
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the Quarterly Period Ended October 31, 2009

Commission File Number 0-23248

SigmaTron International, Inc.

(Exact Name of Registrant, as Specified in its Charter)

Delaware

(State or other Jurisdiction of Incorporation or Organization)

36-3918470

(I.R.S. Employer
Identification Number)

2201 Landmeier Road, Elk Grove Village, Illinois

(Address of Principal Executive Offices)

60007

(Zip Code)

Registrant's Telephone Number, Including Area Code: (847) 956-8000

No Change

(Former Name, Former Address, and Former Fiscal Year, if Changed Since Last Report)

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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer", "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

On December 15, 2009, there were 3,822,556 shares of the Registrant's Common Stock outstanding.

SigmaTron International, Inc.

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SigmaTron International, Inc.
Consolidated Balance Sheets

	October 31, 2009 (Unaudited)	April 30, 2009
Current assets:		
Cash	\$ 4,315,314	\$ 3,781,252
Accounts receivable, less allowance for doubtful accounts of \$150,000 at October 31, 2009 and \$167,788 at April 30, 2009	20,615,683	16,785,079
Inventories, net	31,192,825	36,230,555
Prepaid expenses and other assets	642,074	923,911
Deferred income taxes	1,565,086	1,560,425
Other receivables	60,588	341,310
 Total current assets	 58,391,570	 59,622,532
Property, machinery and equipment, net	25,802,701	26,200,578
Other assets	621,435	699,379
Intangible assets, net of amortization of \$2,291,741 at October 31, 2009 and \$2,161,113 at April 30, 2009	478,259	608,887
 Total assets	 \$85,293,965	 \$87,131,376
Liabilities and stockholders' equity:		
Current liabilities:		
Trade accounts payable	\$13,268,646	\$10,531,553
Accrued expenses	1,584,439	1,602,913
Accrued wages	1,502,141	1,555,736
Income taxes payable	124,642	272,750
Notes payable — bank	16,397,291	1,000,000
Notes payable — buildings	2,591,313	140,250
Notes payable — other	160,994	—
Capital lease obligations	1,714,544	951,983
 Total current liabilities	 37,344,010	 16,055,185
Notes payable — bank, less current portion	—	19,746,696
Notes payable — buildings, less current portion	—	2,521,188
Notes payable — other, less current portion	254,906	—
Capital lease obligations, less current portion	250,741	1,490,773
Deferred income taxes	1,915,649	1,915,649
 Total long-term liabilities	 2,421,296	 25,674,306
 Total liabilities	 39,765,306	 41,729,491
Commitments and contingencies:		
Stockholders' equity:		
Preferred stock, \$.01 par value; 500,000 shares authorized, none issued and outstanding	—	—
Common stock, \$.01 par value; 12,000,000 shares authorized, 3,822,556 shares issued and outstanding at October 31, 2009 and April 30, 2009	38,226	38,226
Capital in excess of par value	19,642,531	19,630,580
Retained earnings	25,847,902	25,733,079
 Total stockholders' equity	 45,528,659	 45,401,885
 Total liabilities and stockholders' equity	 \$85,293,965	 \$87,131,376

The accompanying notes to financial statements are an integral part of these statements.

SigmaTron International, Inc.
Consolidated Statements Of Operations

	Three Months Ended October 31, 2009 Unaudited	Three Months Ended October 31, 2008 Unaudited	Six Months Ended October 31, 2009	Six Months Ended October 31, 2008
Net sales	\$ 30,564,267	\$ 41,132,728	\$ 56,894,321	\$ 79,610,846
Cost of products sold	<u>27,280,971</u>	<u>35,221,349</u>	<u>51,351,172</u>	<u>69,050,269</u>
Gross profit	3,283,296	5,911,379	5,543,149	10,560,577
Selling and administrative expenses	<u>2,368,409</u>	<u>3,469,956</u>	<u>4,945,250</u>	<u>6,662,459</u>
Operating income	914,887	2,441,423	597,899	3,898,118
Other (income) expense — net	(97,441)	(114,830)	(19,744)	(157,649)
Interest expense	<u>191,307</u>	<u>485,864</u>	<u>435,403</u>	<u>1,007,475</u>
Income from operations before income tax expense	821,021	2,070,389	182,240	3,048,292
Income tax expense	<u>303,723</u>	<u>565,073</u>	<u>67,417</u>	<u>963,652</u>
Net income	<u>\$ 517,298</u>	<u>\$ 1,505,316</u>	<u>\$ 114,823</u>	<u>\$ 2,084,640</u>
Earnings per share — basic	<u>\$ 0.14</u>	<u>\$ 0.39</u>	<u>\$ 0.03</u>	<u>\$ 0.55</u>
Earnings per share — diluted	<u>\$ 0.13</u>	<u>\$ 0.39</u>	<u>\$ 0.02</u>	<u>\$ 0.54</u>
Weighted average shares of common stock outstanding Basic	<u>3,822,556</u>	<u>3,822,556</u>	<u>3,822,556</u>	<u>3,822,556</u>
Weighted average shares of common stock outstanding Diluted	<u>3,851,395</u>	<u>3,874,643</u>	<u>3,839,096</u>	<u>3,879,530</u>

The accompanying notes to financial statements are an integral part of these statements.

SigmaTron International, Inc.
Consolidated Statements of Cash Flows

	Six Months Ended October 31, 2009 <u>Unaudited</u>	Six Months Ended October 31, 2008 <u>Unaudited</u>
Operating activities:		
Net income	\$ 114,823	\$ 2,084,640
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,010,717	2,047,808
Stock-based compensation	11,951	19,129
Provision for doubtful accounts	(17,788)	(23,239)
Provision for inventory obsolescence	(62,440)	142,000
Deferred income taxes	(4,661)	(153,052)
Amortization of intangible assets	130,628	186,474
Gain from sale of machinery and equipment	(7,980)	(8,803)
Changes in operating assets and liabilities		
Accounts receivable	(3,812,816)	2,876,068
Inventories	5,100,170	(1,583,258)
Prepaid expenses and other assets	640,503	127,271
Trade accounts payable	2,737,093	(4,191,467)
Accrued expenses and payroll	(72,068)	(312,023)
Income taxes payable	(148,108)	(555,380)
Net cash provided by operating activities	6,620,024	656,168
Investing activities:		
Purchases of machinery and equipment	(1,170,606)	(596,900)
Proceeds from sale of machinery and equipment	8,477	18,052
Net cash used in investing activities	(1,162,129)	(578,848)
Financing activities:		
Payments under capital lease obligations	(477,471)	(959,701)
Payments under term loan	(500,000)	(500,000)
Payments under other notes payable	(26,832)	—
Net (payments) proceeds under lines of credit	(3,849,405)	1,012,407
Payments under building notes payable	(70,125)	(256,809)
Net cash used in financing activities	(4,923,833)	(704,103)
Change in cash	534,062	(626,783)
Cash at beginning of period	<u>3,781,252</u>	<u>3,833,627</u>
Cash at end of period	<u>\$ 4,315,314</u>	<u>\$ 3,206,844</u>
Supplementary disclosures of cash flow information		
Cash paid for interest	\$ 440,410	\$ 1,032,602
Cash paid for income taxes, net of (refunds)	69,057	1,634,816
Purchase of machinery and equipment financed under capital leases	—	358,627
Non Cash Financing Activity:		
The Company financed a licensing agreement through a note payable	\$ 442,732	—

The accompanying notes to financial statements are an integral part of these statements.

Notes to Consolidated Financial Statements

(Unaudited)

October 31, 2009

Note A — Basis of Presentation

The accompanying unaudited consolidated financial statements of SigmaTron International, Inc. (“SigmaTron”), wholly-owned subsidiaries Standard Components de Mexico S.A., and AbleMex, S.A. de C.V., SigmaTron International Trading Co. and its wholly-owned foreign enterprise Wujiang SigmaTron Electronics Co. Ltd. (“SigmaTron China”) and its procurement branch SigmaTron Taiwan (collectively, the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X.

Accordingly, the consolidated financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. The Company has evaluated subsequent events through December 15, 2009, which is the date the financial statements were issued. Operating results for the three and six month periods ended October 31, 2009 are not necessarily indicative of the results that may be expected for the year ending April 30, 2010. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company’s Annual Report on Form 10-K for the year ended April 30, 2009.

Note B — Inventories

The components of inventory consist of the following:

	October 31, 2009	April 30, 2009
Finished products	\$ 8,533,339	\$11,644,129
Work-in-process	1,776,689	2,391,559
Raw materials	<u>20,882,797</u>	<u>22,194,867</u>
	<u>\$31,192,825</u>	<u>\$36,230,555</u>

Note C — Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended		Six Months Ended	
	October 31, 2009	October 31, 2008	October 31, 2009	October 31, 2008
Net income	<u>\$ 517,298</u>	<u>\$1,505,316</u>	<u>\$ 114,823</u>	<u>\$2,084,640</u>
Weighted-average shares				
Basic	3,822,556	3,822,556	3,822,556	3,822,556
Effect of dilutive stock options	<u>28,839</u>	<u>52,087</u>	<u>16,540</u>	<u>56,974</u>
Diluted	<u>3,851,395</u>	<u>3,874,643</u>	<u>3,839,096</u>	<u>3,879,530</u>
Basic earnings per share	\$ 0.14	\$ 0.39	\$ 0.03	\$ 0.55
Diluted earnings per share	\$ 0.13	\$ 0.39	\$ 0.02	\$ 0.54

Options to purchase 503,707 shares of common stock were outstanding at October 31, 2009 and 2008.

