—
Balance as of March 1, 2006	40,580	137,700	178,280
Goodwill adjusted during year	34	—	34
Impairment losses	—	—	—
Balance as of February 28, 2007	$ 40,614	$ 137,700	$ 178,314

During the fiscal year end 2007, adjustments of $34,000 were added to Tennessee Business Form's goodwill due to revised estimates in accrued expenses acquired. During the fiscal year end 2006, adjustments of $242,000 were added to Crabar goodwill due to an increase in accrued expenses and adjustments of $434,000 were deducted from Alstyle goodwill due to changes in accrued expenses and deferred income taxes.

(14) Segment Information and Geographic Information

The Company operates in two segments – the Print Segment and the Apparel Segment.

The Print Segment, which represented 56% of the Company's consolidated net sales for fiscal year 2007, is in the business of manufacturing, designing, and selling business forms and other printed business products primarily to distributors located in the United States.

The Print Segment operates 39 manufacturing locations throughout the United States in 16 strategically located domestic states. Approximately 96% of the business products manufactured by the Print Segment are custom and semi-custom, constructed in a wide variety of sizes, colors, number of parts and quantities on an individual job basis depending upon the customers' specifications.

The products sold include snap sets, continuous forms, laser cut sheets, tags, labels, envelopes, integrated products, jumbo rolls and pressure sensitive products in short, medium and long runs under the following labels: Ennis®, Royal™, Block™, Specialized Printed Forms™, TBF/Avant-Garde™, 360º Custom Labels™, Enfusion™, Witt Printing™ and Calibrated Forms™. The Print Segment also sells the Adams-McClure™ brand (which provides Point of Purchase advertising for large franchise and fast food chains as well as kitting and fulfillment); the Admore brand (which provides presentation folders and document folders); Ennis Tag & Label™ (which provides tags and labels, promotional products and advertising concept products); GenForms™ (which provides short-run and long-run label production) and Northstar® and GFS™ (which provide financial and security documents).

The Print Segment sells predominantly through private printers and independent distributors. Northstar and GFS also sell to a small number of direct customers. Northstar has continued its focus with large banking organizations on a direct basis (where a distributor is not acceptable or available to the end-user) and has acquired several of the top 100 banks in the United States as customers and is actively working on other large banks within the top 100 tier of banks in the United States. Adams-McClure sales are generally provided through advertising agencies.

(14) Segment Information and Geographic Information-continued

The second segment, the Apparel Segment, which accounted for 44% of our fiscal year 2007 consolidated net sales, consists of Alstyle Apparel, which was acquired in November 2004. This group is primarily engaged in the production and sale of activewear including t-shirts, fleece goods, and other wearables. Alstyle sales are seasonal, with sales in the first and second quarters generally being the highest. Substantially all of the Apparel Segment sales are to customers in the United States.

Corporate information is included to reconcile segment data to the consolidated financial statements and includes assets and expenses related to the Company's corporate headquarters and other administrative costs.

During the prior fiscal years, certain sales and marketing expenses were allocated entirely to the Print Segment. In fiscal year 2007 as this department started providing services to not only the Print Segment, but the Apparel Segment as well, these expenses were reclassified to Corporate. As such, amounts for fiscal years 2006 and 2005 have been reclassified to conform to current year presentation.

Segment data for the fiscal years ended 2007, 2006, and 2005 were as follows (in thousands):

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	Print Segment	Apparel Segment	Corporate	Consolidated Totals
Fiscal year ended February 28, 2007:				
Net sales	$ 325,679	$ 259,034	$ —	$ 584,713
Depreciation	8,275	5,745	650	14,670
Amortization of identifiable intangibles	384	1,573	—	1,957
Segment earnings (loss) before income taxes	46,077	33,321	(13,033)	66,365
Segment assets	151,746	313,716	12,766	478,228
Capital expenditures	2,647	1,038	1,314	4,999
Fiscal year ended February 28, 2006:				
Net sales	$ 321,410	$ 237,987	$ —	$ 559,397
Depreciation	7,226	7,604	644	15,474
Amortization of identifiable intangibles	361	1,976	—	2,337
Segment earnings (loss) before income taxes	45,121	30,085	(11,235)	63,971
Segment assets	155,457	320,113	18,831	494,401
Capital expenditures	2,977	5,061	1,002	9,040
Fiscal year ended February 28, 2005:				
Net sales	$ 309,308	$ 56,045	$ —	$ 365,353
Depreciation	7,952	1,878	537	10,367
Amortization of identifiable intangibles	283	426	—	709
Segment earnings (loss) before income taxes	45,678	3,575	(11,788)	37,465
Segment assets	169,694	312,788	14,764	497,246
Capital expenditures	3,200	237	2,706	6,143

Identifiable long-lived assets by country include property, plant, and equipment, net of accumulated depreciation. The Company attributes revenues from external customers to individual geographic areas based on the country where the sale originated. Information about the Company's operations in different geographic areas as of and for the fiscal years ended is as follows (in thousand):

	United States	Canada	Mexico	Total
2007				
Net sales to unaffiliated customers				
Customers				
Print Segment	$ 325,679	$ —	$ —	$ 325,679
Apparel Segment	241,477	17,557	—	259,034
	$ 567,156	$ 17,557	$ —	$ 584,713
Identifiable long-lived assets				
Print Segment	$ 44,291	$ —	$ —	$ 44,291
Apparel Segment	9,002	102	2,721	11,825
Corporate	6,941	—	—	6,941
	$ 60,234	$ 102	$ 2,721	$ 63,057

(14) Segment Information and Geographic Information-continued

	United States	Canada	Mexico	Total
2006				
Net sales to unaffiliated customers				
Customers				
Print Segment	$ 321,410	$ —	$ —	$ 321,410
Apparel Segment	220,090	17,897	—	237,987
	$ 541,500	$ 17,897	$ —	$ 559,397
Identifiable long-lived assets				
Print Segment	$ 40,903	$ —	$ —	40,903
Apparel Segment	12,814	102	3,720	16,636
Corporate	6,264	—	—	6,264
	$ 59,981	$ 102	$ 3,720	$ 63,803
2005				
Net sales to unaffiliated customers				
Customers				
Print Segment	$ 309,308	$ —	$ —	$ 309,308
Apparel Segment	50,950	5,095	—	56,045
	$ 360,258	$ 5,095	$ —	$ 365,353
Identifiable long-lived assets				
Print Segment	$ 44,326	$ —	$ —	$ 44,326
Apparel Segment	14,685	137	4,527	19,349
Corporate	5,887	—	—	5,887
	$ 64,898	$ 137	$ 4,527	$ 69,562

(15) Commitments and Contingencies

The Company leases certain of its facilities under operating leases that expire on various dates through fiscal year ended 2013. Future minimum lease commitments and sublease income under noncancelable operating leases for each of the fiscal years ending are as follows (in thousands):

	Operating Lease Commitments	Sublease Income	Net
2008	$ 8,060	$ (808)	$ 7,252
2009	6,129	(67)	6,062
2010	2,755	—	2,755
2011	1,765	—	1,765
2012	404	—	404
Thereafter	48	—	48
	$ 19,161	$ (875)	$ 18,286

Rent expense attributable to such leases totaled $8,913,000, $9,388,000 and $5,837,000 for the fiscal years ended 2007, 2006 and 2005, respectively.

In the ordinary course of business, the Company also enters into real property leases, which require the Company as lessee to indemnify the lessor from liabilities arising out of the Company's occupancy of the properties. The Company's indemnification obligations are generally covered under the Company's general insurance policies.

From time to time we are involved in various litigation matters arising in the ordinary course of our business. We do not believe the disposition of any current matter will have a material adverse effect on our consolidated financial position or results of operations.

(16) Assets Held for Sale

Included in assets held for sale at February 28, 2006 is the print manufacturing facilities, land, and building located in Medfield, Massachusetts with an approximate value of $2.4 million. The Company closed on the sale of this property on June 28, 2006 for approximately $2.5 million. The gain of approximately $0.1 million was included in other income. On September 28, 2006, the Board of Directors authorized management of the Company to sell the company's print manufacturing facilities located in Dallas, Texas. In conjunction therewith, land and building with a net book value of $0.6 million and equipment with a net book value of $1.3 million is being classified as held for sale at February 28, 2007.

(17) Supplemental Cash Flow Information

Net cash flows from operating activities reflect cash payments for interest and income taxes as follows for the three fiscal years ended (in thousands):

	2007	2006	2005
Interest paid	$ 6,646	$ 8,038	$ 2,755
Income taxes paid	$ 26,657	$ 22,957	$ 13,273

Supplemental disclosure of non-cash investing and financing activities (in thousand):

	2007	2006
Fair value of assets acquired in acquisitions	$ 19,276	$ 1,226
Liabilities assumed in acquisitions	$ 1,648	$ 104

(18) Subsequent Events

On March 30, 2007, the Company declared a quarterly cash dividend of 15 1/2 cents a share on its common stock. The dividend was paid May 1, 2007 to shareholders of record on April 16, 2007. April 30, 2007 also has been set as the record date for shareholders entitled to notice of and to vote at the Annual Meeting of Shareholders to be held on June 28, 2007.

(19) Quarterly Consolidated Financial Information (Unaudited)

The following table represents the unaudited quarterly financial data of the Company for fiscal years ended 2007 and 2006 (in thousands, except per share amounts):

For the Three Months Ended	May 31	August 31	November 30	February 28
Fiscal year ended 2007:				
Net sales	$ 145,113	$ 151,718	$ 151,743	$ 136,139
Gross profit	37,815	38,241	37,973	31,908
Net earnings	11,330	11,643	10,822	7,806
Dividends paid	3,949	3,959	3,962	3,964
Per share of common stock:				
Basic net earnings	$ 0.44	$ 0.46	$ 0.42	$ 0.31
Diluted net earnings	$ 0.44	$ 0.45	$ 0.42	$ 0.30
Dividends	$ 0.155	$ 0.155	$ 0.155	$ 0.155
Fiscal year ended 2006:				
Net sales	$ 149,113	$ 148,116	$ 131,690	$ 130,478
Gross profit	37,478	37,252	35,620	31,740
Net earnings	10,558	10,576	10,098	9,305
Dividends paid	3,940	3,945	3,946	3,949
Per share of common stock:				
Basic net earnings	$ 0.42	$ 0.42	$ 0.40	$ 0.37
Diluted net earnings	$ 0.41	$ 0.41	$ 0.39	$ 0.36
Dividends	$ 0.155	$ 0.155	$ 0.155	$ 0.155

(19) Quarterly Consolidated Financial Information (Unaudited)**-continued**

Quarter-over-Quarter (current year)

The decline in the Company's diluted earnings per share for the quarter ended February 28, 2007 when compared to the quarter ended November 30, 2006 is primarily related to the decline in its sales during the quarter and the corresponding impact on its reported margins. The Company expects the fourth quarter to be its lowest quarter from a sales, gross profit, net earnings and earnings per share basis perspective, as this is traditionally the Apparel Segment's lowest sales quarter.

Current Quarter Compared to Same Quarter Last Year

For the quarter ended February 28, 2007, the effective tax rate was 38.3% compared to 29.4% for the quarter ended February 28, 2006. The increase in the effective tax rate had a $1.2 million impact on net earnings, or $.05 per diluted share, for the quarter ended February 28, 2007. Without this impact the results for both quarters would have been comparable.

INDEX TO EXHIBITS

Exhibit Number	Description of Document
Exhibit 3.1(a)	Restated Articles of Incorporation as amended through June 23, 1983 with attached amendments dated June 20, 1985, July 31, 1985 and June 16, 1988 incorporated herein by reference to Exhibit 5 to the Registrant's Form 10-K Annual Report for the fiscal year ended February 28, 1993.
Exhibit 3.1(b)	Amendment to articles of Incorporation dated June 17, 2004 incorporated herein.
Exhibit 3.2	Bylaws of the Registrant as amended through October 15, 1997 incorporated herein by reference to Exhibit 3(ii) to the Registrant's Form 10-Q Quarterly Report for the quarter ended November 30, 1997.
Exhibit 10.1	Employee Agreement between Ennis, Inc. and Keith S. Walters dated April 21, 2006 incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on April 25, 2006.
Exhibit 10.2	Employee Agreement between Ennis, Inc. and Michael D. Magill dated April 21, 2006 incorporated herein by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on April 25, 2006.
Exhibit 10.3	Employee Agreement between Ennis, Inc. and Ronald M. Graham dated April 21, 2006 incorporated herein by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on April 25, 2006.
Exhibit 10.4	Employee Agreement between Ennis, Inc. and Richard L. Travis, Jr. dated April 21, 2006 incorporated herein by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed on April 25, 2006.
Exhibit 10.5	Employee Agreement between Ennis, Inc. and David Todd Scarborough dated April 21, 2006 incorporated herein by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed on April 25, 2006.
Exhibit 10.6	2004 Long-Term Incentive Plan incorporated herein by reference to Exhibit 4.1 of the Registrant's Form S-8 filed on January 5, 2005.
Exhibit 10.7	Form of Executive Incentive and Non-Qualified Stock Option Agreement granted February 27, 2006 incorporated herein by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on March 1, 2006.
Exhibit 10.8	Form of Executive Restricted Stock Agreement granted February 27, 2006 incorporated herein by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on March 1, 2006.
Exhibit 10.9	Indemnity Agreement dated as of June 25, 2004, by and among Laurence Ashkin, Roger Brown, John McLinden, Arthur Slaven, Ennis, Inc. and Midlothian Holdings LLC incorporated herein by reference to Exhibit 10.7 to the Registrant's Form S-4 filed on September 3, 2004.
Exhibit 10.10	UPS Ground, Air Hundredweight and Sonicair Incentive Program Carrier Agreement incorporated herein by reference to Exhibit 10 to the Registrant's Form 10-K Annual Report for the fiscal year ended February 28, 2003.
Exhibit 10.11	Addendum to UPS Ground, Air and Sonicair Incentive Program Carrier Agreement dated as of August 9, 2004, between Ennis, Inc. and United Parcel Service, Inc. incorporated herein by reference to Exhibit 10.10 to the Registrant's Form S-4 filed on September 3, 2004.*
Exhibit 10.12	Carbonless Paper Agreement dated as of July 13, 2004 between Ennis, Inc & MeadWestvaco Corporation incorporated herein by reference to Exhibit 10.11 to the Registrant's Form S-4 filed on September 3, 2004.*

INDEX TO EXHIBITS

Exhibit Number	Description of Document
Exhibit 10.13	Amended and Restated Credit Agreement dated as of March 31, 2006 among Ennis, Inc., various other parties that sign and become a party to the security agreement and LaSalle Bank National Association, as the Administrative Agent incorporated herein by reference to Exhibit 10.18 to the Registrant's Form 10-K Annual Report for the fiscal year ended February 28, 2006.
Exhibit 10.14	Amended and Restated Security Agreement dated as of March 31, 2006 among Ennis, Inc. various other parties that sign and become a party to the security agreement and LaSalle Bank National Association, as the Administrative Agent incorporated herein by reference to Exhibit 10.19 to the Registrant's Form 10-K Annual Report for the fiscal year ended February 28, 2006.
Exhibit 21	Subsidiaries of Registrant
Exhibit 23	Consent of Independent Registered Public Accounting Firm
Exhibit 31.1	Certification Pursuant to Rule 13a-14(a)/15d-14(a) (Chief Executive Officer)
Exhibit 31.2	Certification Pursuant to Rule 13a-14(a)/15d-14(a) (Chief Financial Officer)
Exhibit 32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Portions of Exhibit have been omitted pursuant to a request for confidential treatment filed with the SEC.

