ERESEARCHTECHNOLOGY INC /DE/
Form 10-Q
November 09, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

þ **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended September 30, 2010

or

o **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transitional period from __________ to __________

Commission file number: 0-29100
eResearchTechnology, Inc.
(Exact name of registrant as specified in its charter)

Delaware	22-3264604
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1818 Market Street Philadelphia, PA	19103
(Address of principal executive offices)	(Zip code)

215-972-0420
(Registrant s telephone number, including area code)

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 þ No o

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

The number of shares of Common Stock, $.01 par value, outstanding as of October 22, 2010, was 49,057,842.

eResearchTechnology, Inc. and Subsidiaries

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Part 1. Financial Information
Item 1. Financial Statements

eResearchTechnology, Inc. and Subsidiaries
Consolidated Balance Sheets
(In thousands, except share and per share amounts)
(unaudited)

	December 31, 2009	September 30, 2010
Assets		
Current Assets:		
Cash and cash equivalents	$ 68,979	$ 19,333
Short-term investments	9,782	50
Investment in marketable securities	1,026	648
Accounts receivable, less allowance for doubtful accounts of $548 and $785, respectively	16,579	37,225
Inventory		3,879
Prepaid income taxes	2,698	2,989
Prepaid expenses and other	3,308	5,516
Deferred income taxes	1,649	2,411
Total current assets	104,021	72,051
Property and equipment, net	24,205	41,809
Goodwill	34,676	71,613
Intangible assets	1,607	19,565
Other assets	352	513
Total assets	$ 164,861	$ 205,551
Liabilities and Stockholders Equity		
Current Liabilities:		
Accounts payable	$ 3,007	$ 3,874
Accrued expenses	5,990	13,499
Income taxes payable	346	
Deferred revenues	11,728	13,283
Total current liabilities	21,071	30,656
Deferred rent	2,357	2,220
Deferred income taxes	2,502	2,098
Long-term debt		21,000
Other liabilities	1,259	2,220
Total liabilities	27,189	58,194
Commitments and contingencies		

Stockholders Equity:				
Preferred stock $10.00 par value, 500,000 shares authorized, none issued and outstanding				
Common stock $.01 par value, 175,000,000 shares authorized, 60,189,235 and 60,453,270 shares issued, respectively		602		604
Additional paid-in capital		97,367		99,723
Accumulated other comprehensive loss		(1,580)		(4)
Retained earnings		121,166		126,917
Treasury stock, 11,589,603 shares at cost		(79,883)		(79,883)
Total stockholders equity		137,672		147,357
Total liabilities and stockholders equity	$	164,861	$	205,551

The accompanying notes are an integral part of these statements.

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eResearchTechnology, Inc. and Subsidiaries
Consolidated Statements of Operations
(In thousands, except per share amounts)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2010	2009	2010
Net revenues:				
Services	$ 15,969	$ 25,929	$ 48,292	$ 59,461
Site support	6,757	19,199	19,895	36,631
EDC licenses and services			2,501	
Total net revenues	22,726	45,128	70,688	96,092
Costs of revenues:				
Cost of services	7,577	13,526	22,941	29,162
Cost of site support	3,418	11,505	10,523	19,261
Cost of EDC licenses and services			863	
Total costs of revenues	10,995	25,031	34,327	48,423
Gross margin	11,731	20,097	36,361	47,669
Operating expenses:				
Selling and marketing	3,056	4,478	9,756	11,827
General and administrative	2,977	7,780	10,581	22,278
Research and development	989	1,250	3,131	3,177
Total operating expenses	7,022	13,508	23,468	37,282
Operating income	4,709	6,589	12,893	10,387
Foreign exchange losses	(173)	(1,745)	(543)	(1,267)
Other income (expense), net	91	(199)	168	(181)
Income before income taxes	4,627	4,645	12,518	8,939
Income tax provision	1,808	1,472	5,081	3,188
Net income	$ 2,819	$ 3,173	$ 7,437	$ 5,751
Net income per share:				
Basic	$ 0.06	$ 0.06	$ 0.15	$ 0.12
Diluted	$ 0.06	$ 0.06	$ 0.15	$ 0.12

Shares used in computing net income per share:				
Basic	48,452	48,860	49,399	48,789
Diluted	48,755	49,258	49,698	49,162

The accompanying notes are an integral part of these statements.

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eResearchTechnology, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(In thousands)
(unaudited)

	Nine Months Ended September 30	
	2009	**2010**
Operating activities:		
Net income	$ 7,437	$ 5,751
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of EDC operations	(530)	
Depreciation and amortization	9,694	12,753
Cost of sales of equipment	93	767
Provision for uncollectible accounts	210	
Share-based compensation	2,145	2,048
Deferred income taxes	347	(1,043)
Changes in operating assets and liabilities:		
Accounts receivable	12,516	(6,429)
Inventory		(984)
Prepaid expenses and other	(1,269)	(640)
Accounts payable	(69)	1,622
Accrued expenses	(3,728)	5,145
Income taxes	(2,955)	(1,125)
Deferred revenues	588	1,153
Deferred rent	211	(225)
Net cash provided by operating activities	24,690	18,793
Investing activities:		
Purchases of property and equipment	(3,567)	(15,987)
Purchases of investments		(999)
Proceeds from sales of investments		10,731
Payment related to sale of EDC operations	(1,150)	
Payments for acquisitions	(655)	(82,789)
Net cash used in investing activities	(5,372)	(89,044)
Financing activities:		
Proceeds from long-term debt		23,000
Repayment of long-term debt		(2,000)
Repayment of capital lease obligations	(43)	
Proceeds from exercise of stock options	372	215
Stock option income tax benefit	134	29
Repurchase of common stock for treasury	(15,120)	
Net cash (used in) provided by financing activities	(14,657)	21,244