Note D — Financing Transactions:

The Company has a revolving credit facility with Bank of America under which the Company may borrow up to the lesser of: (i) \$32 million; or (ii) an amount equal to the sum of 85% of the eligible receivable borrowing base and the lesser of \$16 million or 50% of the eligible inventory borrowing base. The revolving credit facility expires on September 30, 2010.

The Company was in compliance with the required financial covenants as of July 31, 2009. Historically, the Company has renegotiated its financial covenants for the current fiscal year during the first quarter of that fiscal year. The existing financial covenants remain in place until a new agreement has been reached. However as of October 31, 2009 a new agreement had not been reached. Effective October 31, 2009 the Company was in violation of a financial covenant. The financial covenant violation affected the revolving credit facility, term loan, mortgage and leases. Also, the term of the agreement has not been negotiated with Bank of America beyond September 30, 2010, which resulted in all of the outstanding debt being reclassified as short term debt. Bank of America has provided a Forbearance on the violation until January 8, 2010 to allow the Company to transition to Wells Fargo/HSBC Trade Bank.

In October 2009 the Company decided to conduct a strategic review of its financing arrangements to determine the best long-term alternatives. As part of the review process, the Company contacted five potential new banks and asked them to review the Company's financial position and to submit proposals on possible financing alternatives. The Company received viable proposals from four of the five as well as a proposal from Bank of America. Based on an evaluation of all the proposals, the Company has decided to reduce the overall size of its revolving credit facility to \$25 million and to pursue the proposal from Wells Fargo/HSBC Trade Bank. The reduction in the line will reduce the Company's overall credit facility cost as there is currently no need for the excess capacity due to a reduction in business activity. The Company is in the process of negotiating documents and undergoing the field audit with Wells Fargo/HSBC Trade Bank. The senior secured revolving credit facility would have a term of two years and a borrowing limit of \$25 million. On December 10, 2009 the Company received a Commitment Letter from Wells Fargo/HSBC Trade Bank. The Company

anticipates it will finalize the transaction by December 31, 2009. The Company has discussed its decision with Bank of America and they have provided a forbearance on the financial covenant violation until January 8, 2010 to allow the Company to transition to Wells Fargo/HSBC Trade Bank. The Company will continue to operate under the same terms with Bank of America during the transition period. Bank of America has expressed its interest in continuing its relationship with the Company and if for any reason the Company is unable to complete the transaction with Wells Fargo/HSBC Trade Bank it will revisit the relationship with a view to continuing it under revised terms. The Company believes that going forward it will have financing from either Bank of America or another bank.

The Company has a term loan with Bank of America with an outstanding balance at October 31, 2009 of \$1,500,000, with quarterly principal payments of \$250,000 due each quarter through the quarter ending June 30, 2011 and interest payable monthly throughout the term of the loan. The Company anticipates it will repay this debt using proceeds from the senior secured revolving credit facility from Wells Fargo/HSBC Trade Bank.

On November 19, 2003, the Company purchased the property that serves as the Company's corporate headquarters and its Midwestern manufacturing facility. The Company executed a note and mortgage with Bank of America in the amount of \$3,600,000. The note bears a fixed interest rate of 5.59% per year and is payable in sixty monthly installments. A final payment of approximately \$2,115,000 is due on or before April 30, 2013. The outstanding balances were \$2,591,313 and \$2,731,562 at October 31, 2009 and October 31, 2008, respectively. The Company anticipates it will initially repay this debt using the proceeds from the senior secured revolving credit facility from Wells Fargo/HSBC Trade Bank and the Company plans to enter into a mortgage agreement with Wells Fargo/HSBC Trade Bank in the third quarter of fiscal 2010 to re-finance the property.

The Company has various capital leases with Bank of America in the amount of \$1,417,093 at October 31, 2009. The Company anticipates it will enter into a loan with Wells Fargo/HSBC Trade Bank by December 31, 2009 to repay this debt.

As of October 31, 2009, \$14,897,291 was outstanding under the revolving credit facility with Bank of America. There was approximately \$8.7 million of unused availability under the revolving credit facility as of October 31, 2009. At October 31, 2009 the long term portion of debt related to the Bank of America revolving credit facility, mortgage and leases in the amount of \$15,397,291, \$2,451,063 and \$857,798, respectively, were reclassified to short term debt.

Note E — Critical Accounting Policies:

Management Estimates and Uncertainties — The preparation of consolidated 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 disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made in preparing the consolidated financial statements include depreciation and amortization periods, the allowance for doubtful accounts, reserves for inventory and valuation of long-lived assets. Actual results could materially differ from these estimates.

Revenue Recognition — Revenues from sales of the Company's electronic manufacturing services business are recognized when the product is shipped to the customer. In general, it is the Company's policy to recognize revenue and related costs when the order has been shipped from our facilities, which is also the same point that title passes under the terms of the purchase order except for consignment inventory. Consignment inventory is shipped from the Company to an independent

warehouse for storage or shipped directly to the customer and stored in a segregated part of the customer's own facility. Upon the customer's request for inventory, the consignment inventory is shipped to the customer if the inventory was stored off-site or transferred from the segregated part of the customer's facility for consumption, or use, by the customer. The Company recognizes revenue upon such transfer. The Company from time to time may ship an order from its facilities which is also the same point that title passes under the terms of the purchase order and invoice the customer at the end of the calendar month. This is done only in special circumstances to accommodate a specific customer. The Company does not earn a fee for storing the consignment inventory. The Company generally provides a 90 day warranty for workmanship only and does not have any installation, acceptance or sales incentives, although the Company has negotiated longer warranty terms in certain instances. The Company assembles and tests assemblies based on customers' specifications. Historically, the amount of returns for workmanship issues has been de minimis under the Company's standard or extended warranties.

Inventories — Inventories are valued at the lower of cost or market. Cost is determined by the first-in, first-out method. The Company establishes inventory reserves for valuation, shrinkage, and excess and obsolete inventory. The Company records provisions for inventory shrinkage based on historical experience to account for unmeasured usage or loss. Actual results differing from these estimates could significantly affect the Company's inventories and cost of products sold. The Company records provisions for excess and obsolete inventories for the difference between the cost of inventory and its estimated realizable value based on assumptions about future product demand and market conditions. Actual product demand or market conditions could be different than that projected by management.

Impairment of Long-Lived Assets — The Company reviews long-lived assets including amortizable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An asset is considered impaired if its carrying amount exceeds the future undiscounted net cash flow the asset is expected to generate. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair market value.

New Accounting Standards:

In September 2006, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC or the Codification") 820-10 (Fair Value Measurements and Disclosures (formerly SFAS 157, "Fair Value Measurements"), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. In November 2007, the FASB agreed to a one-year deferral of the effective date of ASC 820-10 for all non-financial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. There was no significant impact from adoption of ASC 820-10 for non-financial assets and liabilities on the Company's financial statements.

In December 2007, the FASB issued ASC 805-10 Business Combinations (formerly SFAS 141R, "Business Combinations"). This Statement retains the fundamental requirements in ASC 805-10 that the acquisition method of accounting (formerly referred to as purchase method) is to be used for all business combinations and that an acquirer is identified for each business combination. This Statement defines the acquirer as the entity that obtains control of one or more businesses in the business combination and establishes the acquisition date as of the date that the acquirer achieves control. This Statement requires an acquirer to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values. This Statement requires the acquirer to recognize acquisition-related costs and restructuring costs separately from the business combination as period expense. This Statement is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company will implement ASC 805-10 for any future business combinations.

In December 2007, the FASB issued ASC 810-10 Consolidation (formerly SFAS 160, “Noncontrolling Interest in Consolidated Financial Statements, an amendment of Accounting Research Bulletin No. 51”), which establishes accounting reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent’s ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. ASC 810-10 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. ASC 810-10 is effective for fiscal years beginning after December 15, 2008. There was no significant impact from adoption of ASC 810-10 on the Company’s consolidated results of operations and financial condition.

In May 2009, the FASB issued ASC 855-10 Subsequent Events (formerly SFAS 165, “Subsequent Events”), which establishes standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. ASC 855-10 is effective for interim and annual periods ending after June 15, 2009. The Company adopted the provisions of ASC 855-10 in the first quarter of fiscal 2010, in accordance with the effective date.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

In addition to historical financial information, this discussion of the business of SigmaTron International, Inc., its wholly-owned subsidiaries Standard Components de Mexico S.A., and AbleMex S.A. de C.V., SigmaTron International Trading Co. and its wholly-owned foreign enterprise Wujiang SigmaTron Electronics Co., Ltd. (“SigmaTron China”) and its procurement branch SigmaTron Taiwan (collectively the “Company”) and other Items in this Quarterly Report on Form 10-Q contain forward-looking statements concerning the Company’s business or results of operations. Words such as “continue,” “anticipate,” “will,” “expect,” “believe,” “plan,” and similar expressions identify forward-looking statements. These forward-looking statements are based on the current expectations of the Company. Because these forward-looking statements involve risks and uncertainties, the Company’s plans, actions and actual results could differ materially. Such statements should be evaluated in the context of the risks and uncertainties inherent in the Company’s business including the Company’s continued dependence on certain significant customers; the continued market acceptance of products and services offered by the Company and its customers; pricing pressures from our customers, suppliers and the market; the activities of competitors, some of which may have greater financial or other resources than the Company; the variability of our operating results; the results of long-lived assets impairment testing; the variability of our customers’ requirements; the availability and cost of necessary components and materials; the ability of the Company and our customers to keep current with technological changes within our industries; regulatory compliance; the continued availability and sufficiency of our credit arrangements; changes in U.S., Mexican, Chinese or Taiwanese regulations affecting the Company’s business; the current turmoil in the global economy and financial markets; the stability of the U.S., Mexican, Chinese and Taiwanese economic systems, labor and political conditions; currency exchange fluctuations; and the ability of the Company to manage its growth. These and other factors which may affect the Company’s future business and results of operations are identified throughout the Company’s Annual Report on Form 10-K and as risk factors and may be detailed from time to time in the Company’s filings with the Securities and Exchange Commission. These statements speak as of the date of such filings, and the Company undertakes no obligation to update such statements in light of future events or otherwise unless otherwise required by law.