Notice of Annual Meeting of Shareholders

Proxy Statement

Ennis, Inc.

Ennis, Inc.
2441 Presidential Parkway
Midlothian, TX 76065

NOTICE OF 2007 ANNUAL MEETING OF SHAREHOLDERS
To Be Held Thursday, June 28, 2007

We will hold the Annual Meeting of Shareholders of Ennis, Inc. on Thursday at the Midlothian Community Center located at One Community Circle, Midlothian, Texas 76065 (the "Annual Meeting"), June 28, 2007 at 10:00 a.m., local time. At the Annual Meeting, we will ask you to vote on the following proposals:

- The election of three Directors to serve as Directors for a three year term or until their successors are duly elected and qualified; and

- To transact such other business as may properly come before the Annual Meeting and any adjournment or postponement thereof.

The foregoing items of business, including the nominees for directors are more fully described in the Proxy Statement which is attached to and made part of this Notice. If you were a shareholder at the close of business on April 30, 2007, you are entitled to notice of and to vote on the proposals to be considered at this year's Annual Meeting. It is important that your Common Stock be represented at the Annual Meeting regardless of the number of shares you hold.

You are cordially invited to attend the Annual Meeting in person. However, if you are unable to attend in person, please know that we desire to have maximum representation of our shareholders at the meeting and respectfully request that you complete, date, sign and return the enclosed proxy as promptly as possible in the enclosed postage-paid self-addressed envelope. No additional postage is required if mailed in the United States. You may revoke your proxy at any time prior to the Annual Meeting as specified in the enclosed Proxy Statement. We look forward to hearing from you.

By Order of the Board of Directors

Richard L. Travis, Jr.
Corporate Secretary
Midlothian, Texas
May 31, 2007

YOUR VOTE IS IMPORTANT.

Please vote early, even if you plan to attend the Annual Meeting.

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Ennis, Inc.
2441 Presidential Parkway
Midlothian, TX 76065

PROXY STATEMENT

This Proxy Statement is being furnished in connection with the solicitation of proxies by the Board of Directors of Ennis, Inc., a Texas corporation ("Ennis," the "Company," "we," "us," or "our"), for use at the Annual Meeting of Shareholders of Ennis, Inc. ("Annual Meeting") to be held on Thursday, June 28, 2007, at One Community Circle, Midlothian, Texas 76065, commencing at 10:00 am, local time, and at any adjournment or postponement, for the purpose of considering and acting upon the matters set forth in the accompanying Notice of Annual Meeting of Shareholders.

This Proxy Statement and accompanying forms of proxy and voting instructions are first being mailed on or about May 31, 2007 to shareholders entitled to vote at the Annual Meeting. For information about shareholders' eligibility to vote at the Annual Meeting, shares outstanding on the record date and the ways to submit and revoke a proxy, please see *What will occur at the Annual Meeting* and *How do I vote* sections below.

Annual Report

A copy of the Company's Annual Report on Form 10-K to shareholders for the fiscal year ended February 28, 2007 has been sent simultaneously with this Proxy Statement. Additional copies of our Annual Report on Form 10-K and/or Proxy Statement are available without charge to shareholders upon written request to Investor Relations Department, Ennis, Inc. P.O. Box 403, Midlothian, Texas 76065-0403 or via the Internet at www.ennis.com.

Recommendation of the Board of Directors

The Board of Directors recommends a vote FOR the Board's proposal to elect the nominated Directors.

QUESTIONS AND ANSWERS

Why did I receive this Proxy Statement?

We are providing these proxy materials in connection with the solicitation by the Board of Directors of Ennis, Inc. of proxies to be voted at our 2007 Annual Meeting of Shareholders ("Annual Meeting").

You are invited to attend our Annual Meeting on June 28, 2007 at 10:00 a.m., local time. The Annual Meeting is open to all holders of our Common Stock. Each shareholder is permitted to bring one guest. The meeting will be held at the Midlothian Community center located at One Community Circle, Midlothian, Texas 76065.

The Notice of 2007 Annual Meeting of Shareholders, Proxy Statement, form of proxy and voting instructions are being mailed on or about May 31, 2007.

I may have received more than one Proxy Statement. Why?

If you received more than one Proxy Statement, your shares are probably registered differently or are in more than one account. Please vote each proxy card that you received.

How does the Board recommend that I vote my shares?

Unless you give other instructions on your proxy card, the persons named as proxy holders on the proxy card will vote in accordance with the recommendations of the Board. The Board's recommendation can be found with the description of each item in this Proxy Statement. In summary, the Board recommends a vote:

FOR **the Board's proposal to elect the nominated Directors.**

What will occur at the Annual Meeting?

We will determine whether enough shareholders are present at the meeting to conduct business. Your shares are counted as present at the Annual Meeting if you attend the meeting and vote in person or if you properly return a proxy by mail. In order for us to hold our meeting, holders of a majority of our outstanding shares of our Common Stock as of April 30, 2007 must be present in person or by proxy at the meeting. This is referred to as a quorum. Absentions and broker non-votes will be counted for purposes of establishing a quorum at the meeting.

All shareholders of record at the close of business on April 30, 2007 will be entitled to vote on matters presented at the meeting or any adjournment thereof. On April 30, 2007, there were 25,585,451 shares of our Common Stock issued and outstanding. The holders of a majority, or 12,792,726 of the shares of our Common Stock entitled to vote at the meeting, must be represented at the meeting in person or by proxy to have a quorum for the transaction of business at the meeting and to act on the matters specified in the Notice.

If enough shareholders are present at the meeting to conduct business, then we will vote to elect as members of our Board of Directors for a three-year term (Michael J. Schaefer, Kenneth G. Pritchett, and James C. Taylor) and any other business properly coming before the meeting.

After each proposal has been voted on at the meeting, we will discuss and take action on any other matter that is properly brought before the meeting. We have hired Computershare Investor Services, LLC, our transfer agent, to count the votes represented by proxies cast by ballot. Employees of Computershare Investor Services, LLC and the Company will act as Inspectors of election.

We know of no other matters that will be presented for consideration at the Annual Meeting. If, however, other matters or proposals are presented and properly come before the meeting, the proxy holders intend to vote all proxies in accordance with their best judgment in the interest of Ennis, Inc. and our shareholders.

A representative of Grant Thornton LLP, our independent accountants, is expected to be present at the Annual Meeting and will be afforded an opportunity to make a statement, if such representative so desires, and to respond to appropriate questions.

What is a broker non-vote?

If a broker does not have discretion to vote shares held in street name on a particular proposal and does not receive instructions from the beneficial owner on how to vote those shares, the broker may return the proxy card without voting on that proposal. This is known as a *broker non-vote*. Broker non-votes will have no effect on the vote for the election of directors.

How many votes are necessary to elect the nominees for director?

The nominees for election as directors at the Annual Meeting who receive the highest number of "FOR" votes will be elected as directors, provided a quorum is present. This is called plurality voting. Unless you indicate otherwise on your proxy card, the persons named as your proxies will vote your shares FOR all the nominees for director named in this Proxy Statement.

With respect to the election of directors, shareholders have cumulative voting rights, which means that each shareholder entitled to vote (a) has the number of votes equal to the number of shares held by such shareholder multiplied by the number of directors to be elected and (b) may cast all such votes for one nominee or distribute such shareholder's votes among the nominees as the shareholder chooses. The right to cumulate votes may not be exercised until a shareholder has given written notice of the shareholder's intention to vote cumulatively to the corporate secretary on or before the day preceding the election. If any shareholder gives such written notice, then all shareholders entitled to vote or their proxies may cumulate their votes. Upon such written notice, the persons named in the accompanying form of proxy may cumulate their votes. As a result, the Board also is soliciting discretionary authority to cumulate votes.

What if a nominee is unwilling or unable to serve?

The persons nominated for election to our Board of Directors have agreed to stand for election. However, should a nominee become unable or unwilling to accept nomination or election, the proxies will be voted for the election of such other person as the Board may recommend. Our Board of Directors has no reason to believe that the nominees will be unable or unwilling to serve if elected, and to the knowledge of the Board, the nominees intend to serve the entire term for which election is sought.

How do I vote?

You can vote either in person at the meeting or by *proxy* without attending the meeting.

To vote by proxy, you must fill out the enclosed proxy card, date and sign it, and return it in the enclosed postage-paid envelope.

Even if you plan to attend the meeting, we encourage you to vote your shares by proxy. If you plan to vote in person at the Annual Meeting, and you hold your Company stock in street name, you must obtain a proxy from your broker and bring that proxy to the meeting.

If you hold your stock through the Company's employee benefit plans, you will receive a proxy card with instructions to vote, which are the same as any other shareholder.

What if I want to change my vote?

You can change or revoke your vote at any time before the polls close at the Annual Meeting. You can do this by:

- Signing another proxy card with a later date and returning it to us prior to the meeting, or
- Sending our Corporate Secretary a written document revoking your earlier proxy, or
- Voting again at the meeting.

Will my shares be voted if I don't provide my proxy and don't attend the Annual Meeting?

If you do not provide a proxy or vote your shares held in your name, your shares will not be voted.

If you hold your shares in street name, your broker may be able to vote your shares for certain "routine" matters even if you do not provide the broker with voting instructions. The election of directors for 2007 is considered a routine matter. For matters not considered "routine," if you do not give your broker instructions on how to vote your shares, the broker may return the proxy card without voting on that proposal. This is a *broker non-vote.*

If you hold your shares through one of the Company's employee benefit plans and do not vote your shares, your shares (along with all other shares in the plan for which votes are not cast) will be voted pro rata by the trustee in accordance with the votes directed by other participants in the plan who elect to act as a fiduciary entitled to direct the trustee of the applicable plan on how to vote the shares.

How are votes counted?

In the election of directors, you may vote "FOR" all of the nominees or your vote may be "WITHHELD" with respect to one or more of the nominees. Votes that are withheld will be counted for purposes of determining the presence or absence of a quorum but will have no other effect on the election of directors. For any other proposal, you may vote "FOR," "AGAINST", or "ABSTAIN". If you "ABSTAIN," it has the same effect as a vote "AGAINST."

What if I return my proxy but don't vote for some of the matters listed on my proxy card?

If you return a signed card without indicating your vote, your shares will be voted FOR the nominee directors listed on the card.

How do I raise an issue for discussion or vote at the next Annual Meeting?

Under SEC rules, a shareholder who intends to present a proposal, including the nomination of directors, at the 2008 Annual Meeting of Shareholders and who wishes the proposal to be included in the Proxy Statement for that meeting must submit the proposal in writing to our Corporate Secretary. The proposal must be received no later than February 29, 2008.

All written proposals should be directed to Investor Relations Department, Ennis, Inc., P.O. Box 403, Midlothian, Texas 76065-0403.

The Nominating and Corporate Governance Committee is responsible for selecting and recommending director candidates to our Board, and will consider nominees recommended by shareholders. If you wish to have the Nominating and Corporate Governance Committee consider a nominee for director, you must send a written notice to the Company's Corporate Secretary at the address provided above and include the information required by the Nominating and Corporate Governance Committee Charter and discussed in the section entitled *Director Nominating Processes* of this Proxy Statement.

Who will pay for the cost of this solicitation?

Our Board has sent you this Proxy Statement. Our directors, officers, and employees may solicit proxies by mail, by telephone or in person. Those persons will receive no additional compensation for any solicitation activities. We will request banking institutions, brokerage firms, custodians, trustees, nominees and fiduciaries to forward solicitation materials to the beneficial owners of our Common Stock held of record by those entities, and we will, upon the request of those record holders, reimburse reasonable forwarding expenses. We will pay the costs of preparing, printing, assembling and mailing the proxy materials used in the solicitation of proxies.

Where can I find the voting results of the Annual Meeting?

We will announce the voting results at the Annual Meeting and will publish the results in our quarterly report on Form 10-Q for the quarter ending August 31, 2007. We will file that report with the Securities and Exchange

Commission on or before October 10, 2007. This Form 10-Q will be available without charge to shareholders upon written request to Investor Relations Department, Ennis, Inc., P.O. Box 403, Midlothian, Texas 76065-0403 or via the Internet at *www.ennis.com.*

How can I access the Company's proxy materials and Annual Report electronically?

The Proxy Statement and 2007 Annual Report on Form 10-K are available on our website at *www.ennis.com* in the "Investor Relations" section.

ELECTION OF DIRECTORS

The number of directors who shall constitute the Company's Board of Directors is currently set at nine. The Board of Directors consists of three classes serving staggered three-year terms. Directors for each class are elected at the Annual Meeting of Shareholders held in the year in which the term for their class expires.

Our Board of Directors proposes the election of Michael J. Schaefer, Kenneth G. Pritchett, and James C. Taylor as directors, to hold office for a term of three years, expiring at the close of our Annual Meeting of Shareholders to be held in 2010, or until their successors are duly elected and qualified. Mr. Schaefer, our new nominee, was introduced to our Nomination and Corporate Governance Committee by Mr. Pritchett, the Chairman of the Compensation Committee. It is the Board's opinion that because of the Candidates' business experience and Mr. Pritchett's and Mr. Taylor's tenure as directors, they are sufficiently familiar with the Company and its business to be able to competently direct and manage the Company's business affairs. Biographical information on Mr. Schaefer, Mr. Pritchett, and Mr. Taylor is set forth below in "Directors - Summary of Our Independent Directors."

If Mr. Schaefer, Mr. Pritchett, or Mr. Taylor becomes unavailable for election, which is not anticipated, the proxies will be voted for the election of such other person as the Board may recommend.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE NOMINEES FOR DIRECTOR SET FORTH ABOVE

CORPORATE GOVERNANCE MATTERS

General

Our Corporate Governance Guidelines address the following matters, among others: director qualifications, director responsibilities, Board Committees, director access to officers, employees and independent advisors, director compensation, Board performance evaluations, director orientation and continuing education, CEO evaluation and succession planning. The Corporate Governance Guidelines also contain categorical standards, which are consistent with the standards set forth in the New York Stock Exchange ("NYSE") listing standards, to assist the Board in determining the independence of the Company's directors. A copy of these guidelines is available free of charge upon written request to Investor Relations Department, Ennis, Inc., P.O. Box 403, Midlothian, Texas 76065-0403 or via the Internet at *www.ennis.com.*

Board Size

The Company's Bylaws provide that the number of directors will be nine.

Director Independence

Our Governance Guidelines provide that the Board of Directors is to be composed of a majority of independent directors. The Board has determined that each non-employee director meets the standards regarding independence set forth in the Corporate Governance Guidelines of the Company and in compliance with NYSE rules and has no material relationship with the Company. The Board of Directors has determined that the independent directors, which will consist of Mr. Gardner, Mr. Price, Mr. Pritchett, Mr. Quiroz, Mr. Taylor, Mr. Long and Mr. Schaefer, after election, constitute a majority of the Board. In addition, Mr. Harold W. Hartley, who has served as a director of the Company since 1971 and announced his intention to retire and not to stand for reelection at the Annual Meeting, was considered an independent director during fiscal year 2007.

Criteria for Membership on the Board

When identifying director nominees, the Nominating and Corporate Governance Committee (the "Committee") seeks director candidates with high personal and professional ethics, integrity and values, that have outstanding records of accomplishments in their chosen business or profession, and who will be committed to representing the long-term interest of the Company's shareholders. The Board seeks members reflecting a range of talents, ages, skills, diversity, and expertise, particularly in the areas of accounting and finance, management, domestic and international markets and leadership sufficient to provide sound and prudent guidance with respect to the Company's operations and interests. The Company also requires that its Board members be able to dedicate the time and resources sufficient to ensure the diligent performance of their duties on the Company's behalf, including attending Board and applicable committee meetings.

Director Nomination Process

The charter of our Nominating & Corporate Governance Committee (the "Nominating Committee") allows shareholders to recommend to the Nominating Committee candidates for membership on the Board of Directors. To recommend a candidate for director using this process, the shareholder must follow procedures set forth in the Nominating Committee Charter and the candidate must meet the qualification standards set forth in the Company's Corporate Governance Guidelines.

Only shareholders that have owned at least 5% of the outstanding shares of our Common Stock for more than one year from the date of the shareholder's recommendation may submit the name of a candidate for the Nominating Committee to consider for nomination. To propose a candidate, the shareholder must provide the following information in the shareholder's notice:

- Name of the candidate;
- A resume and brief biographical sketch of the candidate;
- Proof that the shareholder owns 5% or more of the outstanding shares of our Common Stock;

- Proof that the shareholder has owned at least 5% of the outstanding shares of our Common Stock for more than one year from the date of the shareholder's recommendation; and
- The candidate's consent and willingness to serve on the Board if elected.

To include a candidate in any proxy statement for the election of directors, the Company will also need the following information:

- The nominee's name, age and business and residence address;
- The nominee's principal occupation or employment;
- The class and number of shares of our Common Stock, if any, owned by the nominee;
- The name and address of the nominating shareholder as they appear on the Company's books;
- The class and number of shares of our Common Stock owned by the nominating shareholder as of the record date for the annual meeting (if this date has been announced) and as of the date of the notice;
- A representation that the shareholder intends to appear in person or by proxy at the meeting to nominate the candidate specified in the notice;
- A description of all arrangements or understandings between the shareholder and the nominee; and
- Any other information regarding the nominee or shareholder that would be required to be included in a Proxy Statement relating to the election of directors.

Candidates recommended by the Company's shareholders are evaluated on the same basis as candidates recommended by the Company's directors, CEO, other executive officers, third party search firms or other sources. The Nominating Committee will request and review the resume of any of the candidates based on the qualifications set forth in the Nominating Committee Charter and the Company's Governance Guidelines. There can be no more than one shareholder nominee in our Proxy Statement for any given Annual Meeting.

Board Responsibilities

Our business is managed under the direction of the Board. The Board monitors management on behalf of the shareholders. Among the Board's major responsibilities are:

- Selection, compensation and evaluation of the Executive Officers and oversight of succession planning for the Chief Executive Officer;
- Assurance that processes are in place to promote compliance with law and high standards of business ethics;
- Oversight of Ennis' strategic planning;
- Approval of all material transactions and financings;
- Understanding Ennis' financial statements and other disclosures and evaluating and changing where necessary the process for producing accurate and complete reporting;
- Using its experience to advise management on major issues facing Ennis; and
- Evaluating the performance of the Board and its committees and making appropriate changes where necessary.

Directors are expected to maintain a good attendance record, and familiarize themselves with any materials distributed prior to each Board or committee meeting. All directors may place items on agendas for Board meetings. The chair of the Committee clears agendas for the meeting of committees of the Board, and committee members may place items on the agenda.

Board Meetings and Executive Sessions

The Board of Directors not only holds regular quarterly meetings, but also holds other meetings each year to review the Company's strategy, to approve its annual business plan and annual budget, and to act on the Company's regulatory filings with the SEC. The Board of Directors also communicates informally with management on a regular basis.

Non-employee directors meet by themselves, without management or employee directors present, at every regularly scheduled Board meeting.

These executive sessions are led by the Chair of the committee that has primary responsibility for the issue being discussed (e.g., the Audit Committee Chair would lead a discussion of audit-related matters). When it is not apparent which committee has specific responsibility for the subject matter, the Chairmen of the Committees will preside on a rotating basis.

Committees of the Board

The Board has three standing committees: the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee and are comprised entirely of independent directors. Each committee also holds regular executive sessions at which only committee members are present.

Director Access to Management and Independent Advisors

All directors are able to directly contact members of management, including, in the case of the Audit Committee, direct access to the head of internal audit. Broad management participation is encouraged in presentations to the Board, and executive management frequently meets with Board members on an individual basis. The Board and its Committees are empowered to hire, at the Company's expense, their own financial, legal and other experts to assist them in addressing matters of importance to the Company.

Board Self-Evaluation

The Board of Directors conducts a self-evaluation of its performance annually, which includes a review of the Board's composition, responsibilities, leadership and committee structure, processes and effectiveness. Each committee of the Board conducts a similar self-evaluation with respect to such committee.

Director Orientation and Education

Directors are provided extensive material regarding Ennis upon their initial election to the Board, including a binder containing information regarding Ennis and its policies and various administrative and legal matters. Other orientation procedures include meetings with senior executives of the Company in its major business units. Board meetings are occasionally held outside the corporate office to permit directors to visit operating locations of Ennis subsidiaries.

Non-Employee Director Compensation and Stock Ownership

The Board of Directors is responsible for establishing compensation for the Company's non-employee directors. At least every three years (completed most recently in 2006), the Nominating and Corporate Governance Committee reviews, with assistance from an outside consultant, currently PricewaterhouseCoopers LLP, the compensation for non-employee directors, including reviewing compensation provided to non-employee directors at other companies, and makes a recommendation to the Board for its approval. It is the Company's policy that a portion of non-employee directors' compensation should be equity-based. For details on the compensation currently provided to non-employee directors, please see *Director Compensation* section of this proxy statement.

Directors are encouraged but not required to own Common Stock of the Company. For additional information of Director stock ownership, please see *Security Ownership of the Board of Directors and Executive Officers* section of this Proxy Statement.

The Company also expects all directors to comply with all federal, state and local laws regarding trading in securities of the Company and disclosing material, non-public information regarding the Company. The Company has procedures in place to assist directors in complying with these laws.

Code of Business Conduct and Ethics

The Company has adopted a Code of Business Conduct and Ethics for Directors and Employees designed to help Directors and employees resolve ethical issues in an increasingly complex global business environment. Our Code of Business Conduct and Ethics applies to all Directors and employees, including the Chief Executive Officer, the Chief Financial Officer, and all Senior Financial Officers. Our Code of Business Conduct and Ethics covers topics including, but not limited to, conflicts of interest, insider trading, competition and fair dealing, discrimination and harassment, confidentiality, payments to government personnel, anti-boycott laws, U.S. embargos and sanctions, compliance procedures and employee complaint procedures. Our Code of Business Conduct and Ethics is posted on our website under the "Corporate Governance" caption in the "Investor Relations" section. A copy of the Code of Business Conduct and Ethics is available free of charge by contacting Investor Relations Department, Ennis, Inc. P.O. Box 403, Midlothian, TX 76065-0403.

Communication with the Board

The Board of Directors maintains a process for shareholders and interested parties to communicate with the Board. Shareholders may e-mail, call or write to the Board, as more fully described on the Company's website under the "Corporate Governance" caption. Communications addressed to individual Board members and clearly marked as shareholder communications will be forwarded by the Corporate Secretary unopened to the individual addressed. Any communications addressed to the Board and clearly marked as shareholder communications will be forwarded by the Corporate Secretary unopened to James C. Taylor, Chairman of the Nominating and Corporate Governance Committee.

DIRECTORS

Term

The Company's directors consist of three classes serving in staggered three-year terms. Directors for each class are elected at the Annual Meeting of Shareholders held in the year in which the term for their class expires.

Director Independence and Qualifications

As set forth in the Company's Corporate Governance Guidelines, in selecting its slate of nominees for election to the Board, the Nominating and Corporate Governance Committee and the Board have evaluated, among other things, each nominee's independence, satisfaction of regulatory requirements, financial literacy, personal and professional accomplishments and experience in light of the needs of the Company, and with respect to incumbent directors, past performance on the Board. See *Corporate Governance Matters-Criteria for Membership on the Board* section of this proxy statement. The Board has determined that all three nominees have no material relationship with the Company either directly or indirectly and are "independent" within the meaning of the listing requirements of the NYSE. In addition, the Board has determined that each director nominee is financially literate and possesses the high level of skill, experience, reputation and commitment that is mandated by the Board. Presented below is the biographical information of all our Board members, including the nominees (Mssrs. Schaefer, Pritchett and Taylor.)

Summary of Our Independent Directors

There is no family relationship among any of our directors and executive officers. The following table, listed in alphabetical order, sets forth the names of our current non-employee directors and nominees for director and their respective ages and positions with the Company.

Name	Age	Director Since	Term Expires	Positions
James B. Gardner	72	1970	2008	Director
Harold W. Hartley	83	1971	2007	Director
Godfrey M. Long, Jr.	65	2006	2009	Director
Thomas R. Price	68	1989	2009	Director
Kenneth G. Pritchett	69	1999	2007	Director
Alejandro Quiroz	54	2003	2009	Director
Michael J. Schaefer	56	--	--	Nominee for Director
James C. Taylor	65	1998	2007	Director

Set forth below is a description of the backgrounds of our non-employee directors, including the nominees for director. Information regarding our employee directors (Mssrs. Walters and Graham) can be found under *Executive Officers – Summary of Our Executive Officers* section of this Proxy Statement.

James B. Gardner, Senior Managing Director of SAMCO Capital Markets. Mr. Gardner has served in his present position with SAMCO, a financial services firm, since May 1994. Mr. Gardner is also a director of Century Telephone Enterprises, Inc.

Harold W. Hartley (Retiring Director), Investments. Mr. Hartley retired in December 1985 and since that time has managed his private investments. Prior to Mr. Hartley's retirement in 1985, he served as the Executive Vice President of Tenneco Financial Services, Inc., a subsidiary of Tenneco, Inc. Mr. Hartley served as the Executive Vice President and Treasurer for Southwestern Life Insurance Company, prior to its acquisition by Tenneco, Inc. He also worked as a senior financial analyst for a large mutual fund management company. Mr. Hartley's term as Director will end June 28, 2007.

Godfrey M. Long, Jr., Consultant and Director of Graphic Dimensions, a printing company and forms manufacturer. Mr. Long has served in his present position with Graphic Dimensions in Atlanta, Georgia since 2003. Previously, Mr. Long was Chairman and CEO of Short Run Companies, a forms manufacturer in Newport, Kentucky from 1984 to 2002 and President and CEO of Blum Data Graphics, a forms distributor in Newport, Kentucky from 1981 to 2001. Mr. Long's experience also includes ten years of banking as a commercial loan officer at Wachovia Bank and Central Trust Company.

Thomas R. Price, Owner and President of Price Industries, Inc., a real estate and investment company. Mr. Price has been engaged in his present occupation since 1975.

Kenneth G. Pritchett (Incumbent Nominee), President of Ken Pritchett Properties, Inc. Ken Pritchett Properties, Inc. is a Commercial and Residential Development Corporation in the Dallas/Ft. Worth Metropolitan area since 1968, specializing in shopping center and exclusive residential development. Mr. Pritchett is a member of the Board of Trustees and Chairman of the Planning Committee for three Methodist Hospitals. He is a Life Director for the National Home Builders, and the Texas Home Builders Association. He serves on the Executive Committee for the Metropolitan Homebuilders Association.

Alejandro Quiroz, Chairman of the Board of NEXT, a Mexico printing company, and President of Presto Capital, a commercial real estate company. Mr. Quiroz has served in his present position for over ten years. Mr. Quiroz, currently a resident of San Antonio, Texas, has been engaged in the printing business in both the United States and Mexico, primarily in an executive capacity, since 1975.

Michael J. Schaefer (New Nominee), Executive Vice President, Chief Financial Officer and Treasurer of Methodist Health System, Dallas, TX ("Methodist"). Methodist owns and operates three acute care hospitals and associated services in the Dallas metropolitan area. Mr. Schaefer has served in his present position with Methodist since 1982 and joined Methodist in 1979. Prior to Methodist, Mr. Schaefer was an audit supervisor with the public accounting firm of Ernst & Ernst (now Ernst & Young) where he worked from 1972 to 1979. Mr. Schaefer is a member of the American Institute of Certified Public Accountants.

James C. Taylor (Incumbent Nominee), Principal of The Anderson Group, Inc. The Anderson Group Inc., Bloomfield Hills, Michigan, is a private investment firm engaged in the acquisition and management of businesses in a variety of industries. Mr. Taylor joined The Anderson Group Inc. in 1989 and served as the President and Chief Executive Officer of four businesses affiliated with The Anderson Group Inc. Prior to 1989, Mr. Taylor was with United Technologies Corporation for 19 years, primarily in manufacturing operations, including seven years as a Group Vice President.