Overview:

The Company operates in one business segment as an independent provider of electronic manufacturing services (“EMS”), which includes printed circuit board assemblies and completely assembled (box-build) electronic products. In connection with the production of assembled products, the Company also provides services to its customers, including (1) automatic and manual assembly and testing of products; (2) material sourcing and procurement; (3) design, manufacturing and test engineering support; (4) warehousing and shipment services; and (5) assistance in obtaining product approval from governmental and other regulatory bodies. The Company provides these manufacturing services through an international network of facilities located in the United States, Mexico, China and Taiwan.

The Company relies on numerous third-party suppliers for components used in the Company’s production process. Certain of these components are available only from single sources or a limited number of suppliers. In addition, a customer’s specifications may require the Company to obtain components from a single source or a small number of suppliers. The loss of any such suppliers could have a material impact on the Company’s results of operations, and the Company may be required to operate at a cost disadvantage compared to competitors who have greater direct buying power from suppliers. The Company does not enter into purchase agreements with major or single-source suppliers. The Company believes that ad-hoc negotiations with its suppliers provides flexibility, given that the Company’s orders are based on the needs of its customers, which constantly change.

Sales can be a misleading indicator of the Company’s financial performance. Sales levels can vary considerably among customers and products depending on the type of services (consignment and turnkey) rendered by the Company and the demand by customers. Consignment orders require the Company to perform manufacturing services on components and other materials supplied by a customer, and the Company charges only for its labor, overhead and manufacturing costs, plus a profit. In the case of turnkey orders, the Company provides, in addition to manufacturing services, the components and other materials used in assembly. Turnkey contracts, in general, have a higher dollar volume of sales for each given assembly, owing to inclusion of the cost of components and other materials in net sales and cost of goods sold. Variations in the number of turnkey orders compared to consignment orders can lead to significant fluctuations in the Company’s revenue levels. However, the Company does not believe that such variations are a meaningful indicator of the Company’s gross margins. Consignment orders accounted for less than 5% of the Company’s revenues for the six months ended October 31, 2009 and 2008.

In the past, the timing and rescheduling of orders have caused the Company to experience significant quarterly fluctuations in its revenues and earnings, and the Company expects such fluctuations to continue. The uncertainty associated with the worldwide economy in general, and the United States’ economy specifically, makes forecasting difficult. Generally speaking, the markets of all of the Company’s customers are expected to remain volatile. The Company believes sales have bottomed out and are starting to recover. Demand remains volatile and unpredictable.

Results of Operations:

Net Sales

Net sales decreased for the three month period ended October 31, 2009 to \$30,564,267 from \$41,132,728 for the three month period ended October 31, 2008. Net sales decreased for the six months ended October 31, 2009 to \$56,894,321 from \$79,610,846 for the same period in the prior fiscal year. Sales volume decreased for the three and six month periods ended October 31, 2009 as compared to the same period in the prior year in the fitness, consumer electronics, appliance, telecommunications, semiconductor equipment and life sciences marketplaces. The decrease in sales for these marketplaces was partially offset by an increase in sales in the gaming marketplace. The decrease in revenue for the three and six month periods ended October 31, 2009 is a result of our customers' decreased demand for product based on their forecasts, which we believe is attributable to the global economic slowdown.

Gross Profit

Gross profit decreased during the three month period ended October 31, 2009 to \$3,283,296 or 10.7% of net sales, compared to \$5,911,379 or 14.4% of net sales for the same period in the prior fiscal year. Gross profit decreased for the six month period ended October 31, 2009 to \$5,543,149 or 9.7% of net sales, compared to \$10,560,577 or 13.3% of net sales for the same period in the prior fiscal year. The decrease in gross margin in total dollars and as a percent of sales for the three and six month periods ended October 31, 2009 compared to the prior periods is due to decreased revenue levels and decreased plant capacity utilization.

The Company has reduced its worldwide headcount, through attrition and lay-offs. Further, the Company implemented salary reductions for all non-union U.S. employees beginning February 2009. The Company lowered its cost structure during fiscal year 2009 based on customers' demands for product. The soft demand resulted in layoffs at the Hayward, California and Tijuana, Mexico locations and work week hour reductions at its Hayward, California, Acuna, Mexico and Elk Grove Village, Illinois facilities. In the second half of the quarter ended October 31, 2009 the Company experienced an increase in demand for product and resumed operating near-full work weeks at its Hayward, California, Acuna, Mexico and Elk Grove Village, Illinois operations. There can be no assurance that sales levels and gross margins will not decrease in future quarters. Pricing pressures continue at all locations.

Selling and Administrative Expenses

Selling and administrative expenses decreased to \$2,368,409 or 7.8% of net sales for the three month period ended October 31, 2009 compared to \$3,469,956 or 8.4% of net sales in the same period last year. Selling and administration expenses decreased to \$4,945,250 or 8.7% of net sales for the six month period ended October 31, 2009 compared to \$6,662,459 or 8.4% of net sales in the same period in the prior fiscal year. The decrease in total dollars for the three and six month periods ended October 31, 2009, was approximately \$824,000 and \$1,200,000, respectively, and is primarily due to a decrease in bonus expense, accounting, IT, and office salaries, accounting fees and amortization expense. The decrease in total dollars for the six months ended October 31, 2009 was partially offset by an increase in legal fees and insurance expense of \$20,000 compared to the same period in the prior fiscal year.

Interest Expense

Interest expense for bank debt and capital lease obligations for the three month period ended October 31, 2009 was \$191,307 compared to \$485,864 for the same period in the prior year. Interest expense for the six month period ended October 31, 2009 was \$435,403 compared to \$1,007,475 for the same

period in the prior year. These changes were attributable to the Company's decreased borrowings under its revolving credit facility, term loan and capital leases, and lower interest rates. Interest expense for future quarters in fiscal year 2010 may increase if interest rates or borrowings increase during fiscal year 2010.

Taxes

The income tax expense from operations was \$303,723 for the three month period ended October 31, 2009 compared to \$565,073 for the same period in the prior fiscal year. Income tax expense from operations was \$67,417 for the six month period ended October 31, 2009 compared to \$963,652 for the same period in the prior fiscal period. The effective tax rate for the six month period ended October 31, 2009 was 37% compared to 31.6% for the same period in the prior fiscal year.

Net Income

Net income from operations decreased to \$517,298 for the three month period ended October 31, 2009 compared to \$1,505,316 for the same period in the prior year. Net income from operations decreased to \$114,823 for the six months ended October 31, 2009 compared to \$2,084,640 in the same period last year. Basic and diluted earnings per share for the second fiscal quarter of 2010 were \$0.14 and \$0.13, respectively, compared to basic and diluted earnings per share of \$0.39 for the same period in the prior year. Basic and diluted earnings per share for the six months ended October 31, 2009 were \$0.03 and \$0.02, respectively, compared to basic and diluted earnings per share of \$0.55 and \$0.54, respectively, for the same period in the prior year.

Liquidity and Capital Resources:

Operating Activities.

Cash flow provided by operating activities was \$6,620,024 for the six months ended October 31, 2009, compared to \$656,168 for the same period in the prior year. During the first six months of fiscal year 2010, cash flow provided by operating activities was a result of net income, the non-cash effect of depreciation and amortization, a decrease in inventory and an increase in accounts payable. Net cash provided by operations was partially offset by an increase in accounts receivable. The change in accounts payable and accounts receivable is due to timing of payments in the ordinary course of business. The decrease in inventory was the result of our customers' decreased demand for product based on their forecasts, which we believe is attributable to the global economic slowdown.

Cash flow provided by operating activities was \$656,168 for the six months ended October 31, 2008. During the first six months of fiscal year 2009, cash flow provided by operating activities was a result of net income, the non-cash effect of depreciation and amortization and a decrease in accounts receivables. The decrease in accounts receivables was a result of the timing of cash receipts from a significant customer. Cash flow provided by operating activities was partially offset by a decrease in accounts payable and an increase in inventories. The decrease in accounts payable is due to timing of payments to vendors in the ordinary course of business. The Company's inventories increased by \$1,583,258. The primary reasons for the increase in inventories was the startup of new programs with new and existing customers and customers delaying deliveries of existing orders.

Investing Activities.

During the first six months of fiscal year 2010, the Company purchased approximately \$1,200,000 in machinery and equipment to be used in the ordinary course of business. Approximately \$440,000 of the purchases is a financed licensing agreement for software through a note payable. The Company

expects to make additional machinery and equipment purchases of approximately \$1,000,000 during the balance of fiscal year 2010. During the first six months of fiscal year 2009, the Company purchased approximately \$956,000 in machinery and equipment in the ordinary course of business. Approximately \$360,000 of the equipment purchases in the first six months of fiscal year 2009 was financed with a lease agreement.

Financing Transactions.

The Company has a revolving credit facility with Bank of America under which the Company may borrow up to the lesser of: (i) \$32 million; or (ii) an amount equal to the sum of 85% of the eligible receivable borrowing base and the lesser of \$16 million or 50% of the eligible inventory borrowing base. The revolving credit facility expires on September 30, 2010.