Attendance

During fiscal year 2007, the Board of Directors met four times. No incumbent directors attended fewer than 75% of the total number of meetings of the Board of Directors and the committees of which he was a member. In addition, the Directors are encouraged and expected to attend the annual meetings of the Company's shareholders. All of the incumbent directors attended the 2006 Annual Meeting of Shareholders.

Committee Membership

The Company currently has three standing committees of the Board: Audit Committee, Compensation Committee and the Nominating and Corporate Governance Committee. Each committee currently is comprised of non-employee directors, all of whom are considered independent under NYSE listing standards and our Governance Guidelines. The Board of Directors and the members of each committee meet regularly in executive session without management. The charters for these committees can be found on the Company's website at *www.ennis.com* under the "Corporate Governance" caption in the "Investor Relations" section. A copy of these charters is available free of charge by contacting Investor Relations Department, Ennis, Inc., P.O. Box 403, Midlothian, TX 76065-0403.

The following table details the membership of each of our committees as of February 28, 2007 and the number of times during the year each of these committees met.

Director's Name	Audit	Compensation	Nominating and Corporate Governance
Number of meetings held during fiscal year end February 28, 2007	5	2	3
Non-Employee Independent Directors			
James B. Gardner	C	X	
Harold W. Hartley - retiring	X		X
Godfrey Long, Jr.	X		
Thomas R. Price	X		X
Kenneth G. Pritchett	X	C	
Alejandro Quiroz			X
James C. Taylor		X	C

C Committee Chairman

X Committee Member

Audit Committee

During fiscal year 2007, the Audit Committee met five times. The Audit Committee (i) discusses with management, the independent auditors, and the internal auditors the integrity of our accounting policies, internal controls, corporate governance, financial statements, financial reporting practices and significant corporate risk exposures, and steps management has taken to monitor, control and report such exposures; (ii) monitors the qualifications, independence and performance of our independent auditors and internal auditors; (iii) monitors our overall direction and compliance with legal and regulatory requirements and corporate governance, including our code of business conduct and ethics; and (iv) maintains open and direct lines of communication with the Board and our management, internal auditors and independent auditors.

Compensation Committee

During fiscal year 2007, the Compensation Committee met two times. The Compensation Committee oversees and administers our executive compensation policies, plans and practices and assists the Board in discharging its responsibilities relating to the fair and competitive compensation of our executives and other key employees. In particular, the Compensation Committee is charged with assisting the Board in (i) assessing whether the various compensation programs of the Company are designed to attract, motivate and retain the senior management necessary for the Company to deliver consistently superior results and are performance based, market driven and shareholder aligned; (ii) its oversight of specific incentive compensation plans adopted by the Company, with the approval of this Committee, included stock, plans, supplemental executive retirement plans and short term and long term incentive compensation plans for members of senior management of the company; (iii) assessing the effectiveness of succession planning relative to senior management of the Company; (iv) its approval, review and oversight of benefit plans of the company; and (v) its oversight of the performance and compensation of the Chief Executive Officer of the Company and the other members of the senior management team of the Company. In addition, the Compensation Committee will direct the production of all reports that the SEC rules require be included in the Company's annual proxy statement. For further information regarding the Compensation Committee's role in determining executive compensation, please see the *Compensation - Compensation Discussion & Analysis* below.

Nominating and Corporate Governance Committee

During fiscal year 2007, the Nominating and Corporate Governance Committee met three times. The Nominating and Corporate Governance Committee identifies, investigates and recommends to the Board director candidates with the goal of creating balance of knowledge, experience and diversity. Generally, the Committee identifies candidates through the personal, business and organizational contacts of the directors and management. Potential directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of the Company's shareholders. In addition to reviewing a candidate's background and accomplishments, candidates for director nominees are reviewed in the context of the current composition of the Board and the evolving needs of the Company's businesses. It is the Board's policy that at all times at least a majority of its members meets the standards of independence promulgated by the NYSE and the SEC and as set forth in the Company's Corporate Governance Guidelines, and that all members reflect a range of talents, ages, skills, diversity, and expertise, particularly in the areas of accounting and finance, management, domestic and international markets and leadership sufficient to provide sound and prudent guidance with respect to the Company's operations and interests. The Company also requires that its Board members be able to dedicate the time and resources sufficient to ensure the diligent performance of their duties on the Company's behalf, including attending all Board and applicable committee meetings.

Compensation Committee Interlocks and Insider Participation

All of the members of the Compensation Committee are non-employee directors of the Company and are not former officers of the Company. During fiscal year 2007, no executive officer of the Company served as a member of the board or compensation committee of a corporation whose executive officers served on the Board or Compensation Committee of this Corporation.

EXECUTIVE OFFICERS

Summary of Our Executive Officers

The following table, listed in alphabetical order, sets forth the names of our executive officers and their respective ages and positions with the Company. For those executive officers on our Board of Directors, it indicates the date they became a board member and when their current term expires. There is no family relationship among any of our directors and executive officers.

Name	Age	On Board Since	Term Expires	Positions
Ronald M. Graham	59	2003	2008	Vice President - Administration and Director
Michael D. Magill	59	--	--	Executive Vice President and Treasurer
David T. Scarborough	39	--	--	Vice President - Apparel Division
Richard L. Travis, Jr.	51	--	--	Secretary, CFO and Vice President - Finance
Keith S. Walters	57	1997	2008	Chairman of the Board, CEO , President and Director

Set forth below is a description of the backgrounds of our executive officers.

Ronald M. Graham, Vice President - Administration. Mr. Graham joined the Company in January 1998 as Director of Human Relations and subsequently was elected to Vice President Human Resources in June 1998. Prior to joining the Company, Mr. Graham was with E. V. International, Inc. (formerly Mark IV Industries, Inc.), an electronics manufacturing company, for 17 years as Corporate Vice President, Administration. Prior to that time, Mr. Graham was with Sheller-Globe, an automotive parts manufacturing company, for three years as Corporate Director of Human Resources.

Michael D. Magill, Executive Vice President and Treasurer. Mr. Magill joined the Company in 2003 as Vice President and Treasurer and subsequently was elected Executive Vice President in February 2005. Prior to joining the Company, Mr. Magill was President and Chief Executive Officer of Safeguard Business Systems, Inc., a manufacturer and distributor of business forms, for six years. Prior to that time, Mr. Magill was Executive Vice President and CFO of KBK Capital Corporation, a publicly traded finance company. Mr. Magill joined KBK Capital Corporation after ten years with MCorp, a publicly traded bank holding company, where he held various positions beginning as head of corporate finance and ending as CFO during MCorp's bankruptcy.

David T. Scarborough, Vice President - Apparel Division. The Apparel Division was formed in November 2004 from the merger of the Company and Alstyle Apparel ("Alstyle"). Mr. Scarborough has held the position of President of Alstyle since January 2005. Previous to his January 2005 appointment as President of Alstyle, Mr. Scarborough was Alstyle's Vice President of Sales and Marketing from November 2003 to January 2005 and its eastern division sales manager from July 2002 to November 2003. Prior to his experience at Alstyle, Mr. Scarborough was a sales associate at Tee Jays Manufacturing, a custom vertical knit manufacturer, from February 2002 to July 2002, and the director of manufacturing and sourcing for Lexington Fabrics, Inc., a custom vertical knit manufacturer, from August 2000 to January 2002.

Richard L. Travis, Jr. Vice President - Finance, Chief Financial Officer and Secretary. Mr. Travis joined the Company in November 2005 as Vice President Finance and Chief Financial Officer. Previously, Mr. Travis was employed as the Chief Financial Officer and Senior Vice President of Human Resources with Peerless Mfg. Co. in Dallas, Texas, a publicly traded manufacturer of filtration/separation and environmental systems for the gas, petrochemical, refinery and power markets from February 2002 to November 2005. Prior to his experience at Peerless, Mr. Travis served as the Chief Financial Officer at TrinTel Communications, a provider of services to the wireless industry, from January 1999 to December 2001, as President/Chief Operating and Chief Financial Officer at CT Holdings, Inc., a publicly traded software development and incubation company, from December 1996 to December 1999, and as Executive Vice President and Chief Financial Officer for 10 years at Texwood Industries, Inc., a multi-state/country manufacturer of kitchen cabinets and doors. His 10 years of public accounting experience included positions as a Senior Audit Manager at Grant Thornton LLP as well as audit experience with Laventhol & Horwath and Ernst & Whinney (now Ernst & Young). Mr. Travis is a registered certified public accountant.

Keith S. Walters, Chairman of the Board, CEO and President. Mr. Walters joined the Company in August 1997 as Vice President-Commercial Printing Operations and was appointed Vice Chairman of the Board and Chief Executive Officer in November 1997. Prior to joining the Company, Mr. Walters was with Atlas/Soundolier, a division of American Trading and Production Company, a manufacturer of electronic sound and warning systems, from 1989 to 1997, in various capacities, most recently as Vice President of Manufacturing. Prior to that time, Mr. Walters was with the Automotive Division of United Technologies Corporation, an automotive parts and manufacturing company, for 15 years, primarily in manufacturing and operations.

SECURITY OWNERSHIP

Security Ownership of the Board of Directors and Executive Officers

The following table sets forth information regarding the beneficial ownership of our Common Stock as of April 30, 2007 for our Common Stock beneficially owned by each director, each of the executive officers, and all directors and executive officers as a group:

The percentages of shares outstanding provided in the table are based on 25,585,451 voting shares outstanding as of April 30, 2007. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Unless otherwise indicated, each person or entity named in the table has sole voting and investment power, or shares voting and investment power with his or her spouse, with respect to all shares of stock listed as owned by that person. The number of shares shown does not include the interest of certain persons in shares held by family members in their own right. Shares issuable upon the exercise of options that are exercisable within 60 days of April 30, 2007 are considered outstanding for the purpose of calculating the percentage of outstanding shares of our Common Stock held by the individual, but not for the purpose of calculating the percentage of outstanding shares held by any other individual. In addition, the following shares have not been pledged by the respective officers or directors, unless otherwise stated in the footnotes following the table. The address of our directors, the director nominee and executive officers listed below is c/o Ennis, Inc., 2441 Presidential Parkway, Midlothian, Texas 76065.

		Shares Owned		Vested (1)			Percentage of
Name/Group		**Direct**	**Indirect**	**Stock Awards**	**Option Awards**	**Total**	**Outstanding Shares**
James B. Gardner	(2)	17,125	-	666	32,500	50,291	*
Ronald M. Graham		3,000	-	625	56,200	59,825	*
Harold W. Hartley	(3)	3,375	26,975	666	32,500	63,516	*
Godfrey M. Long, Jr.	(4)	1,700	300	1,333	-	3,333	*
Michael D. Magill		3,000	-	2,208	9,450	14,658	*
Thomas R. Price	(5)	115,000	10,000	666	10,000	135,666	*
Kenneth G. Pritchett	(2)	36,250	-	666	6,250	43,166	*
Alejandro Quiroz		-	-	666	8,750	9,416	*
David T. Scarborough		17,511	-	833	5,200	23,544	*
James C. Taylor		29,000	-	666	17,500	47,166	*
Richard L. Travis, Jr.		1,000	-	333	5,200	6,533	*
Keith S. Walters		88,287	-	3,306	269,563	361,156	1.4%
All directors and officers, as a group (12 individuals)		315,248	37,275	12,634	453,113	818,270	3.1%

* Denotes ownership of less than 1%.
(1) Amounts include those awards that would be vested within 60 days of the Record Date (4/30/07).

(2) Shares attributable to Mr. Gardner and Mr. Pritchett are held in trust for the benefit of the named director. Each exercises sole voting rights with respect to such shares.
(3) Indirect shares attributable to Mr. Hartley are held in trust. Mr. Hartley is one of two trustees with shared voting discretion.
(4) Indirect shares attributable to Mr. Long include 300 shares held by Mr. Long's wife.
(5) Included in directly owned is 30,000 shares held in an irrevocable trust that Mr. Price exercises sole voting control over. Mr. Price disclaims beneficial ownership of his sister-in-laws' portion of 20,000 shares jointly owned by her and Mr. Price's wife. Reflected in the table is his wife's interest only.

Security Ownership of Certain Beneficial Owners

The following table gives information regarding all of the persons known by us to own, in their name or beneficially 5% or more of our outstanding Common Stock as of April 30, 2007.

Name and Address of Beneficial Owner	Class	Number of Shares	Percent of Combined Voting Power
Royce & Associates, LLC (1) 1414 Avenue of the Americas New York, NY 10019	Common	1,729,400	6.76%
Dimensional Fund Advisors, LP (2) 1299 Ocean Avenue Santa Monica, CA 90401	Common	1,580,782	6.18%
Barclays Global Investors, NA (3) 45 Fremont Street San Francisco, CA 94105	Common	1,284,037	5.02%

(1) The information is based on a Schedule 13G filed pursuant to Rule 13(d)-1(b) with the Securities and Exchange Commission by Royce & Associates, LLC. on January 19, 2007.
(2) The information is based on a Schedule 13G filed pursuant to Rule 13(d)-1(b) with the Securities and Exchange Commission by Dimensional Fund Advisors LP on February 09, 2007. Dimensional Fund Advisors LP (formerly, Dimensional Fund Advisors Inc.) ("Dimensional"), an investment advisor registered under Section 203 of the Investment Advisors Act of 1940, furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager to certain other commingled group trusts and separate accounts. These investment companies, trusts and accounts are the "Funds." In its role as investment advisor or manager, Dimensional possesses investment and/or voting power over the securities of the Company described in this schedule that are owned by the Funds, and may be deemed to be the beneficial owner of the shares of the Company held by the Funds. However, all securities reported in this schedule are owned by the Funds. Dimensional disclaims beneficial ownership of such securities. In addition, the filing of the Schedule 13G by Dimensional shall not be construed as an admission that the reporting person or any of its affiliates is the beneficial owner of any securities covered by the Schedule 13G for any other purposes than Section 13(d) of the Securities Exchange Act of 1934.
(3) The information is based on a Schedule 13G filed pursuant to Rule 13(d)-1(b) with the Securities and Exchange Commission by Barclays Global Investors NA on January 23, 2007. The amount indicated represents the aggregate shares beneficially owned by Barclays Global Investors NA (855,312 shares) and Barclays Global Fund Advisors (428,725 shares) of the same address.

AUDIT-RELATED MATTERS

Audit Committee Report

The Audit Committee of the Board (the "Audit Committee") is responsible for providing independent, objective oversight of the Company's financial reporting functions and internal control systems. The Audit Committee is currently composed of five non-employee directors. The Board has determined that the members of the Audit Committee satisfy the requirements of the NYSE as to independence, financial literacy and expertise. The Board has determined that at least one member, James B. Gardner, is an audit committee financial expert as defined by the SEC. The responsibilities of the Audit Committee are as set forth in the written charter adopted by the Company's Board and last amended on January 13, 2004. One of the Audit Committee's primary responsibilities is to assist the Board in its oversight of the integrity of the Company's financial statements. To assist it in fulfilling its oversight, the Committee regularly meets separately with the internal auditor, the independent auditors, management and the Company's outside counsel. The following report summarizes certain of the Committee's activities in this regard during the fiscal year ended February 28, 2007.

Independent Auditors and Internal Audit Matters

The Audit Committee has discussed with the Company's independent auditors their plan for the audit of the Company's annual consolidated financial statements, including the independent auditors' evaluation of management's assessment of and the effectiveness of the Company's internal control over financial reporting, as well as reviews of the Company's quarterly financial statements. During fiscal 2007, the Audit Committee met regularly with the independent auditors, with and without management present, to discuss the results of their audits and reviews, as well as their evaluations of the Company's internal control over financial reporting and the overall quality of the Company's accounting principles. In addition, the Audit Committee has received the written disclosures and the letter from the independent auditors required by the Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and discussed with the independent auditors the auditors' independence from the Company and its management. In determining that the auditors are independent, the Committee also considered whether the provision of any of the non-audit services described in *Independent Auditor's Services and Fees* section of this proxy is compatible with maintaining their independence. The Audit Committee has also appointed Grant Thornton LLP as the Company's independent auditors for fiscal year 2008, and the Board concurred in its appointment.

The Audit Committee has reviewed and approved the annual internal audit plan and has met regularly with the Company's internal auditor, with and without management present, to review and discuss the internal audit reports, including reports relating to operational, financial and compliance matters.

Financial Statements for the Fiscal Year Ended February 28, 2007

Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal and disclosure controls (including internal control over financial reporting). The independent auditors are responsible for performing an independent audit of the Company's consolidated financial statements and internal control over financial reporting and expressing opinions on (i) the conformity of the consolidated financial statements with U.S. generally accepted accounting principles and (ii) management's assessment of and the effectiveness of the Company's internal control over financial reporting.

In this context, the Audit Committee has met and held discussions with management and the independent auditors with respect to the Company's audited financial statements for the fiscal year ended February 28, 2007. Management represented to the Audit Committee that the Company's consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles.

In connection with its review of the Company's year-end financial statements, the Audit Committee has reviewed and discussed with management and the independent auditors the consolidated financial statements, management's assessment of the effectiveness of the Company's internal control over financial reporting and the independent auditors' evaluation of management's assessment of and the effectiveness of the Company's internal control over financial reporting. The Audit Committee also discussed with the independent auditors matters required to be discussed by Statement on Auditing Standards No. 61 (Communications with Audit Committees), as amended, including the quality and acceptability of the Company's accounting policies, financial reporting processes and controls.

In performing its functions, the Audit Committee acts only in an oversight capacity and necessarily relies on the work and assurances of the Company's management and independent auditors, which, in their reports, express opinions on the conformity of the Company's annual financial statements with U.S. generally accepted accounting principles and management's assessment of and the effectiveness of the Company's internal control over financial reporting. In reliance on the reviews and discussions referred to in this Report and in light of its role and responsibilities, the Audit Committee recommended to the Board of Directors, and the Board approved, that the audited financial statements of the Company be included in the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2007 for filing with the SEC.

THE ENNIS, INC. AUDIT COMMITTEE

James B. Gardner, *Chairman*
Harold Hartley
Godfrey M. Long, Jr.
Thomas R. Price
Kenneth G. Pritchett

Policy Regarding Pre-Approval of Services Provided by the Independent Auditors

The Audit Committee pre-approves all audit and permissible non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services and tax services and may include, to a very limited extent, specifically designated non-audit services, which in the opinion of the Audit Committee, will not impair the independence of the registered public accounting firm. Pre-approval is generally provided for up to one year, and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The independent registered public accounting firm and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent registered public accounting firm in accordance with this pre-approval, and the fees for the services performed to date. In addition, the Audit Committee may, as required, also pre-approve particular services on a case-by-case basis.

Independent Auditor's Services and Fees

Grant Thornton LLP served as our independent registered public accounting firm during our fiscal years ended February 28, 2007 and 2006. For the fiscal year ended February 28, 2007 and 2006, we were billed the following fees by Grant Thornton LLP.

	Fiscal 2007	Fiscal 2006
Audit Fees (1)	$ 819,286	$ 846,348
Audit-Related Fees (2)	-	-
Tax Fees (3)	54,014	72,888
All Other Fees (4)	750	2,100
	$ 874,050	$ 921,336

(1) Aggregate fees for professional services billed for the audit of the Company's consolidated financial statements and review of the interim consolidated financial statements included in quarterly reports and services that are normally provided by the independent registered public accounting firm in conjunction with statutory and regulatory filings or engagements.
(2) Aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's consolidated financial statements and are not reported under "Audit Fees". Their services include accounting consultations in connection with acquisitions, attest services that are not required by statute or regulations.
(3) Fees for tax services, tax advice, state, federal and international tax consultation.
(4) Fees for information services.

The Audit Committee has concluded that the provision of the non-audit services listed above is compatible with maintaining the independence of Grant Thornton LLP. During the year, approximately $27,934, or 51% of the total fiscal year 2007 non-audit fees were approved by the Audit Committee pursuant to their pre-approval policy.

COMPENSATION

Director Compensation

The Company compensates its non-employee directors using a mix of compensation, including: an annual cash retainer, meeting fees and committee chair fees and stock option and restricted stock grants. Directors who are Company employees receive no additional compensation for serving on the Board.

Cash Compensation

All non-employee directors receive $18,000 annual cash compensation (the retainer) and $2,000 per Board meeting fee. All retainers are paid monthly and meeting fees are paid as incurred. Non-employee directors serving in specified committee positions also receive the following additional cash compensation.

- $6,000 Chair of the Audit Committee
- $6,000 Chair of the Compensation Committee
- $6,000 Chair of the Nominating and Corporate Governance Committee
- $1,500 All other Committee members – per meeting fee

Equity Compensation

In addition to cash compensation, all non-employee directors receive annual stock grants, which can take the form of stock options or restricted stock units. Stock option and restricted stock unit grants vest ratably over four years and three years, respectively. Options are granted with an exercise price equal to the fair market value of the Company's stock on the date of grant. In addition, new Board members, upon their initial election, receive either a grant of stock options or restricted stock. During fiscal year 2007, each member of the Board received a grant of 2,000 restricted stock units. Mr. Long received an initial grant of 4,000 restricted stock units, upon his election to the Board.

The table below sets forth the information regarding compensation earned by the Company's non-employee directors during the year ended February 28, 2007:

Directors Name	Fees Earned or Paid in Cash ($)	Stock Awards ($) (3) (4)	Option Awards ($) (5)	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
James B. Gardner	$ 42,500	$ 8,753	$ 9,147	$ -	$ -	$ -	$ 60,400
Harold W. Hartley	$ 38,000	$ 8,753	$ 9,147	$ -	$ -	$ -	$ 55,900
Godfrey Long, Jr. (1)	$ 19,000	$ 17,506	$ -	$ -	$ -	$ -	$ 36,506
Robert L. Mitchell (2)	$ 10,000	$ -	$ -	$ -	$ -	$ -	$ 10,000
Thomas R. Price	$ 36,500	$ 8,753	$ 9,147	$ -	$ -	$ -	$ 54,400
Kenneth G. Pritchett	$ 44,000	$ 8,753	$ 9,147	$ -	$ -	$ -	$ 61,900
Alejandro Quiroz	$ 30,500	$ 8,753	$ 9,182	$ -	$ -	$ -	$ 48,435
James C. Taylor	$ 41,000	$ 8,753	$ 9,147	$ -	$ -	$ -	$ 58,900

(1) Mr. Long's term as director began on June 29, 2006.
(2) Mr. Mitchell's term as director ended on June 29, 2006.
(3) The dollar amount recognized for financial statement reporting purposes for our fiscal year ended February 28, 2007, in accordance with Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" (FAS 123R). The assumptions used to calculate these values are set forth in Note 8 to our consolidated financial statements, which are included in our Annual Report on Form 10-K for the year ended February 28, 2007. Listed below are the unvested restricted shares and unexercised stock options as of February 28, 2007.

(4) Presented below are the grant date fair value of each stock award granted in fiscal year 2007 (computed in accordance with FAS 123R) and the aggregate number of stock awards outstanding on February 28, 2007. There were no option awards granted during fiscal year 2007.

Directors Name	Date of Grant	Restricted Stock Units Awarded	Grant Date Fair Value	Total Stock Awards Outstanding	Total Option Awards Outstanding
James B. Gardner	6/29/2006	2,000	$ 39,280	2,000	40,000
Harold W. Hartley	6/29/2006	2,000	$ 39,280	2,000	40,000
Godfrey Long, Jr.	6/29/2006	4,000	$ 78,560	4,000	-
Thomas R. Price	6/29/2006	2,000	$ 39,280	2,000	17,500
Kenneth G. Pritchett	6/29/2006	2,000	$ 39,280	2,000	13,750
Alejandro Quiroz	6/29/2006	2,000	$ 39,280	2,000	20,000
James C. Taylor	6/29/2006	2,000	$ 39,280	2,000	25,000

(5) The dollar amount recognized for financial statement reporting purposes for our fiscal year ended February 28, 2007, in accordance with FAS 123R. The assumptions used to calculate these values are set forth in Note 8 to our consolidated financial statements, which are included in our Annual Report on Form 10-K for the year ended February 28, 2007.

Executive Compensation

Compensation Discussion and Analysis

The following section describes our compensation structure and programs for our executive officers, including our named executive officers. The discussion primarily focuses on the compensation elements and decisions during our fiscal year ended February 28, 2007. We address why we believe the elements of our program are right for our Company and our shareholders as we explain how compensation is determined.

Ennis currently has five named executive officers. They have the broadest job responsibilities and policy authority in the Company. They are held accountable for the Company's performance and for maintaining a culture of strong ethics and integrity. The details of compensation for our CEO, CFO and three other named executive officers can be found in the tables within this section.

<u>Overview</u>

<u>Who is responsible for determining the compensation of executive officers?</u>

The Compensation Committee (the "Committee") of our Board of Directors determines compensation for all executive officers, including named executive officers. The Committee consists entirely of independent directors who are determined by the Nominating and Corporate Governance Committee of the Board of Directors. The committee reviews the performance of the Company, assesses the performance of the individuals, and confers with an independent consultant from PricewaterhouseCoopers, LLP about compensation for comparable executives within the manufacturing industry and more specifically the printing and apparel industries.

The ability of the Committee members to judge performance effectively is enhanced by the exposure they get to Ennis' operations as members of our Board of Directors. The Board participates in regular updates on our business priorities, strategies and results through attendance at regularly scheduled Board meetings. The Committee has frequent interaction with and open access to executive officers. This gives them considerable opportunity to ask questions and assess the performance of individual executives and the Company.

The Committee has taken action where appropriate and possible, to preserve the deductibility of compensation paid to the named executive officers in compliance with Internal Revenue Code Section 162(m), which requires, among other things, that executive compensation must qualify as "performance-based compensation" to qualify for and preserve tax deductibility.

What are the objectives of our compensation program for executive officers and what is it designed to reward?

The objective of the compensation program for our executive officers is to hold them accountable for the financial and competitive performance of the Company and their individual contributions toward successful Company results. The compensation program is based on the following principles:

1. Pay for performance – pay better than the market median for performance that is superior to competitors.
2. Provide rewards that motivate executives to think and act in the best interest of our shareholders.

The Committee judges performance based on three specific measures: revenue goals, operating margin and return on capital. Additionally, the Committee considers and assesses the Company's progress in key strategic areas such as new markets served and acquisitions and the executive's contribution in these key areas.

What are the elements of our executive compensation?

Our executive compensation consists of four basic elements:

1. Cash compensation, consisting of base salary and performance bonus.
2. Long-term compensation awarded as equity, consisting generally of stock options and restricted stock units.
3. Basic Company benefits, consisting of standard benefits as offered to other employees, including retirement benefits, health and life insurance.
4. Perquisites, consisting of auto allowance, opportunity to defer cash compensation, supplemental retirement contributions and company-paid supplemental life insurance.

Why do we choose to pay each element and how do we decide how much to pay or include as compensation?

We believe the combination of cash compensation and long-term equity compensation creates the right balance between performance, reward, retention and promotion of shareholders' interests.

The Committee determines the combination and amount of each of these elements when setting the levels of our executive's compensation. Executive compensation is reviewed annually at the first quarterly Board meeting following the conclusion of our fiscal year. From time to time the Committee may meet to consider any off cycle changes that it deems appropriate because of changes in job responsibility or regulatory requirements.

The specifics of each element are as follows:

Cash Compensation

Cash compensation is a combination of base salary and performance bonus. Our objective is to deliver total cash compensation that reflects the Company's performance as well as the executive's individual contribution to that performance. If the Company and individual perform better than competitors, the goal is to deliver total cash compensation that is generally above the market median. If performance is below expectation, the total cash compensation will be generally below the market median.

Base Salary – This is the least variable form of compensation intended to compensate the executive officer for the job duties assigned. The Company generally pays base salaries between the median and the 75th percentile of the market for officers performing comparable jobs. The base salary and the percentile can vary depending on the individual's qualifications, experience and performance and is at the Committee's discretion.

The Committee estimates the target range for a job by gathering specific information about base salaries for similar jobs in the relevant study category as specified by the Committee. The relevant study category typically includes matching jobs at manufacturing companies within our industry and other companies of a similar size. This information is compiled and supplied to the Committee by an independent compensation consultant. The Committee may or may not adjust base salaries based upon its analysis of study data and performance.

Performance Bonuses – This element is variable and depends upon the Company's performance and the executive officers' contribution toward that performance. The Committee has full discretion to determine the participation in, and the allocation of, any developed bonus pool for the named executive officers.

The Annual Performance Bonus Plan is designed to reward executives for the attainment of Company performance measures. Each executive is assigned a percentage of base salary eligibility for reaching targeted performance. A threshold is established at 95% of targeted performance before a bonus is considered. Executives are eligible for up to 150% of their assigned target percentage should targeted goals be reached or exceed 150%. These percentages are based upon the Committee's determination of level of responsibility. The current percentages of base salary eligibility for the named executive officers are:

	Threshold	Target	Maximum 150% of Target
CEO/President	0	60%	90%
Executive Vice President	0	40%	60%
Vice President Finance (CFO)	0	40%	60%
Vice President Administration	0	40%	60%
Vice President Apparel Division	0	40%	60%

A bonus pool is generated based upon these percentages if predetermined goals are met in the areas of profit, return on capital and sales. These goals are weighted by importance at 40% profit, 40% return on capital and 20% sales growth. These goals are established and approved by the Board at the beginning of the fiscal year based upon the approved business plan. The business plan is presented to the Board after review by management to assure that the plan meets or exceeds strategic objectives for the year.