The Company was in compliance with the required financial covenants as of July 31, 2009. Historically, the Company has renegotiated its financial covenants for the current fiscal year during the first quarter of that fiscal year. The existing financial covenants remain in place until a new agreement has been reached. However as of October 31, 2009 a new agreement had not been reached. Effective October 31, 2009 the Company was in violation of a financial covenant. The financial covenant violation affected the revolving credit facility, term loan, mortgage and leases. Also, the term of the agreement has not been negotiated with Bank of America beyond September 30, 2010, which resulted in all of the outstanding debt being reclassified as short term debt. Bank of American has provided a Forbearance on the violation until January 8, 2010 to allow the Company to transition to Wells Fargo/HSBC Trade Bank.

In October 2009 the Company decided to conduct a strategic review of its financing arrangements to determine the best long-term alternatives. As part of the review process, the Company contacted five potential new banks and asked them to review the Company's financial position and to submit proposals on possible financing alternatives. The Company received viable proposals from four of the five as well as a proposal from Bank of America. Based on an evaluation of all the proposals, the Company has decided to reduce the overall size of its revolving credit facility to \$25 million and to pursue the proposal from Wells Fargo/HSBC Trade Bank. The reduction in the line will reduce the Company's overall credit facility cost as there is currently no need for the excess capacity due to a reduction in business activity. The Company is in the process of negotiating documents and undergoing the field audit with Wells Fargo/HSBC Trade Bank. The senior secured revolving credit facility would have a term of two years and a borrowing limit of \$25 million. On December 10, 2009 the Company received a Commitment Letter from Well Fargo/HSBC Trade Bank. The Company anticipates it will finalize the transaction by December 31, 2009. The Company has discussed its decision with Bank of America and they have provided a forbearance on the financial covenant violation until January 8, 2010 to allow the Company to transition to Wells Fargo/HSBC Trade Bank. The Company will continue to operate under the same terms with Bank of America during the transition period. Bank of America has expressed its interest in continuing its relationship with the Company and if for any reason the Company is unable to complete the transaction with Wells Fargo/HSBC Trade Bank it will revisit the relationship with a view to continuing it under revised terms. The Company believes that going forward it will have financing from either Bank of America or another bank.

The Company has a term loan with Bank of America with an outstanding balance at October 31, 2009 of \$1,500,000, with quarterly principal payments of \$250,000 due each quarter through the quarter ending June 30, 2011 and interest payable monthly throughout the term of the loan. The Company anticipates it will repay this debt using proceeds from the senior secured revolving credit facility from Wells Fargo/HSBC Trade Bank.

On November 19, 2003, the Company purchased the property that serves as the Company's corporate headquarters and its Midwestern manufacturing facility. The Company executed a note and mortgage with Bank of America in the amount of \$3,600,000. The note bears a fixed interest rate of 5.59% per year and is payable in sixty monthly installments. A final payment of approximately \$2,115,000 is due on or before April 30, 2013. The outstanding balances were \$2,591,313 and \$2,731,562 at October 31, 2009 and October 31, 2008, respectively. The Company anticipates it will initially repay this debt using the proceeds from the senior secured revolving credit facility from Wells Fargo/HSBC Trade Bank and the Company plans to enter into a mortgage agreement with Wells Fargo/HSBC Trade Bank in the third quarter of fiscal 2010 to re-finance the property.

The Company has various capital leases with Bank of America in the amount of \$1,417,093 at October 31, 2009. The Company anticipates it will enter into a loan with Wells Fargo/HSBC Trade Bank by December 31, 2009 to repay this debt.

As of October 31, 2009, \$14,897,291 was outstanding under the revolving credit facility with Bank of America. There was approximately \$8.7 million of unused availability under the revolving credit facility as of October 31, 2009. At October 31, 2009 the long term portion of debt related to the Bank of America revolving credit facility, mortgage and leases in the amount of \$15,397,291, \$2,451,063 and \$857,798, respectively, were reclassified to short term debt.

Cash used in financing activities was \$4,923,833 for the second quarter ended October 31, 2009, compared to \$704,103 for the same period in the prior fiscal year. Cash used in financing activities was primarily the result of net payments made to reduce the balance outstanding under the Company's revolving credit facility by \$3,849,405. Cash used in financing activities of \$1,074,428 was used for payments under the Company's lease agreements, term loan, and building mortgage obligations.

The Company anticipates its new credit facilities, cash flow from operations and leasing resources will be adequate to meet its working capital requirements and capital expenditures, if any, for the balance of fiscal year 2010. There is no assurance that the Company will be able to retain its credit agreements in the future. In the event the business grows rapidly, the current economic climate continues for an extended period or the Company considers an acquisition, additional financing resources could be necessary in the current or future fiscal years. There is no assurance that the Company will be able to obtain equity or debt financing at acceptable terms in the future.

The Company provides funds for salaries, wages, overhead and capital expenditure items as necessary to operate its wholly-owned Mexican and Chinese subsidiaries and the Taiwan procurement branch. The Company provides funding in U.S. dollars, which are exchanged for Pesos, Renminbi, and New Taiwan dollars as needed. The fluctuation of currencies from time to time, without an equal or greater increase in inflation, could have a material impact on the financial results of the Company. The impact of currency fluctuation for the six months ended October 31, 2009, resulted in a loss of approximately \$146,000. During the first six months of fiscal year 2010, the Company's U.S. operations paid approximately \$6,100,000 to its foreign subsidiaries for services provided.

Off-balance Sheet Transactions:

The Company has no off-balance sheet transactions.

Contractual Obligations and Commercial Commitments:

As a smaller reporting company, as defined in Rule 12b-2 of the Securities Exchange Act of 1934, we are not required to provide the information required by this item.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As a smaller reporting company, as defined in Rule 12b-2 of the Securities Exchange Act of 1934, we are not required to provide the information required by this item.

Item 4. Controls and Procedures.

Our management, including our President and Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of April 30, 2009. Our disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports filed by the Company under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our President and Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, our President and Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of October 31, 2009.

There has been no change in our internal control over financial reporting during the quarter ended October 31, 2009, that has materially affected or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION**Item 1. Legal Proceedings.**

As of October 31, 2009, the Company was not a party to any material legal proceedings.

From time to time the Company is involved in legal proceedings, claims or investigations that are incidental to the conduct of the Company's business. In future periods, the Company could be subjected to charges to earnings if any of these matters is resolved on unfavorable terms. However, although the ultimate outcome of any legal matter cannot be predicted with certainty, based on present information, including management's assessment of the merits of any particular claim, the Company does not expect that these legal proceedings or claims will have any material adverse impact on its future consolidated financial position or results of operations.

Item 1A. Risk Factors.

The information presented below includes any material changes to the description of the risk factors affecting our business as previously disclosed in Item 1A. to Part 1 of our Annual Report on Form 10-K for the fiscal year ended April 30, 2009.

The Company's business could be adversely affected by worldwide economic conditions.

The current negative worldwide economic conditions could adversely affect the Company's business and/or operating results by:

- reduced sales,
- increased operating costs,
- customers' inability to accurately forecast orders,
- increased inventory carrying costs,
- increased risk of uncollectible customer accounts receivable and unpaid customer inventory obligations,
- limiting the Company's access to affordable financing.

Sales:

If the current worldwide economic downturn continues, many of the Company's customers may further delay or reduce their orders. In addition, many of the Company's customers may rely on credit financing in order to operate their businesses. If the negative conditions in the global credit markets reduce our customers' access to credit, orders may decrease, which could result in lower revenue.

Operating Costs:

If the Company's suppliers have difficulty obtaining credit required to finance their businesses, they may become unable to continue to manufacture, or supply the components used to manufacture, our customer's products. These disruptions could decrease the Company's revenue and increase operating costs, which could adversely affect the Company's results of operations and financial condition.

Inventory Carrying Costs:

The negative worldwide economic conditions and market instability make it increasingly difficult for the Company's customers to accurately forecast future order trends. This condition could result in customers pushing back their product order acceptance schedules, which could result in increased inventory carrying costs. The increased carrying costs could have a negative impact on the Company's financial results.

Uncollectible Accounts:

The Company could suffer significant losses if a customer is unable to pay its accounts receivable or if the customer is unable to pay for its inventory procured by the Company on its behalf. An increase in uncollectible accounts receivable or customers' inability to pay the Company for inventory obligations would have a negative impact on the Company's financial results.

Access to Credit:

If credit markets continue to tighten, the Company's bank could be unwilling to continue to extend credit to the Company at the current level of the credit facility, if at all. The Company's ability to finance its operations could be negatively affected in such an event. (See page 14, *Financing Transaction*).

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

On September 18, 2009, the Company held its 2009 Annual Meeting of Stockholders. Proxies for the meeting were solicited pursuant to Section 14(a) of the Securities Exchange Act of 1934 and Regulation 14A thereunder for the purpose of (i) electing one Class I Director to hold office until the 2012 Annual Meeting of Stockholders and (ii) ratifying the selection of BDO Seidman, LLP as registered public accountants of the Company. Each holder of common stock was entitled to one vote for each share held on the record date.

The following individual was elected as a Class I Director to hold office until the 2012 Annual Meeting of Stockholders: Thomas W. Rieck. The number of shares cast for, against and abstained with respect to the nominee were as follows:

<u>Nominee</u>	<u>For</u>	<u>Against</u>	<u>Abstain</u>
Thomas W. Rieck	2,741,504	24,148	0

There were no broker non-votes with respect to the election of directors. The following persons are directors of the Company whose current term extends beyond the 2009 Annual Meeting of Stockholders: John P. Chen, Gary R. Fairhead, Dilip S. Vyas and Carl A. Zemenick. There was no solicitation in opposition to management's nominees for directors.

The stockholders voted to approve the ratification of the selection of BDO Seidman, LLP as registered public accountants for the Company for the fiscal year ending April 30, 2010. A total of 2,743,062 shares were cast for such ratification, 9,986 shares were opposed and 12,604 shares abstained.

Franklin D. Sove did not stand for re-election when his term as a Class I Director expired at the 2009 Annual Meeting of Stockholders. Mr. Sove's decision not to stand for re-election was based solely upon his decision to retire and was not the result of a disagreement with management regarding the Company's operations, policies, practices or otherwise. The Board of Directors decided to reduce the number of directors from six members to five members, divided into three classes with staggered three-year terms, and therefore, did not fill the vacancy left by the departure of Mr. Sove.

Item 5. Other Information.

None.

Item 6. Exhibits.

(a) Exhibits:

- 31.1 Certification of Principal Executive Officer of the Company Pursuant to Rule 13a-14(a) under the Exchange Act, as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Principal Financial Officer of the Company Pursuant to Rule 13a-14(a) under the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification by the Principal Executive Officer of SigmaTron International, Inc. Pursuant to Rule 13a-14(b) under the Exchange Act and Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
- 32.2 Certification by the Principal Financial Officer of SigmaTron International, Inc. Pursuant to Rule 13a-14(b) under the Exchange Act and Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
- 99.1 Forbearance Agreement, dated December 11, 2009, by and between SigmaTron International, Inc. and Bank of America.

SIGNATURES:

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

SIGMATRON INTERNATIONAL, INC.

/s/ Gary R. Fairhead

Gary R. Fairhead
President and CEO (Principal Executive Officer)

December 15, 2009

Date

/s/ Linda K. Frauendorfer

Linda K. Frauendorfer
Chief Financial Officer, Secretary and Treasurer
(Principal Financial Officer and Principal
Accounting Officer)

December 15, 2009

Date

**Certification of Principal Executive Officer of
SigmaTron International, Inc.
Pursuant to Rule 13a-14(a) under the Exchange Act,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Gary R. Fairhead, President and Chief Executive Officer of SigmaTron International, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SigmaTron International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 15, 2009

/s/ Gary R. Fairhead

Gary R. Fairhead
President and Chief Executive Officer
of SigmaTron International, Inc.

**Certification of Principal Financial Officer of
SigmaTron International, Inc.
Pursuant to Rule 13a-14(a) under the Exchange Act,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Linda K. Frauendorfer, Chief Financial Officer, Secretary and Treasurer of SigmaTron International, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SigmaTron International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 15, 2009

/s/ Linda K. Frauendorfer

Linda K. Frauendorfer
Chief Financial Officer, Secretary and
Treasurer of SigmaTron International, Inc.

**Certification by the Principal Executive Officer of
SigmaTron International, Inc.
Pursuant to Rule 13a-14(b) under the Exchange Act and
Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)**

I, Gary R. Fairhead, am President and Chief Executive Officer of SigmaTron International, Inc. (the "Company").

This certification is being furnished pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 2009 (the "Report").

I hereby certify that to the best of my knowledge:

- (a) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act (15 U.S.C. 78 m(a) or 78o(d)); and
- (b) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 15, 2009

/s/ Gary R. Fairhead

Gary R. Fairhead
President and Chief Executive Officer of
SigmaTron International, Inc.

**Certification by the Principal Financial Officer of
SigmaTron International, Inc.
Pursuant to Rule 13a-14(b) under the Exchange Act and
Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)**

I, Linda K. Frauendorfer, am Chief Financial Officer, Secretary and Treasurer of SigmaTron International, Inc. (the "Company").

This certification is being furnished pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 2009 (the "Report").

I hereby certify that to the best of my knowledge:

- (a) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act (15 U.S.C. 78 m(a) or 78o(d)); and
- (b) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 15, 2009

/s/ Linda K. Frauendorfer

Linda K. Frauendorfer
Chief Financial Officer, Secretary and
Treasurer of SigmaTron International, Inc.

**FORBEARANCE AGREEMENT TO
AMENDED AND RESTATED MORTGAGE NOTE**

THIS FORBEARANCE AGREEMENT TO AMENDED AND RESTATED MORTGAGE NOTE (this "Agreement") is entered into as of the 11th day of December, 2009 by and between BANK OF AMERICA, N.A. as successor in interest to LaSalle Bank National Association, a national banking association ("Lender") and SIGMATRON INTERNATIONAL, INC., a Delaware corporation (the "Borrower").

WITNESSETH:

WHEREAS, Lender and the Borrower are parties to that certain Amended and Restated Mortgage Note dated as of April 30, 2008 in the original principal amount of \$2,805,000 (as may be further amended, restated, supplemented or otherwise modified from time to time, the "Note"), the repayment of such is secured by that certain Mortgage and Security Agreement dated as of November 17, 2003, as amended by that certain First Amendment to Mortgage and Security Agreement dated as of April 30, 2008 (as may be further amended, restated, supplemented or otherwise modified from time to time, the "Mortgage");

WHEREAS, a certain Event of Default previously occurred and is continuing under the Note as of the period ending October 31, 2009 as follows: a default under Paragraph ii(d) of the Note as a result of Borrower's breach of the requirement that Borrower maintain EBITDA of not less than \$7,000,000 (the "Current Default");

WHEREAS, the Borrower has requested that Lender forbear from the exercise and enforcement of its rights, powers and remedies under the Note for the Forbearance Period (as defined herein) and upon the terms and conditions set forth herein; and

WHEREAS, as a result of the continued existence of the Current Default, Lender has the right to accelerate all of the Borrower's Obligations and make them immediately due and payable in full and Lender has the present unrestricted right, inter alia, to enforce its rights, powers and remedies against the Borrower under the Note, the Mortgage and the other Loan Documents or at law or equity or by statute, including, without limitation, the right to foreclose on the Collateral.

NOW, THEREFORE, for and in consideration of the premises and mutual agreements herein contained and for the purposes of setting forth the terms and conditions of this Agreement, the parties, intending to be bound, hereby agree as follows:

1. Incorporation of the Note. All capitalized terms which are not defined hereunder shall have the same meanings as set forth in the Note and the Note, to the extent not inconsistent with this Agreement, is incorporated herein by this reference as though the same were set forth in its entirety. Except as specifically set forth herein, the Note shall remain in full force and effect and its provisions shall be binding on the parties hereto.
2. Current Default; Acknowledgment. The Borrower acknowledges that as a result of the Current Default, Lender has the right to immediately enforce payment by the Borrower of all of the Borrower's Obligations and, in connection therewith, to immediately enforce its

security interests in, and liens on, the Collateral and to exercise all other remedies provided to Lender under the Note, the Mortgage and the other Loan Documents or at law or equity or by statute against the Borrower.

3. Limited Forbearance and Further Consideration.

(a) Subject to compliance by the Borrower with the terms and conditions of this Agreement and all of the terms and conditions of the Note and the other Loan Documents, Lender hereby agrees to forbear from exercising and enforcing its rights, powers and remedies afforded under the Note and the other Loan Documents or at law, in equity or by statute with respect to the Current Default during the period from the date of this Agreement until January 8, 2010 (the "Forbearance Period"). The foregoing limited forbearance shall not be construed to impair the ability of Lender to enforce any such rights, powers or remedies after the Forbearance Period regardless of whether or not such enforcement relates to actions taken or payments received during the Forbearance Period, or during the Forbearance Period for defaults or Events of Default other than the Current Default.

(b) Unless earlier terminated in accordance with the terms of this Agreement, the Lender's forbearance, as provided herein, shall immediately cease without notice on January 8, 2010 ("Forbearance Termination Date"), and the Borrower at that time shall be obligated to pay to Lender all of the Borrower's Obligations and perform all terms, conditions and provisions of the Note and the other Loan Documents.

(c) Lender's forbearance is further expressly subject to and conditioned upon the Borrower's strict compliance with each and every term and provision of this Agreement, and, except with respect to Current Default, the Borrower's strict compliance with each and every term and provision of the Note and the other Loan Documents.

(d) Upon the breach by the Borrower of any provision of this Agreement, or any Event of Default under the Note or the other Loan Documents other than the Current Default as such Current Default exists as of the date of this Agreement, Lender, at its option, may withdraw its forbearance hereunder. Lender shall promptly advise the Borrower of any such withdrawal, but failure to do so shall not impair the effect of such withdrawal. Upon such withdrawal, all of the Borrower's Obligations shall be due and payable, and Lender shall have the undisputed and absolute right to exercise and enforce all other rights, powers and remedies which may exist pursuant to the Note and the other Loan Documents or at law, in equity or by statute, all without further demand or notice of any kind, all of which are hereby waived by the Borrower.

(e) The Borrower acknowledges and agrees that Lender shall be under no obligation to extend the Forbearance Termination Date and that Lender's failure to enforce any or all of its remedies under this Agreement, the Note, the other Loan Documents, or under law or at equity after the expiration of the current Forbearance Period will not give rise to a further extension of the Forbearance Period absent a written agreement executed by Lender to extend the Forbearance Termination Date.

(f) The Borrower further acknowledges and agrees, that Lender's decision to allow the Borrower to use the Collateral during the Forbearance Period is of great value to the Borrower and that such forbearance is, independent of the other consideration received by the Borrower hereunder, sufficient consideration for each and every one of the Borrower's obligations under this Agreement.