When the year-end audited financials are available, the bonus pool is finalized by Management and presented to the Committee. The Committee analyzes the performance of the executive officers and the performance of the Company against the predetermined goals to determine the extent of bonus to be awarded. The Committee arrives at its own conclusions as to the level of bonus awards. They present the recommendations to the Board for discussion and approval. Only independent directors vote on the final awards.

The Board also determines any discretionary bonus awards for the prior fiscal year period at the April quarterly meeting. Discretionary bonuses are sometimes awarded to executives for exceptional performance that was not anticipated by the business plan used in establishing the annual performance goals. An example would be a successful acquisition of a business during the previous year. Another could be the successful sale of a business during the year. The independent directors have the sole authority in determining and awarding any discretionary bonus. All bonuses awarded are performance based.

Equity Awards

Equity awards for our named executive officers have been granted from our 1998 and 2004 Long-Term Incentive Plans. There were no equity awards granted during this fiscal year. All previously granted awards are disclosed in the *Outstanding Equity Awards at Fiscal Year end* Table.

When granted, equity awards are meant to align the interests of named executive officers with our shareholders, and to motivate and reward our executive officers to increase the shareholder value of the Company over the long term. The 2004 Long-Term Incentive Plan, as approved by shareholders, allocated 500,000 shares of stock to be available to management and non-employee directors in the form of options (either incentive stock options or non-qualified stock options), restricted stock grants, stock appreciation rights, restricted unit grants, phantom stock options or other incentive awards. The Compensation Committee determines eligible employees, the timing of options and award grants, the number of shares granted, vesting schedules, option prices and duration and other terms of any stock options and other awards.

We also believe that long-term incentive awards are a key element in retaining key individuals. The Committee believes it is important to retain a strong, capable executive team that has aligned interests with the Company's shareholders. The type of equity awards granted under the 1998 and 2004 Long-Term Incentive Plans include:

Incentive Stock Options – Each stock option represents the right to purchase a specified number of shares of our Common Stock at the set exercise price subject to the terms of an option agreement. The exercise price is the fair market value of the Company's stock on the day the Committee grants the option. As a result, any value that an executive receives from a stock option is solely the result of increases in the value of the stock. Any increase in the value of the stock benefits all our shareholders, which aligns the executive and shareholder interests. These options vest ratably over four years at 25 percent per year. They have a term of ten years.

Non-Qualified Stock Options – This type of option is similar to the Incentive Stock Option and is typically used only when Incentive Stock Options are limited by the plan or IRS limitations.

Restricted Stock Grants – The Committee can also grant awards of restricted stock to the executive officers. Any granted shares are typically granted with a restrictive vesting schedule which renders the shares subject to substantial risk of forfeiture if or when an executive terminates employment prior to vesting. The stock is granted at the fair market value of the Company's stock on the day the Committee awards the grant. The recipient of a grant is entitled to dividends on the shares beginning on the grant date.

There are additional methods of rendering stock value to recipients under the terms of the shareholder approved Long-Term Incentive Plan including, stock appreciation rights, phantom stock options and dividend equivalent rights. The Committee has determined that these methods will not be used at this time.

Perquisites

The fourth basic element of compensation for the named executive officers are perquisites. The named executive officers typically enjoy the same benefit as all salaried employees; however, the Committee has determined that the named executive officers will receive an auto allowance as follows:

Mr. Walters	$12,000 annually
Mr. Travis	$8,000 annually
Mr. Magill	$8,000 annually
Mr. Graham	$8,000 annually
Mr. Scarborough	$8,000 annually

Other Benefits

Retirement Plans

All named executive officers except Mr. Scarborough, Vice President Apparel Group, participate in the Pension Plan For The Employees of Ennis, Inc. This is a Company funded defined benefit plan which promises a certain benefit to the eligible named executive officers upon normal retirement. Normal retirement is defined as the first day of the month of the latter of his 65th birthday or the fifth anniversary of participation if hired after age 60. The pension plan provides for retirement benefits on a formula based on the average pay of the highest five consecutive compensation years during active employment, integration of certain Social Security benefits, years of service and reaching a normal retirement age of 65.

The Internal Revenue Code limits the maximum annual compensation covered by the plan. The limit for 2007 is $225,000. This limitation as well as the limitation on highly compensated participants in the Ennis 401(k), significantly limits the retirement benefit for the named executive officers. This past year the Board decided that a select number of executives, including the named executive officers, would be granted a supplemental benefit under the Ennis Deferred Compensation Plan to make-up some of the retirement benefit lost because of the imposed limitations. The named executive officers were granted the following non-qualified deferred benefits during fiscal year 2007:

	Supplemental Retirement Grant	**Deferred 401(k) Match**
Mr. Walters	$189,000	$2,692
Mr. Travis	$56,250	$5,254
Mr. Magill	$93,750	$0
Mr. Graham	$56,250	$1,038
Mr. Scarborough	$45,000	$0

All the named executive officers were eligible to participate in the Ennis 401(k) Plan, which is a qualified plan that allows all employees of the Company to save up to allowed limits on a before tax basis. The named executive officers did not receive any matching Company contributions under the qualified plan.

All named executive officers were eligible to defer cash compensation under the Ennis Deferred Compensation Plan, which is a non-qualified plan that allows deferral of compensation until retirement or termination. The amounts deferred by the named executive officers are indicated on the following tables.

Additionally, Mr. Scarborough receives a housing allowance of $54,000 annually, which was awarded at the time of his appointment and transfer to become the President of the Apparel Division of the Company. He also receives the benefit of temporarily living in a Company leased residence for which the value is imputed to him as income. This imputed value was $107,308 during the 2007 fiscal year.

The named executive officers receive an annual non-qualified match of 25% limited to $5,000 for savings in the Company's 401(k) Plan. The match would accumulate in the Company's Non-qualified Deferred Compensation Plan.

The named executive officers are eligible for Company paid supplemental term life insurance at the following benefit amounts:

Mr. Walters	$1,000,000
Mr. Travis	$500,000
Mr. Magill	$500,000
Mr. Graham	$500,000
Mr. Scarborough	$500,000

The Company's contribution paid for this benefit is imputed as income to the executive.

The named executive officers do not receive a tax gross up for any of these benefits.

Employment Agreements

The Committee has determined that it is in the best interests of the Company and its shareholders to enter into employment agreements with each of the named executive officers. The current agreements are for three-year terms beginning April 31, 2006 and can be extended on a year-to-year basis. The employment contracts are referenced as exhibits to our Annual Report on Form 10K. We entered into these agreements to ensure that the executives perform their roles for an extended period of time with focus on annual and multiple year objectives.

The agreements establish the beginning base salary, eligibility for bonuses, benefits, perquisites, as well as, certain non-compete, non-solicitation and confidentiality covenants that protect the Company.

Compensation upon termination is outlined in the agreements and described in detail below. If one of the named executive officers is terminated without cause or within two years after a change of control, or if the executive terminates the agreement for "good reason", as defined in the agreement, then the executive would receive a multiple of current base salary and the prior year's bonus as set forth in the following table.

	Without Cause (base salary + bonus)	**With Cause** (base salary)	**Change of Control*** (280G base + bonus)
Mr. Walters	2X	1.0X	2.99 X
Mr. Travis	1X	.5X	1.00 X
Mr. Magill	1X	.5X	1.00 X
Mr. Graham	1X	.5X	1.00 X
Mr. Scarborough	1X	.5X	1.00 X

* Limited to the maximum amount of severance payment permitted to be deducted as compensation expense under the provisions of Section 280G of the Internal Revenue Code.

In addition to these cash severance amounts, the named executive officer would be eligible for continuation of basic employee group benefits if terminated without cause, upon a change of control triggering event or resigns for good reason and would also vest for all qualified plan benefits and be eligible to receive either pay or reimbursement for employee costs and expenses for outplacement services, as is customary and reasonable in the Dallas area for the executive's level of responsibility. The basic benefit continuation period is 12 months for Mr. Walters and three months for all other named executive officers.

Definitions for Types of Termination Summarized from Employment Agreements.

Termination by the Company includes termination at death, total disability of 120 consecutive days or more or retirement. There would be no severance payment due the executive for terminations with respect to death or retirement. For payments required for our executive officers in the event of disability, please see the tables on page 32 entitled *Termination Due to Disability* and *Termination Due to Death.*

Termination for cause is defined to mean: (i) the willful and continued failure by the executive to follow the reasonable instructions of the Board and which is not cured within 10 days of written notice from the Company specifying such failure; (ii) the willful commission by the executive of acts that are dishonest or inconsistent with local normal standards and is demonstrably and materially injurious to the Company or its subsidiaries, monetarily or otherwise; (iii) the commission by the executive of a felonious act; (iv) ongoing alcohol/drug addiction and failure to successfully complete a recovery program; (v) intentional wrongful disclosure of confidential information of the Company; (vi) intentional wrongful engagement in any competitive activity; or (vii) gross neglect of his duties by the executive which is not cured within 10 days of written notice specifying the failure, or in the event the failure is not curable within 10 days, the executive shall have a longer period of up to 30 days to cure the failure so long as he is diligently pursuing a cure.

Termination without cause is defined as any termination of executive's employment by the Company for any reason other than those specified above.

Termination by executive. The executive shall be entitled to terminate his employment (i) in the event of a change of control, (ii) for good reason defined as the executive's resignation within 90 days of the following:

(a) Without the express consent of executive, any duties assigned are materially inconsistent with the executive's position, duties and status with the Company as contemplated by the employment agreement;
(b) Any action by the Company which results in a material diminution in the position, duties or status of the executive as contemplated by the employment agreement or any transfer or proposed transfer of the executive for any extended period to a location outside the area of the corporate office without the executives consent, except for strategies reallocations of personnel reporting to the executive;
(c) The base annual salary of the executive is reduced; or
(d) The Company fails to materially comply with the employment agreement obligations.

Severance Payment After Change of Control

If any of the named executive officers is terminated within 90 days prior to or within two years after a change of control as defined by the employment agreements, the executive will be entitled to a lump sum severance payment and immediate vesting of benefits and long-term incentive awards and options. The value of these payments and benefits is set forth in the *Potential Payments Upon Termination or Change in Control* section.

Any change of control severance is limited to the maximum amount of severance payment as defined in Section 280G of the Internal Revenue Code of 1986, as amended.

Discussion of Performance and Compensation Committee Actions for Fiscal Years 2007 and 2008

The Committee held a meeting on April 20, 2007 for the purpose of considering compensation for the named executive officers of the Company. During this meeting, the members discussed and considered each officer's performance and relative contribution toward the performance of the Company during the fiscal year. The

Committee also discussed the bonus pool generated for the fiscal year and the performance factors that contributed to the pool. There were discussions about the competitive positioning of the named executive officers' base salaries as compared to the survey information supplied by the Company's independent consultant, Pricewaterhouse Coopers, LLP. After these considerations and factoring responsibility changes during the year, the Committee recommended the following adjustments to base salaries to the Board effective on April 23, 2007.

		From	To	%
CEO, President	Mr. Walters	$750,000	$788,000	5.1%
Vice President Finance	Mr. Travis	$250,000	$325,000	30.0%
Executive Vice President	Mr. Magill	$400,000	$420,000	5.0%
Vice President Administrative	Mr. Graham	$240,000	$250,000	4.2%
Vice President Apparel	Mr. Scarborough	$342,000	$370,000	8.2%

Mr. Travis' base salary increase was both performance-based and an adjustment to bring his base more in line with competitive salaries for a CFO in similar sized companies as indicated by the available data.

In addition to these base salary adjustments, it was determined that the following incentive payments should be awarded to the named executive officers fiscal year 2007 performance.

CEO, President	Mr. Walters	$513,000
Vice President Finance	Mr. Travis	$110,000
Executive Vice President	Mr. Magill	$175,000
Vice President Administration	Mr. Graham	$95,000
Vice President Apparel	Mr. Scarborough	$175,000

The Company reached or exceeded its planned targets for sales, profits and return on capital for the fiscal year. The incentive payments awarded by the Board are consistent with the level of performance the Company achieved.

The Committee and Board also awarded Restricted Stock grants under the Ennis Long-Term Incentive Plan to the named executive officers in the amounts listed below. These grants were made at the closing price on the date of grant, April 20, 2007. The shares will vest equally at 33 1/3% each year for the next three years. These grants will be reported in the next fiscal year report.

Mr. Walters	14,400 shares
Mr. Travis	6,000 shares
Mr. Magill	7,000 shares
Mr. Graham	4,200 shares
Mr. Scarborough	6,000 shares

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management this Compensation Discussion and Analysis section of the Company's 2007 Proxy Statement. Based on its review and discussions with management, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's Proxy Statement for 2007 and its Annual Report on Form 10-K for the fiscal year ended February 28, 2007.

THE ENNIS, INC. COMPENSATION COMMITTEE

Kenneth Pritchett, Chairman
James B. Gardner
James C. Taylor

Summary Compensation Table

The following table presents fiscal year end 2007 compensation information regarding the Company's Chief Executive Officer, Chief Financial Officer and the three remaining most highly paid executive officers during the year ended February 28, 2007, collectively, the "named executive officers".

Name and Principal Position	Year	Salary ($)	Bonus	Stock Awards (1)	Option Awards (2)	Non-Equity Incentive Plan Compensation (3)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (4)	All Other Compensation (5)	Total
Keith S. Walters Chairman of the Board, President and Chief Executive Officer	2007	$ 713,461	$ -	$ 65,108	$ 616	$ 513,000	$ 189,148	$ 205,612	$ 1,686,945
Richard L. Travis, Jr. Vice President-Finance, Chief Financial Officer and Secretary	2007	$ 236,538	$ -	$ 6,563	$ -	$ 110,000	$ 15,915	$ 70,886	$ 439,902
Michael D. Magill Executive Vice President and Treasurer	2007	$ 380,769	$ -	$ 43,476	$ 7,742	$ 175,000	$ 31,272	$ 102,967	$ 741,226
Ronald M. Graham Vice President	2007	$ 228,462	$ -	$ 12,306	$ 123	$ 95,000	$ 46,931	$ 64,955	$ 447,777
David T. Scarborough Vice President	2007	$ 354,461	$ -	$ 16,408	$ -	$ 175,000	$ 6,823	$ 213,641	$ 766,333

(1) The dollar amount recognized for financial statement reporting purposes for our fiscal year ended February 28, 2007, in accordance with FAS 123R. The assumptions used to calculate these values are set forth in Note 8 to our consolidated financial statements, which are included in our Annual Report on Form 10-K for the year ended February 28, 2007.