(g) In the event the Borrower (i) files any voluntary petition under any Chapter of the Bankruptcy Code (Title 11, U.S.C., hereinafter referred to as the "Bankruptcy Code"), or in any manner seeks any relief under any other state, federal or other insolvency laws or laws providing for relief of debtors, or directly or indirectly causes the other to file any such petition or to seek any such relief, either at the present time, or at any time prior to the end of the Forbearance Period, or at any time thereafter; or (ii) directly or indirectly causes any involuntary petition under any Chapter of the Bankruptcy Code to be filed against the Borrower, or directly or indirectly causes the Borrower to become the subject of any proceedings pursuant to any other state, federal or other insolvency laws or laws providing for the relief of debtors, either at the present time, or at any time prior to the end of the Forbearance Period, or at any time thereafter; or (iii) directly or indirectly causes the Collateral or any interest of the Borrower in the Collateral to become the property of any bankruptcy estate or the subject of any state, federal or other bankruptcy, dissolution, liquidation or insolvency proceedings, either at the present time, or at any time prior to the end of the Forbearance Period, or at any time thereafter, the Borrower agrees to the lifting of the automatic stay by the appropriate Bankruptcy Court "for cause" pursuant to Section 362(d)(1) of the Bankruptcy Code (11 U.S.C. Section 362(d)(1)) to enable Lender, in its sole discretion, to foreclose on and/or protect its interests in the Collateral. Said Bankruptcy Court shall be authorized to enter an order lifting the automatic stay without the necessity of an evidentiary hearing and without the necessity of Lender establishing the lack of adequate protection of its interest in the Collateral and lack of necessity of the Collateral for an effective bankruptcy reorganization. The automatic stay shall be lifted within thirty (30) days of filing of the applicable motion, subject to the Court's schedule and orders.

4. Forbearance Events of Default. A "Forbearance Event of Default" shall mean the occurrence of any one or more of the following events:

(a) The Borrower shall fail to observe or perform any term, covenant or agreement binding on it contained in this Agreement, or any agreement, instrument or document executed in connection herewith;

(b) An Event of Default shall have occurred and be continuing under the Note or the other Loan Documents other than the Current Default as such Current Default existed as of the date of this Agreement; or

(c) The occurrence of a material adverse change (as determined by Lender in its sole discretion) in the financial condition of the Borrower or in its business.

Upon the occurrence of any Forbearance Event of Default, Lender may immediately terminate the Forbearance Period and/or declare all of the Borrower's Obligations due and payable. Upon the termination or expiration of the Forbearance Period, if at such time the outstanding amount of the obligations is not paid in full, Lender shall be entitled to exercise

all of its rights and remedies under the Note, the other Loan Documents and applicable law. Upon the occurrence of any Forbearance Event of Default hereunder, the Borrower hereby consents (i) to the *ex parte* appointment of a receiver by Lender in any action initiated by Lender pursuant to this Agreement or the Note, and the Borrower waives notice and posting of a bond in connection therewith; and (ii) to the *ex parte* filing by Lender on the Borrower's behalf of an assignment for the benefit of creditors in accordance with applicable law, and the Borrower waives notice and posting of a bond in connection therewith. The Borrower acknowledges that it shall have no claim for damages or otherwise against Lender with respect to any such termination of the Forbearance Period or acceleration of the Borrower's Obligations in accordance with the terms of this Agreement or the Note.

5. Reservation of Rights. The forbearance set forth herein shall be limited precisely as written and, except as expressly set forth herein, neither the fact of the Lender's forbearance nor any other term or provisions herein shall, or shall be deemed or construed to, (i) be a consent to any forbearance, waiver, amendment or modification of any term, provision or condition of the Note, (ii) affect, impair, operate as a waiver of, or prejudice any right, power or remedy which Lender may now or hereafter have pursuant to the Note or any other document, agreement, security agreement or instrument executed by any person in connection with or related to the Note, or at law or in equity or by statute including, without limitation, with regard to any existing or hereafter arising default, (iii) impose upon Lender any obligation, express or implied, to consent to any amendment or further modification of the Note or (iv) be a consent to any waiver of any existing Event of Default (including, without limitation, the Current Default), all such Events of Defaults remaining outstanding. Lender hereby expressly reserves all rights, powers and remedies specifically given to it under the Note or the other Loan Documents or now or hereafter existing at law, in equity or by statute.

6. Representations and Warranties. The representations and warranties set forth in the Note shall be deemed remade and affirmed as of the date hereof by the Borrower, except that any and all references to the Note in such representations, warranties and covenants shall be deemed to include this Agreement.

7. Delivery of Documents/Information.

(a) Notwithstanding any of the foregoing, prior to entering into this Agreement, Lender shall have received from the Borrower a Secretary's Certificate of the Borrower with resolutions and incumbency, in form and substance satisfactory to Lender.

(b) The Borrower will provide to the Lender documentation to reasonably evidence a commitment to refinance all of the Borrower's Obligations. The Borrower will make every reasonable effort to provide such evidence by December 24, 2009, and in any event by December 31, 2009.

8. Reference to the Effect on the Note.

(a) References. Upon the effective date of this Agreement and on and after the date hereof, each reference in the Note to "this Note," "hereunder," "hereof," "herein" or words of like import shall mean and be a reference to the Note, as amended hereby.

(b) Ratification. As specifically modified above, the Note and all other documents, instruments and agreements executed and/or delivered in connection therewith shall remain in full force and effect, and are hereby ratified and confirmed.

(c) No Waiver. Lender's failure, at any time or times hereafter, to require strict performance by the Borrower of any provision or term of the Note, this Agreement or the other Loan Documents shall not waive, affect or diminish any right of Lender thereafter to demand strict compliance and performance therewith. Any suspension or waiver by Lender of a breach of this Agreement or any Event of Default under the Note shall not, except as may be expressly set forth herein, suspend, waive or affect any other breach of this Agreement or any Event of Default under the Note, whether the same is prior or subsequent thereto and whether of the same or of a different kind or character. None of the undertakings, agreements, warranties, covenants and representations of the Borrower contained in this Agreement, the Note or in any of the other Loan Documents, and no breach of this Agreement, or Event of Default under the Note shall be deemed to have been suspended or waived by Lender unless such suspension or waiver is (a) in writing and signed by Lender, and (b) delivered to the Borrower. In no event shall Lender's execution and delivery of this Agreement establish a course of dealing among Lender or the Borrower or any other obligor or in any other way obligate Lender to hereafter provide any amendments or waivers with respect to the Note.

9. Representations and Warranties of the Borrower. The Borrower hereby represents and warrants to Lender as of the date hereof as follows:

(a) The execution and delivery of this Agreement and the performance by the Borrower of its obligations hereunder are within the Borrower's powers and authority, have been duly authorized by all necessary corporate action and do not and will not contravene or conflict with the Certificate of Incorporation or By-laws of the Borrower.

(b) The Note (as amended by this Agreement) and the other Loan Documents constitute legal, valid and binding obligations enforceable in accordance with their terms by Lender against the Borrower, and the Borrower expressly reaffirms each of its obligations under the Note (as amended by this Agreement) and each of the other Loan Documents, including, without limitation, the Borrower's Obligations. The Borrower further expressly acknowledges and agrees that Lender has a valid, duly perfected, first priority and fully enforceable security interest in and lien against each item of Collateral. The Borrower agrees that it shall not dispute the validity or enforceability of the Note (as it was stated before and after this Agreement) or any of the other Loan Documents or any of its respective obligations thereunder, or the validity, priority, enforceability or extent of Lender's security interest in or lien against any item of Collateral, in any judicial, administrative or other proceeding;

(c) No consent, order, qualification, validation, license, approval or authorization of, or filing, recording, registration or declaration with, or other action in respect of, any governmental body, authority, bureau or agency or other person is required in connection with the execution, delivery or performance of, or the legality, validity, binding effect or enforceability of, this Agreement;

(d) The execution, delivery and performance of this Agreement by the Borrower does not and will not violate any law, governmental regulation, judgment, order or decree applicable to the Borrower and does not and will not violate the provisions of, or constitute a default or any event of default under, or result in the creation of any security interest or lien upon any property of the Borrower pursuant to, any indenture, mortgage, instrument, contract, agreement or other undertaking to which the Borrower is a party or is subject or by which the Borrower or any of its real or personal property may be bound;

(e) No Event of Default, except for the Current Default, or events which, except for the passage of time or notice would constitute an Event of Default, exists under the Note or the other Loan Documents; and

(f) As of the date of this Agreement, the Borrower hereby reaffirms all covenants, representations and warranties made in the Note and the other Loan Documents to the extent the same are not amended hereby, and agrees that all such covenants, representations and warranties shall be deemed to have been remade as of the date of this Agreement.

10. Releases; Indemnities.

(a) In further consideration of Lender's execution of this Agreement, the Borrower, and on behalf of its successors (including, without limitation, any trustees acting on behalf of the Borrower and any debtor-in-possession with respect to the Borrower), assigns, subsidiaries and Affiliates, hereby forever releases Lender and its respective successors, assigns, parents, subsidiaries, Affiliates, officers, employees directors, agents and attorneys (collectively, the "Releasees") from any and all debts, claims, demands, liabilities, responsibilities, disputes, causes, damages, actions and causes of action (whether at law or in equity) and obligations of every nature whatsoever, whether liquidated or unliquidated, known or unknown, matured or unmatured, fixed or contingent (collectively, "Claims"), that the Borrower may have against the Releasees which arise from or relate to any actions which the Releasees may have taken or omitted to take prior to the date this Agreement was executed, including without limitation with respect to the Borrower's Obligations, any Collateral, the Note, any other Loan Documents and any third parties liable in whole or in part for the Borrower's Obligations. This provision shall survive and continue in full force and effect whether or not the Borrower shall satisfy all other provisions of this Agreement, the other Loan Documents or the Note, including payment in full of the Borrower's Obligations.

(b) The Borrower hereby agrees that its obligation to indemnify and hold the Releasees harmless as set forth in Paragraph 10(a) of this Agreement shall include an obligation to indemnify and hold the Releasees harmless with respect to any and all liabilities, obligations, losses, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever incurred by the Releasees, or any of them, whether direct, indirect or consequential, as a result of or arising from or relating to any proceeding by, or on behalf of, any person, including, without limitation, officers, directors, agents, trustees, creditors, partners or shareholders of the Borrower, whether threatened or initiated, asserting any claim for legal or equitable remedy under any statute, regulation or common law principle arising from or in connection with the negotiation, preparation, execution, delivery, performance, administration and enforcement of this Agreement or any other document executed in connection herewith. The

foregoing indemnity shall survive the payment in full of the Borrower's Obligations and the termination of this Agreement, the Note and the other Loan Documents.

11. Fees and Expenses. The Borrower agrees to pay on demand all costs, fees and expenses of or incurred by Lender in connection with the evaluation, negotiation, preparation, execution and delivery of this Agreement and the other instruments and documents executed and delivered in connection with the transactions described herein (including the filing or recording thereof), including, but not limited to, the fees and expenses of counsel for Lender, search fees and taxes payable in connection with this Agreement and any future amendments to the Note. Pursuant to that certain Forbearance Agreement to Loan and Security Agreement of even date herewith among the Borrower, the Lender in its capacity as Agent, and the banks party thereto, the Borrower also agrees to pay to Lender and certain other banks a closing fee equal to \$15,000, which shall be due and payable upon execution of this Agreement.

12. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have duly executed this Forbearance Agreement as of the date first above written.

BORROWER:

SIGMATRON INTERNATIONAL, INC.

By: /s/ Linda K. Frauendorfer

Name: Linda K. Frauendorfer

Its: Chief Financial Officer

FORBEARANCE AGREEMENT TO LOAN AND SECURITY AGREEMENT

THIS FORBEARANCE AGREEMENT TO LOAN AND SECURITY AGREEMENT (this "Agreement") is entered into as of the 11th day of December, 2009 by and among the banks that are or may from time to time become parties hereto (individually a "Bank" and collectively, the "Banks"), BANK OF AMERICA, N.A. as successor in interest to LaSalle Bank National Association, a national banking association (in its individual capacity, "BofA"), as agent ("Agent") for the Banks, and SIGMATRON INTERNATIONAL, INC., a Delaware corporation (the "Borrower").

WITNESSETH:

WHEREAS, BofA, the Banks and the Borrower are parties to that certain Loan and Security Agreement dated as of August 25, 1999, as amended (as may be further amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement");

WHEREAS, a certain Event of Default previously occurred and is continuing under the Loan Agreement as of the period ending October 31, 2009 as follows: a default under Paragraph 11.2(f)(vi) of the Loan Agreement as a result of Borrower's breach of the requirement that Borrower maintain EBITDA of not less than \$7,000,000 (the "Current Default");

WHEREAS, the Borrower has requested that the Banks forbear from the exercise and enforcement of their rights, powers and remedies under the Loan Agreement for the Forbearance Period (as defined herein) and upon the terms and conditions set forth herein; and

WHEREAS, as a result of the continued existence of the Current Default, the Banks have the right to accelerate all of the Borrower's Liabilities and make them immediately due and payable in full and the Banks have the present unrestricted right, inter alia, to enforce their rights, powers and remedies against the Borrower under the Loan Agreement or at law or equity or by statute, including, without limitation, the right to foreclose on the Collateral.

NOW, THEREFORE, for and in consideration of the premises and mutual agreements herein contained and for the purposes of setting forth the terms and conditions of this Agreement, the parties, intending to be bound, hereby agree as follows:

1. Incorporation of the Loan Agreement. All capitalized terms which are not defined hereunder shall have the same meanings as set forth in the Loan Agreement, and the Loan Agreement, to the extent not inconsistent with this Agreement, is incorporated herein by this reference as though the same were set forth in its entirety. Except as specifically set forth herein, the Loan Agreement shall remain in full force and effect and its provisions shall be binding on the parties hereto.

2. Current Default; Acknowledgment. The Borrower acknowledges that as a result of the Current Default, the Banks have the right to immediately enforce payment by the Borrower of all of the Borrower's Liabilities and, in connection therewith, to immediately enforce their security interests in, and liens on, the Collateral and to exercise all other remedies provided to the Banks under the Loan Agreement and the Other Agreements or at law or equity or by statute against the Borrower.

3. Limited Forbearance and Further Consideration.

(a) Subject to compliance by the Borrower with the terms and conditions of this Agreement and all of the terms and conditions of the Loan Agreement and the Other Agreements, the Banks hereby agree to forbear from exercising and enforcing their rights, powers and remedies afforded under the Loan Agreement or at law, in equity or by statute with respect to the Current Default during the period from the date of this Agreement until January 8, 2010 (the "Forbearance Period"). The foregoing limited forbearance shall not be construed to impair the ability of the Banks to enforce any such rights, powers or remedies after the Forbearance Period regardless of whether or not such enforcement relates to actions taken or payments received during the Forbearance Period, or during the Forbearance Period for defaults or Events of Default other than the Current Default.

(b) Unless earlier terminated in accordance with the terms of this Agreement, the Banks' forbearance, as provided herein, shall immediately cease without notice on January 8, 2010 ("Forbearance Termination Date"), and the Borrower at that time shall be obligated to pay to the Banks and the Agent all of the Borrower's Liabilities and perform all terms, conditions and provisions of the Loan Agreement and the Other Agreements.

(c) The Banks' forbearance is further expressly subject to and conditioned upon the Borrower's strict compliance with each and every term and provision of this Agreement, and, except with respect to Current Default, the Borrower's strict compliance with each and every term and provision of the Loan Agreement and the Other Agreements.

(d) Upon the breach by the Borrower of any provision of this Agreement, or any Event of Default under the Loan Agreement or the Other Agreements other than the Current Default as such Current Default exists as of the date of this Agreement, the Banks, at their option, may withdraw their forbearance hereunder. Agent shall promptly advise the Borrower of any such withdrawal, but failure to do so shall not impair the effect of such withdrawal. Upon such withdrawal, all of the Borrower's Liabilities shall be due and payable, and the Banks shall have the undisputed and absolute right to exercise and enforce all other rights, powers and remedies which may exist pursuant to the Loan Agreement and the Other Agreements or at law, in equity or by statute, all without further demand or notice of any kind, all of which are hereby waived by the Borrower.

(e) The Borrower acknowledges and agrees that the Banks shall be under no obligation to extend the Forbearance Termination Date and that the Banks' failure to enforce any or all of their remedies under this Agreement, the Loan Agreement, the Other Agreements, or under law or at equity after the expiration of the current Forbearance Period will not give rise to a further extension of the Forbearance Period absent a written agreement executed by the Banks to extend the Forbearance Termination Date.

(f) The Borrower acknowledges and agrees that the Banks are entitled to cease funding under the Loan Agreement as a result of the Current Default and that the Banks may (but need not) in the Banks' sole and absolute discretion elect to continue to fund under and in accordance with the terms of the Loan Agreement (other than the terms thereof which condition funding on the absence of an Event of Default) without waiving or being deemed to

have waived the Current Default or any other breach or Event of Default and without such discretionary funding constituting an amendment to or departure from the Loan Agreement.

(g) The Borrower further acknowledges and agrees, that the Banks' decision to allow the Borrower to use the Collateral during the Forbearance Period is of great value to the Borrower and that such forbearance is, independent of the other consideration received by the Borrower hereunder, sufficient consideration for each and every one of the Borrower's obligations under this Agreement.

(h) In the event the Borrower (i) files any voluntary petition under any Chapter of the Bankruptcy Code (Title 11, U.S.C., hereinafter referred to as the "Bankruptcy Code"), or in any manner seeks any relief under any other state, federal or other insolvency laws or laws providing for relief of debtors, or directly or indirectly causes the other to file any such petition or to seek any such relief, either at the present time, or at any time prior to the end of the Forbearance Period, or at any time thereafter; or (ii) directly or indirectly causes any involuntary petition under any Chapter of the Bankruptcy Code to be filed against the Borrower, or directly or indirectly causes the Borrower to become the subject of any proceedings pursuant to any other state, federal or other insolvency laws or laws providing for the relief of debtors, either at the present time, or at any time prior to the end of the Forbearance Period, or at any time thereafter; or (iii) directly or indirectly causes the Collateral or any interest of the Borrower in the Collateral to become the property of any bankruptcy estate or the subject of any state, federal or other bankruptcy, dissolution, liquidation or insolvency proceedings, either at the present time, or at any time prior to the end of the Forbearance Period, or at any time thereafter, the Borrower agrees to the lifting of the automatic stay by the appropriate Bankruptcy Court "for cause" pursuant to Section 362(d)(1) of the Bankruptcy Code (11 U.S.C. Section 362(d)(1)) to enable the Banks, in their sole discretion, to foreclose on and/or protect their interests in the Collateral. Said Bankruptcy Court shall be authorized to enter an order lifting the automatic stay without the necessity of an evidentiary hearing and without the necessity of the Banks' establishing the lack of adequate protection of its interest in the Collateral and lack of necessity of the Collateral for an effective bankruptcy reorganization. The automatic stay shall be lifted within thirty (30) days of filing of the applicable motion, subject to the Court's schedule and orders.

4. Forbearance Events of Default. A "Forbearance Event of Default" shall mean the occurrence of any one or more of the following events:

(a) The Borrower shall fail to observe or perform any term, covenant or agreement binding on it contained in this Agreement, or any agreement, instrument or document executed in connection herewith;

(b) An Event of Default shall have occurred and be continuing under the Loan Agreement or the Other Agreements other than the Current Default as such Current Default existed as of the date of this Agreement; or

(c) The occurrence of a material adverse change (as determined by Agent in its sole discretion) in the financial condition of the Borrower or in its business.