(2) The dollar amount recognized for financial statement reporting purposes for our fiscal year ended February 28, 2007, in accordance with FAS 123R. The assumptions used to calculate these values are set forth in Note 8 to our consolidated financial Statements, which are included in our Annual Report on Form 10-K for the year ended February 28, 2007.

(3) The amounts awarded under the Company's Annual Performance Bonus Plan for the accomplishment of pre-set performance goals for the fiscal year ended February 28, 2007. The Company exceeded predetermined performance goals for profit, return on capital and sales. The incentive awards reflect this performance and awards are at or slightly above the named executive officers' target award levels.

(4) The actuarial increase in the present value of the named executive officer's benefits under the Company's pension plan using the actuarial process specified by the pension plan. For named executive officers who leave and have not completed five years vesting service, amounts assume vesting in all cases and retirement at age of 65. Mr. Scarborough is not a participant in the Company's Pension Plan. The earnings on Company contributions in the Deferred Compensation Plan are reflected in the column. The Company contributions are invested in an array of mutual funds held in a Rabbi Trust. The investment returns are consistent with the type of funds available for retirement funds and are similar to the funds available in the Company's 401(k) Plan. Mr. Walters, also, has 20,000 share units of phantom stock in the Company Deferred Compensation Plan. The amount in this column for Mr. Walters includes the increase in value and dividends during this year.

(5) For information regarding the amounts included in this column, please see "All Other Compensation Table" below.

	Company Contribution to Benefit Plans (a)	Perquisites and Other Personal Benefits (b)	Other (c)	Total
Keith S. Walters	$ 191,692	$ 11,500	$ 2,420	$ 205,612
Richard L. Travis, Jr.	$ 61,504	$ 7,667	$ 1,715	$ 70,886
Michael D. Magill	$ 93,750	$ 7,667	$ 1,550	$ 102,967
Ronald M. Graham	$ 57,288	$ 7,667	$ -	$ 64,955
David T. Scarborough	$ 45,000	$ 7,333	$ 161,308	$ 213,641

(a) The contributions made to the Ennis Deferred Compensation Plan for supplemental retirement benefits. The amounts are awarded by the Compensation Committee on an annual basis. The awards for this fiscal year were a percentage of the prior year's base salary. The percentages were: Mr. Walters, 27%; Mr. Travis, 25%; Mr. Magill, 25%; Mr. Graham, 25%; and Mr. Scarborough, 15%. The actual contributions for each of the named executives were as follows: Mr. Walters, $189,000; Mr. Travis, $56,250; Mr. Magill, $93,750; Mr. Graham, $56,250; and Mr. Scarborough, $45,000. In addition, each of the named executive officers were eligible for an additional 25% match to any savings in the Company's 401(K) Plan. The match contributions were: Mr. Walters, $2,692; Mr. Travis, $5,254; and Mr. Graham, $1,038.

(b) The amount received by the named executive officers for auto allowance.

(c) The amount paid for supplemental executive life insurance premiums during this fiscal year for Mr. Walters, Mr. Travis, and Mr. Magill. Additionally Mr. Scarborough's amount included a temporary housing allowance of $54,000 and the imputed value of living in a Company leased residence in the amount of $107,308.

Grants of Plan-Based Awards

There were no grants of plan based awards to the named executive officers during fiscal year ended February 28, 2007.

Outstanding Equity Awards at Fiscal Year End

The following table provides information regarding stock options and restricted stock held by the named executive officers as of February 28, 2007.

	Option Awards					Stock Awards (2)	
Directors Name	**Date of Option Grant**	**Number of Securities Underlying Unexercised Options Excercisable**	**Number of Securities Underlying Unexercised Options Unexcercisable (1)**	**Option Exercise Price**	**Option Expiration Date**	**Stock Awards Number of Shares or Units of Stock Awards That Have Not Vested**	**Market Value of Shares or Units of Stocks That Have Not Vested (3)**
Keith S. Walters						6,614	$ 170,641
	9/10/1997	15,000	-	$ 11.34	9/10/2007		
	10/8/1998	81,000	-	$ 10.06	10/8/2008		
	4/21/1999	100,000	-	$ 8.69	4/21/2009		
	4/20/2000	43,363	-	$ 7.06	4/20/2010		
	4/19/2001	25,000	-	$ 7.90	4/19/2011		
	2/27/2006	5,200	-	$ 19.69	2/27/2016		
Richard L. Travis, Jr.						667	$ 17,209
	2/27/2006	5,200	-	$ 19.69	2/27/2016		
Michael D. Magill						4,416	$ 113,933
	6/17/2004	3,425	10,275	$ 15.64	6/17/2014		
	2/27/2006	2,600	-	$ 19.69	2/27/2016		
Ronald M. Graham						1,250	$ 32,250
	10/8/1998	16,000	-	$ 10.06	10/8/2008		
	4/21/1999	15,000	-	$ 8.69	4/21/2009		
	4/20/2000	15,000	-	$ 7.06	4/20/2010		
	4/19/2001	5,000	-	$ 7.90	4/19/2011		
	2/27/2006	5,200	-	$ 19.69	2/27/2016		
David T. Scarborough						1,667	$ 43,009
	2/27/2006	5,200	-	$ 19.69	2/27/2016		

(1) The stock option award granted June 17, 2004 to Mr. Magill vests in equal amounts on each of June 17, 2007, June 17, 2008 and June 17, 2009.

(2) The awards of restricted stock were all granted February 28, 2006 and vest in equal amounts on each of February 27, 2008 and February 27, 2009.

(3) Calculated using the NYSE closing price of $25.80 per share of our Common Stock on February 27, 2007.

Option Exercises and Stock Vested

The following table provides information as to each of the named executive officers information on exercises of stock options and the vesting of restricted stock awards during fiscal year ended February 28, 2007, including: (i) the number of shares of Common Stock underlying options exercised during fiscal year ended February 28, 2007; (ii) the aggregate dollar value realized upon the exercise of such options; (iii) the number of shares of our Common Stock received from the vesting of awards of restricted stock during fiscal year ended February 28, 2007; and (iv) the aggregate dollar value realized upon such vesting on February 28, 2007, which is the vesting date of the restricted stock awards reflected in the table.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($) (1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($) (2)
Keith S. Walters	56,637	$ 698,193	3,306	$ 85,295
Richard L. Travis, Jr.	-	$ -	333	$ 8,591
Michael D. Magill	-	$ -	2,208	$ 56,966
Ronald M. Graham	-	$ -	625	$ 16,125
David T. Scarborough	-	$ -	833	$ 21,491

(1) The amount realized equals the difference between the fair market value of Common Stock on the date of exercise and the exercise price, multiplied by the number of shares acquired on exercise.
(2) The amount realized is based on the market value of the stock at date of vesting.

Pension Benefits

We have a noncontributory retirement plan that covers approximately 15% of our employees. The plan provides for retirement benefits on a formula based on the average pay of the highest five consecutive compensation years during active employment, integration of certain Social Security benefits, length of service and a normal retirement age of sixty-five. All forms of remuneration, including overtime, shift differentials and bonuses, are covered by the plan. However due to restrictions imposed by the Internal Revenue Code, effective January 1, 2002, the maximum annual compensation covered by the plan is limited to $205,000. Future years' maximum can be increased for inflation (for 2007, the maximum is $225,000). Prior to this date, the maximum annual compensation covered by the plan was limited to $150,000 (indexed for inflation).

The following table shows the present value as of February 28, 2007, of the benefit of the named executive officers under our qualified defined benefit pension plan.

Name	Plan	Number of Number of Years Credited Service (2)	Present Value of Accumulated Benefit (3)	Payments During Fiscal 2007
Keith S. Walters	Ennis, Inc. DB Pension Plan	9.50	$ 145,886	$ -
Richard L. Travis, Jr.	Ennis, Inc. DB Pension Plan	1.10	$ 12,516	$ -
Michael D. Magill	Ennis, Inc. DB Pension Plan	3.20	$ 55,184	$ -
Ronald M. Graham	Ennis, Inc. DB Pension Plan	9.00	$ 157,652	$ -
David T. Scarborough (1)	N/A	0.00	$ -	$ -

(1) Mr. Scarborough is not eligible to participate in the Company's Pension Plan. He instead is eligible to participate in the Company's 401(k) Defined Contribution Plan.
(2) Credited service began on the date the named executive became eligible to participate in the plan. Participation began on January 1 following the year of employment. Accordingly, each of the named executives have been employed by Ennis for longer than the years of credited service shown above.
(3) The assumptions and valuation methods used to calculate the present value of the Accumulated Pension Benefits shown are the same as those used by Ennis for financial reporting purposes and are described in Note 11 to Ennis Annual Report on Form 10-K for the year ended February 28, 2007.

Nonqualified Deferred Compensation in Last Fiscal Year

The following table shows the information about the contributions and earnings, if any, credited to the accounts maintained by the named executive officers under nonqualified deferred compensation agreements, any withdrawals or distributions from the accounts during fiscal year 2007, and the account balances on February 28, 2007.

	Executive Contribution in Fiscal Year 2007 (1)	Registrant Contribution in Fiscal Year 2007 (2)	Aggregate Earnings in Fiscal Year 2007 (3)	Aggregate Withdrawals/ Distribution	Aggregate Balance at February 28, 2007 (4)
Keith S. Walters	$ 120,000	$ 189,000	$ 159,839	$ -	$ 2,705,643
Richard L. Travis, Jr.	$ 24,415	$ 56,250	$ 3,399	$ -	$ 94,389
Michael D. Magill	$ -	$ 93,750	$ 9,901	$ -	$ 167,262
Ronald M. Graham	$ 4,308	$ 56,250	$ 6,780	$ -	$ 133,568
David T. Scarborough	$ -	$ 45,000	$ 6,823	$ -	$ 97,003

(1) The named executive officers are able to defer a percentage of their salary and bonus upon voluntary elections made by them into the Ennis Deferred Compensation Plan. The amounts indicated represent the portions so deferred by each named executive last fiscal year. The amounts indicated have been included in the salary column of the *Summary Compensation Table* on page 26.

(2) Amounts represent contributions to be made by the Company for the 2007 fiscal year to the Ennis Deferred Compensation Plan for Supplemental Retirement Benefits. The amounts are awarded each year by the Compensation Committee. The awards this year were based on a percentage of each named executives prior year base salary, and were as follows: Mr. Walters, 27%; Mr. Travis, 25%; Mr. Magill, 25%; Mr. Graham, 25%; and Mr. Scarborough, 15%. Amounts indicated have been included in the "All Other Compensation" column of the *Summary Compensation Table* on page 26.

(3) Amounts represent earnings on Company contributions during the year on each named executives' deferred compensation account. Mr. Walters' amount also includes $134,000 earned during the year on his 20,000 shares of phantom stock. These earnings have been included in "Change in Pension Value and Non Qualified Deferred Compensation Earnings" of the *Summary Compensation Table* on page 26.

(4) Includes quarterly payment made March 13, 2007 relating to fiscal year 2007.

Potential Payments Upon Termination or Change in Control

The following tables summarize the estimated payments to be made under certain circumstances to each named executive officer as more completely described in the *Employment Agreements* section in the *Compensation Disclosure and Analysis*. For the purposes of the quantitative disclosure in the following tables, and accordance with SEC regulations, we have assumed that the termination took place on February 28, 2007.

The following table describes payments that would be required to each of our named executive officers in the event of a "Change in Control" as defined by the Employment Agreements.

CHANGE IN CONTROL

	Base Salary and Bonus (1)	Group Benefit Plans Continuation (2)	Other Benefits (3)	Pension Benefits	Deferred Compensation (4)	Equity Equity Awards (5)
Keith S. Walters	$ 4,437,134	$ 12,042	$ 20,000	$ 145,886	$ 2,705,643	$ 4,665,315
Richard L. Travis, Jr.	$ 482,183	$ 2,207	$ 20,000	$ 12,516	$ 94,389	$ 48,981
Michael D. Magill	$ 764,820	$ 3,947	$ 20,000	$ 55,184	$ 167,262	$ 269,011
Ronald M. Graham	$ 498,031	$ 2,492	$ 20,000	$ 157,652	$ 133,568	$ 943,072
David T. Scarborough	$ 761,278	$ 2,372	$ 20,000	$ -	$ 97,003	$ 74,781

(1) When termination is a result of change in control as defined in Employment Agreements and qualifies for change in control, severance payment is equal to the lesser of 2.99 times Mr. Walter's "Base Amount" as defined in Section 280G of the Internal Revenue code of 1986, as amended and a severance bonus equivalent to 2.99 times the bonus earned or paid for the previous year. The maximum amount of severance payment is limited to the amount permitted to be deducted as compensation expense by the Company and to be received by the Employee without liability for the assessment of an excise tax. All other named executive officers would receive amounts equal to 1 times the "Base Amount" as defined in Section 280G of the Internal Revenue Code of 1986, as amended and a severance bonus equivalent to 1 times the bonus earned or paid for the previous year. The maximum amount would have the same limitation as indicated by the previous footnote. The 280G "Base Amount" is determined by averaging the last five years or shorter period if not employed by the Company. All wages and salary, bonuses, fringe benefits, pension benefits and other deferred compensation arising out of the employment relationship are treated as compensation. Transfers of stock options and stock grants are also treated as compensation payments.

(2) Mr. Walters receives twelve months of continued group benefits. All other named executive officers receive three months of continued group benefits.

(3) All named executive officers would receive up to $20,000 toward outplacement services.

(4) Aggregate account value as of February 28, 2007. The amounts shown in the *Nonqualified Deferred Compensation in Last Fiscal Year* table on page 30 include the amounts shown in this column.

(5) Calculated as the (i) difference between the exercise price of all outstanding in-the-money options and the closing price of our common stock as of February 28, 2007 ($25.80), multiplied by the number of such options as of February 28, 2007 plus (ii) the outstanding stock grants as of February 28, 2007 multiplied by the closing price of our common stock.

The following table describes payments that would be required to each of our named executive officers in the event of a "Without Cause" termination as defined by the Employment Agreements.