Upon the occurrence of any Forbearance Event of Default, Agent may immediately terminate the Forbearance Period and/or declare all of the Borrower's Liabilities due and payable. Upon the termination or expiration of the Forbearance Period, if at such time the outstanding amount of the obligations is not paid in full, Agent shall be entitled to exercise all of its rights and remedies under the Loan Agreement, the Other Agreements and applicable law. Upon the occurrence of any Forbearance Event of Default hereunder, the Borrower hereby consents (i) to the *ex parte* appointment of a receiver by Agent in any action initiated by the Banks pursuant to this Agreement or the Loan Agreement, and the Borrower waives notice and posting of a bond in connection therewith; and (ii) to the *ex parte* filing by Agent on the Borrower's behalf of an assignment for the benefit of creditors in accordance with applicable law, and the Borrower waives notice and posting of a bond in connection therewith. The Borrower acknowledges that it shall have no claim for damages or otherwise against any Bank or Agent with respect to any such termination of the Forbearance Period or acceleration of the Borrower's Liabilities in accordance with the terms of this Agreement or the Loan Agreement.

5. Reservation of Rights. The forbearance set forth herein shall be limited precisely as written and, except as expressly set forth herein, neither the fact of the Banks' forbearance nor any other term or provisions herein shall, or shall be deemed or construed to, (i) be a consent to any forbearance, waiver, amendment or modification of any term, provision or condition of the Loan Agreement, (ii) affect, impair, operate as a waiver of, or prejudice any right, power or remedy which the Banks may now or hereafter have pursuant to the Loan Agreement or any other document, agreement, security agreement or instrument executed by any Person in connection with or related to the Loan Agreement, or at law or in equity or by statute including, without limitation, with regard to any existing or hereafter arising default, (iii) impose upon the Banks any obligation, express or implied, to consent to any amendment or further modification of the Loan Agreement or (iv) be a consent to any waiver of any existing Event of Default (including, without limitation, the Current Default), all such Events of Defaults remaining outstanding. Each Bank hereby expressly reserves all rights, powers and remedies specifically given to it under the Loan Agreement or the Other Agreements or now or hereafter existing at law, in equity or by statute.

6. Representations and Warranties. The representations and warranties set forth in Paragraph 11.1 and all covenants set forth in Paragraphs 11.2 and 11.3 of the Loan Agreement shall be deemed remade and affirmed as of the date hereof by the Borrower, except that any and all references to the Loan Agreement in such representations, warranties and covenants shall be deemed to include this Agreement.

7. Delivery of Documents/Information.

(a) Notwithstanding any of the foregoing, prior to entering into this Agreement, Agent shall have received from the Borrower a Secretary's Certificate of the Borrower with resolutions and incumbency, in form and substance satisfactory to Agent.

(b) As further consideration and a condition of the extension of the Forbearance Period, the Borrower covenants and agrees to provide the Agent with a Commitment Letter in form and substance acceptable to the Agent to refinance all of the Borrower's Liabilities on or before December 24, 2009.

8. Reference to the Effect on the Loan Agreement.

(a) References. Upon the effective date of this Agreement and on and after the date hereof, each reference in the Loan Agreement to “this Agreement,” “hereunder,” “hereof,” “herein” or words of like import shall mean and be a reference to the Loan Agreement, as amended hereby.

(b) Ratification. As specifically modified above, the Loan Agreement and all other documents, instruments and agreements executed and/or delivered in connection therewith shall remain in full force and effect, and are hereby ratified and confirmed.

(c) No Waiver. The Banks’ failure, at any time or times hereafter, to require strict performance by the Borrower of any provision or term of the Loan Agreement, this Agreement or the Other Agreements shall not waive, affect or diminish any right of the Banks thereafter to demand strict compliance and performance therewith. Any suspension or waiver by the Banks of a breach of this Agreement or any Event of Default under the Loan Agreement shall not, except as may be expressly set forth herein, suspend, waive or affect any other breach of this Agreement or any Event of Default under the Loan Agreement, whether the same is prior or subsequent thereto and whether of the same or of a different kind or character. None of the undertakings, agreements, warranties, covenants and representations of the Borrower contained in this Agreement, the Loan Agreement or in any of the Other Agreements, and no breach of this Agreement, or Event of Default under the Loan Agreement shall be deemed to have been suspended or waived by the Banks unless such suspension or waiver is (a) in writing and signed by each Bank, and (b) delivered to the Borrower. In no event shall the Banks’ execution and delivery of this Agreement establish a course of dealing among the Banks or the Borrower or any other obligor or in any other way obligate the Banks to hereafter provide any amendments or waivers with respect to the Loan Agreement.

9. Representations and Warranties of the Borrower. The Borrower hereby represents and warrants to Agent and the Banks as of the date hereof as follows:

(a) The execution and delivery of this Agreement and the performance by the Borrower of its obligations hereunder are within the Borrower’s powers and authority, have been duly authorized by all necessary corporate action and do not and will not contravene or conflict with the Certificate of Incorporation or By-laws of the Borrower.

(b) The Loan Agreement (as amended by this Agreement) and the Other Agreements constitute legal, valid and binding obligations enforceable in accordance with their terms by Agent and the Banks against the Borrower, and the Borrower expressly reaffirms each of its obligations under the Loan Agreement (as amended by this Agreement) and each of the Other Agreements, including, without limitation, the Borrower’s Liabilities. The Borrower further expressly acknowledges and agrees that Agent has a valid, duly perfected, first priority and fully enforceable security interest in and lien against each item of Collateral except as otherwise set forth in the Loan Agreement. The Borrower agrees that it shall not dispute the validity or enforceability of the Loan Agreement (as it was stated before and after this Agreement) or any of the Other Agreements or any of its respective obligations thereunder, or

the validity, priority, enforceability or extent of Agent's security interest in or lien against any item of Collateral, in any judicial, administrative or other proceeding;

(c) No consent, order, qualification, validation, license, approval or authorization of, or filing, recording, registration or declaration with, or other action in respect of, any governmental body, authority, bureau or agency or other Person is required in connection with the execution, delivery or performance of, or the legality, validity, binding effect or enforceability of, this Agreement;

(d) The execution, delivery and performance of this Agreement by the Borrower does not and will not violate any law, governmental regulation, judgment, order or decree applicable to the Borrower and does not and will not violate the provisions of, or constitute a default or any event of default under, or result in the creation of any security interest or lien upon any property of the Borrower pursuant to, any indenture, mortgage, instrument, contract, agreement or other undertaking to which the Borrower is a party or is subject or by which the Borrower or any of its real or personal property may be bound;

(e) No Event of Default, except for the Current Default, or events which, except for the passage of time or notice would constitute an Event of Default, exists under the Loan Agreement or the Other Agreements; and

(f) As of the date of this Agreement, the Borrower hereby reaffirms all covenants, representations and warranties made in the Loan Agreement and the Other Agreements to the extent the same are not amended hereby, and agrees that all such covenants, representations and warranties shall be deemed to have been remade as of the date of this Agreement.

10. Releases; Indemnities.

(a) In further consideration of the Banks' execution of this Agreement, the Borrower, and on behalf of its successors (including, without limitation, any trustees acting on behalf of the Borrower and any debtor-in-possession with respect to the Borrower), assigns, subsidiaries and Affiliates, hereby forever release Agent and each Bank and their respective successors, assigns, parents, subsidiaries, Affiliates, officers, employees directors, agents and attorneys (collectively, the "Releasees") from any and all debts, claims, demands, liabilities, responsibilities, disputes, causes, damages, actions and causes of action (whether at law or in equity) and obligations of every nature whatsoever, whether liquidated or unliquidated, known or unknown, matured or unmatured, fixed or contingent (collectively, "Claims"), that the Borrower may have against the Releasees which arise from or relate to any actions which the Releasees may have taken or omitted to take prior to the date this Agreement was executed, including without limitation with respect to the Borrower's Liabilities, any Collateral, the Loan Agreement, any Other Agreement and any third parties liable in whole or in part for the Borrower's Liabilities. This provision shall survive and continue in full force and effect whether or not the Borrower shall satisfy all other provisions of this Agreement, the Other Agreements or the Loan Agreement, including payment in full of the Borrower's Liabilities.

(b) The Borrower hereby agrees that its obligation to indemnify and hold the Releasees harmless as set forth in Paragraph 10(a) of this Agreement shall include an obligation to indemnify and hold the Releasees harmless with respect to any and all liabilities, obligations, losses, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever incurred by the Releasees, or any of them, whether direct, indirect or consequential, as a result of or arising from or relating to any proceeding by, or on behalf of, any Person, including, without limitation, officers, directors, agents, trustees, creditors, partners or shareholders of the Borrower, whether threatened or initiated, asserting any claim for legal or equitable remedy under any statute, regulation or common law principle arising from or in connection with the negotiation, preparation, execution, delivery, performance, administration and enforcement of this Agreement or any other document executed in connection herewith. The foregoing indemnity shall survive the payment in full of the Borrower's Liabilities and the termination of this Agreement, the Loan Agreement and the Other Agreements.

11. Fees and Expenses. The Borrower agrees to pay on demand all costs, fees and expenses of or incurred by Agent in connection with the evaluation, negotiation, preparation, execution and delivery of this Agreement and the other instruments and documents executed and delivered in connection with the transactions described herein (including the filing or recording thereof), including, but not limited to, the fees and expenses of counsel for Agent, search fees and taxes payable in connection with this Agreement and any future amendments to the Loan Agreement. The Borrower also agrees to pay to Agent, for the benefit of the Banks, a closing fee equal to \$15,000, which shall be due and payable and fully earned and non-refundable upon execution of this Agreement.

12. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

(Forbearance Agreement Signature Page)

IN WITNESS WHEREOF, the parties hereto have duly executed this Forbearance Agreement as of the date first above written.

BORROWER:

SIGMATRON INTERNATIONAL, INC.

By: /s/ Linda K. Frauendorfer

Name: Linda K. Frauendorfer

Its: Chief Financial Officer