WITHOUT CAUSE

	Base Salary and Bonus (1)	Group Benefit Plans Continuation (2)	Other Benefits (3)	Deferred Compensation (4)	Equity Awards (5)
Keith S. Walters	$ 2,900,000	$ 12,042	$ 20,000	$ 2,705,643	$ 4,665,315
Richard L. Travis, Jr.	$ 290,000	$ 2,207	$ 20,000	$ 94,389	$ 48,981
Michael D. Magill	$ 599,000	$ 3,947	$ 20,000	$ 167,262	$ 269,011
Ronald M. Graham	$ 300,000	$ 2,492	$ 20,000	$ 133,568	$ 943,072
David T. Scarborough	$ 502,000	$ 2,372	$ 20,000	$ 97,003	$ 74,781

(1) Amounts indicated in the above table are as of February 28, 2007. When a termination is "Without Cause" as defined by the Employment Agreements, the severance amounts would be calculated as follows: Mr. Walters, 2 times his fiscal year 2007 base salary and prior years' (fiscal year 2006) bonus; all other named executive officers, 1 times their fiscal year 2007 base salary and prior years' (fiscal year 2006) bonus. If current salary and prior years' (fiscal year 2007) bonuses were used (i.e.,

amounts currently payable), the calculated amounts would be as follows: Mr. Walters, $2,602,000; Mr. Travis, $435,000; Mr. Magill, $595,000; Mr. Graham, $345,000; and Mr. Scarborough, $545,000.

(2) Mr. Walters receives twelve months of continued group benefits. All other named executive officers receive three months of continued group benefits.

(3) All named executive officers would receive up to $20,000 toward outplacement services.

(4) Aggregate account value as of February 28, 2007. The amounts shown in the *Nonqualified Deferred Compensation in Last Fiscal Year* table on page 30 include the amounts shown in this column.

(5) Calculated as the (i) difference between the exercise price of all outstanding in-the-money options and the closing price of our common stock as of February 28, 2007 ($25.80), multiplied by the number of such options as of February 28, 2007 plus (ii) the outstanding stock grants as of February 28, 2007 multiplied by the closing price of our common stock.

The following table describes payments that would be required to each of our named executive officers in the event of a "With Cause" termination, as defined by the Employment Agreements.

	WITH CAUSE				
	Base Salary and Bonus (1)	**Group Benefit Plans Continuation**	**Other Benefits**	**Deferred Compensation (2)**	**Equity Awards (3)**
Keith S. Walters	$ 750,000	$ -	$ -	$ 2,705,643	$ 4,494,674
Richard L. Travis, Jr.	$ 125,000	$ -	$ -	$ 94,389	$ 31,772
Michael D. Magill	$ 200,000	$ -	$ -	$ 167,262	$ 50,684
Ronald M. Graham	$ 120,000	$ -	$ -	$ 133,568	$ 910,822
David T. Scarborough	$ 171,000	$ -	$ -	$ 97,003	$ 31,772

(1) The amounts indicated in the above table are as of February 28, 2007. When a termination is "With Cause" as defined by the Employment Agreements, the severance amounts would be calculated as follows: Mr. Walters would receive 1 times his fiscal year 2007 base salary; all other named executive officers would receive ½ times their fiscal year 2007 base salary. Amounts currently payable are as follows: Mr. Walters, $ 788,000; Mr. Travis, $162,500; Mr. Magill, $210,000; Mr. Graham, $125,000; and Mr. Scarborough, $185,000.

(2) Aggregate account value as of February 28, 2007. The amounts shown in the *Nonqualified Deferred Compensation in Last Fiscal Year* table on page 30 include the amounts shown in this column.

(3) Calculated as the difference between the exercise price of all vested in-the-money options and the closing price of our common stock as of February 28, 2007 ($25.80), multiplied by the number of such options as of February 28, 2007

The following table describes payments that would be required to each of our named executive officers in the event of a disability, or death termination as defined by the Employment Agreements.

	TERMINATION DUE TO DISABILITY		**TERMINATION DUE TO DEATH**
	Compensation (1)	**Benefits (2)**	**Benefits (3)**
Keith S. Walters	$ 788,000	$ 480,000	$ 1,250,000
Richard L. Travis, Jr.	$ 325,000	$ 840,000	$ 750,000
Michael D. Magill	$ 420,000	$ 360,000	$ 750,000
Ronald M. Graham	$ 250,000	$ 360,000	$ 250,000
David T. Scarborough	$ 370,000	$ 1,560,000	$ 250,000

(1) When termination is due to disability as determined by the Board, the compensation amount is equal to twelve months salary.

(2) Reflects monthly long term disability benefits of $5,000 until the age of 65.

(3) All named executive officers benefits include basic life insurance benefits of $250,000. Mr. Walters' benefits include $1,000,000 non-qualified life insurance benefits and Mr. Travis and Mr. Magill include $500,000 non-qualified life insurance benefits.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers, and persons who own more than 10% of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership of the Company's Common Stock with the SEC and the NYSE, and to furnish the Company with copies of the forms they file. To the Company's knowledge, based solely on a review of the copies of such reports furnished to it and written representations of our officers and directors, during the year ended February 28, 2007, all Section 16(a) reports applicable to its officers and directors were filed on a timely basis with the following exceptions: (i) each of Mssrs. Gardner, Hartley, Long, Mitchell, and Quiroz inadvertently filed one Form 4 late; (ii) each of Mssrs. Price, Pritchett and Taylor filed one Form 4 and one Amendment to Form 4 late and (iii) Mr. Long filed an amendment to his initial Form 3 late.

OTHER MATTERS

The Board does not intend to present any other items of business other than those stated in the Notice of Annual Meeting of Shareholders. If other matters are properly brought before the meeting, the persons named as your proxies will vote the shares represented by it in accordance with their best judgment. Discretionary authority to vote on other matters is included in the proxy.

ENNIS BOARD OF DIRECTORS

Keith S. Walters
Chairman of the Board, CEO
and President of Ennis, Inc.

James B. Gardner
Senior Managing Director
SAMCO Capital Markets

Ronald M. Graham
Vice President - Administration of
Ennis, Inc.

Harold W. Hartley (*)
Investments and former EVP of
Southwestern Life Insurance Company

Godfrey M. Long
Director of Graphic Dimensions
Former Chairman and CEO of Short
Run Companies

Thomas R. Price
Owner and President
Price Industries

Kenneth G. Pritchett
Developer of Residential and Commercial
Properties

Alejandro Quiroz
Chairman of the Board
NEXT
President of Presto Capital

James C. Taylor
Principal
The Anderson Group, Inc.

(*) Mr. Hartley will step down from the Board at the Annual Meeting of Shareholders on June 28, 2007.

ENNIS CORPORATE EXECUTIVE OFFICERS

Keith S. Walters
Chairman of the Board, CEO and
President of Ennis, Inc.

Richard L. Travis, Jr.
Vice President of Finance,
Chief Financial Officer and Secretary

Ronald M. Graham
Director
Vice President - Administration

Michael D. Magill
Executive Vice President and Treasurer

David T. Scarborough
Vice President - Apparel Division

ENNIS®

SHAREHOLDER SERVICES

Registered shareholders [who hold shares in their name] with questions or seeking services, including change of address, lost stock certificate, transfer of stock to another person and other administrative services, should contact the Transfer Agent at:

Computershare Investor Services, LLC
Attn: Shareholders Services
2 North LaSalle Street
Chicago, Illinois 60602
312-588-4990

www.computershare.com

Beneficial shareholders [who hold their shares through brokers] should contact the broker directly on all administrative matters.

FINANCIAL & OTHER COMPANY INFORMATION

Copies of our financial information, such as this Annual Report on Form 10-K and our Proxy Statement to our shareholders, as filed with the Securities and Exchange Commission (SEC), Quarterly Reports on Form 10-Q, and other filings with the SEC may be viewed or downloaded from the Company's website:

www.ennis.com/investor_relations

Alternatively, you can order copies, free of charge, by contacting Ms. Sharlene Andrews - Executive Assistant to our Vice President of Finance.

COMMON STOCK

Ennis, Inc. common stock is listed on the New York Stock Exchange under the tickler symbol "EBF."

As of April 30, 2007, there were approximately 25,585,451 million shares outstanding and approximately 1,239 shareholders of record.

FISCAL YEAR 2007
STOCK PRICE PERFORMANCE

High:	$27.00
Low:	$18.62
Close (2/28/07)	$25.80

ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders will be held on June 28, 2007, beginning at 10:00 a.m., local time. The meeting will take place at the Midlothian Community Center located at One Community Circle, Midlothian Texas 76065.

NUMBER OF EMPLOYEES

More than 6,383 worldwide at February 28, 2007.

CORPORATE ADDRESS

2441 Presidential Parkway
Midlothian, Texas 76065

INVESTOR RELATIONS

Keith S. Walters
Chairman of the Board, CEO and President
2441 Presidential Parkway
Midlothian, Texas 76065
800-752-5386

keith_walters@ennis.com

INDEPENDENT ACCOUNTANTS

Grant Thornton, LLP

OUTSIDE CORPORATE COUNSEL

Patton Boggs, LLP

CERTIFICATIONS

Ennis has filed with the SEC as exhibits to its Annual Report on Form 10-K for the year ended February 28, 2007, the certification of each of its Chief Executive Officer and Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act. In addition, Ennis has submitted to the New York Stock Exchange the required certification of the Chief Executive Officer with respect to Ennis' compliance with the New York Stock Exchange's corporate governance listing standards.

CAUTION CONCERNING FORWARD LOOKING STATEMENTS

This document includes certain "forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual results may vary materially from the expectations contained herein due to changes in economic, business, competitive, technology, strategic and or regulatory factors. More detailed information about these factors is set forth in our Quarterly Reports on Form 10-Q, as filed with the SEC and in this Annual Report on Form 10-K under the caption "Certain Risk Factors." Ennis is under no obligation to [an expressly disclaims any such obligation to] update or alter its forward-looking statements, whether as a result of new information, subsequent events or otherwise.

CORPORATE PUBLICATIONS

Copies of Ennis, Inc.'s Annual Report on Form 10-K (excluding exhibits) and other filings with the SEC are available without charge upon written request to Ennis, Inc., 2441 Presidential Parkway, Midlothian, Texas 76065, Attn: Investor Relations, or by email: investor@ennis.com. All such filings are also available on our website: www.ennis.com/investor_relations.

TRADEMARK INFORMATION

All trademark and service marks referenced herein are owned by the respective trademark or service mark owners.

DIRECTIONS TO ENNIS 2007 ANNUAL MEETING

If traveling from the North on I-35 East:
If on I-35E, travel South to US Hwy 287 (Ft. Worth exit), exit and take US Hwy 287 North toward Ft. Worth until you reach Midlothian **(Do not take 287 Business in Midlothian)**. Exit at Midlothian Pkwy, turn left onto Midlothian Pkwy and proceed to Mount Zion Rd. Turn right and continue to Community Circle and turn right. The Conference Center will be on the right in the larger of the two buildings.

If traveling from the North on US Hwy 67:
If traveling on US Hwy 67, travel South to Hwy 287 South **(Do not take 287 Business)**. Take Hwy 287 South and exit at FM 663/14th St, proceed to 14th Street, and turn right. Follow 14th St. until you reach Mount Zion Rd. and turn left. Continue approximately 1 block to Community Circle and turn left. The Conference Center will be on the right in the larger of the two buildings.

If traveling from the East:
If traveling from the East, take US Hwy 287 North until you reach Midlothian **(Do not take 287 Business in Midlothian)**. Exit at Midlothian Pkwy, turn left onto Midlothian Pkwy and proceed to Mount Zion Rd. Turn right and continue to Community Circle and turn right. The Conference Center will be on the right in the larger of the two buildings.

If traveling from the West:
If traveling from the West, take Hwy 287 South until you reach Midlothian and take the FM 663/14th St. exit. Proceed to 14th Street, turn right and continue to Mount Zion Rd. Turn left onto Mount Zion Rd. and proceed to Community Circle and turn left. The Conference Center will be on the right in the larger of the two buildings.

If traveling from the South:
If traveling from the South, take I-35E and head North to US Hwy 287 North (Ft. Worth exit). Exit and take US Hwy 287 North until you reach Midlothian **(Do not take 287 Business in Midlothian)**. Exit at Midlothian Pkwy, turn left onto Midlothian Pkwy and proceed to Mount Zion Rd. Turn right and continue to Community Circle and turn right. The Conference Center will be on the right in the larger of the two buildings.

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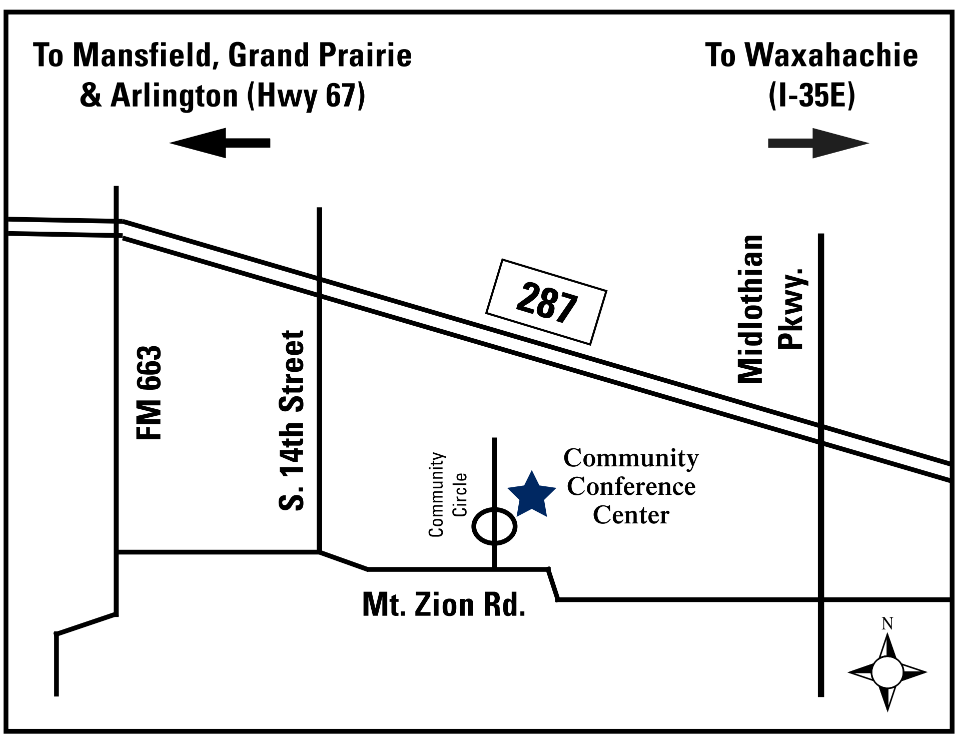

Ennis, Inc.