Effect of exchange rate changes on cash		1,030		(639)
Net increase (decrease) in cash and cash equivalents		5,691		(49,646)
Cash and cash equivalents, beginning of period		66,376		68,979
Cash and cash equivalents, end of period	$	72,067	$	19,333

The accompanying notes are an integral part of these statements.

eResearchTechnology, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(unaudited)

Note 1. Basis of Presentation

The accompanying unaudited consolidated financial statements, which include the accounts of eResearchTechnology, Inc. (the Company, ERT or we) and its wholly-owned subsidiaries, have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles 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. Operating results for the nine-month period ended September 30, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010. Further information on potential factors that could affect our financial results can be found in our Report on Form 10-K for the year ended December 31, 2009 and in our Report on Form 10-Q for the quarter ended June 30, 2010, in each case as filed with the Securities and Exchange Commission (SEC). Subsequent events have been evaluated for disclosure and recognition.

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Note 2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of ERT and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. We consider our business to consist of one segment which is providing technology and service solutions to collect, interpret and distribute diagnostic data principally used by the pharmaceutical industry as part of clinical drug trials.

Use of Estimates

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

Revenue Recognition

Our services revenues consist primarily of our services offered under our Cardiac Safety, Respiratory Services and, to a lesser extent, our electronic patient reported outcomes (ePRO) solutions that we provide on a fee for services basis and are recognized as the services are performed. We also provide Cardiac Safety consulting services on a time and materials basis and recognize revenues as we perform the services. Our site support revenue, consisting of equipment rentals and sales along with related supplies and logistics management, are recognized at the time of sale or over the rental period.

At the time of each transaction, management assesses whether the fee associated with the transaction is fixed or determinable and whether or not collection is reasonably assured. The assessment of whether the fee is fixed or determinable is based upon the payment terms of the transaction. If a significant portion of a fee is due after our normal payment terms or upon implementation or client acceptance, the fee is accounted for as not being fixed or determinable and revenue is recognized as the fees become due or after implementation or client acceptance has occurred.

Collectability is assessed based on a number of factors, including past transaction history with the client and the creditworthiness of the client. If it is determined that collection of a fee is not reasonably assured, the fee is deferred and revenue is recognized at the time collection becomes reasonably assured, which is generally upon receipt of cash.

Under a typical contract for services, clients pay us a portion of our fee for these services upon contract execution as an upfront deposit, some of which is typically nonrefundable upon contract termination. Revenues are then recognized under service contracts as the services are performed.

For arrangements with multiple deliverables where the fair value of each element is known, the revenue is allocated to each component based on the relative fair value of each element. For arrangements with multiple deliverables where the fair value of one or more delivered elements is not known, revenue is allocated to each component of the arrangement using the residual method provided that the fair value of all undelivered elements is known. Fair values for undelivered elements are based primarily upon stated renewal rates for future products or services.

We have recorded reimbursements received for out-of-pocket expenses incurred as revenue in the accompanying consolidated statements of operations.

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Unbilled revenue is revenue that is recognized but is not currently billable to the customer pursuant to contractual terms. In general, such amounts become billable in accordance with predetermined payment schedules, but recognized as revenue as services are performed. Amounts included in unbilled revenue are expected to be collected within one year and are included within current assets.

Our former electronic data capture (EDC) operations are included in EDC licenses and services revenue and include license revenue, technology consulting and training services and software maintenance services. We recognized up-front license fee revenues under the residual method when a formal agreement existed, delivery of the software and related documentation occurred, collectability was probable and the license fee was fixed or determinable. We recognized monthly and annual term license fee revenues over the term of the arrangement. Hosting service fees were recognized evenly over the term of the service. We recognized revenues from software maintenance contracts on a straight-line basis over the term of the maintenance contract, which was typically twelve months. We provided consulting and training services on a time and materials basis and recognized revenues as we performed the services.

Business Combinations

On May 28, 2010, we acquired Research Services Germany 234 GmbH (Research Services or RS), which was formed as a result of a demerger of CareFusion Germany 234 GmbH under German law, which effectively divided CareFusion Germany 234 GmbH into RS and another entity. RS is comprised of the research services division of CareFusion Germany 234 GmbH and certain research operations of CareFusion Corporation (CareFusion). RS is a leading provider of respiratory diagnostics services and a manufacturer of diagnostic devices and also offers cardiac safety and ePRO services. We paid $82.6 million for RS. The acquisition and related transaction costs was financed from our existing cash and a portion of the $23.0 million drawn from our new $40.0 million revolving credit facility through Citizens Bank of Pennsylvania. The credit facility was established on May 27, 2010. See Note 4 for additional disclosure on the RS acquisition and Note 7 for additional disclosure regarding the revolving credit facility.

We allocated the purchase price to the tangible and intangible assets we acquired and liabilities we assumed based on their estimated fair values. This valuation requires management to make significant estimates and assumptions, especially with respect to long-lived and intangible assets.

Critical estimates in valuing certain of the intangible assets include but are not limited to: future expected cash flows from customer contracts, customer relationships, proprietary technology and discount rates. Our estimates of fair value are based upon assumptions we believe to be reasonable, but which are inherently uncertain and unpredictable. Assumptions may be incomplete or inaccurate, and unanticipated events and circumstances may occur.

Other estimates associated with the accounting for this acquisition may change as additional information becomes available regarding the assets we acquired and liabilities we assumed and are subject to final working capital adjustments.

For a discussion of how we allocated the purchase price of RS, see Note 4.

Concentration of Credit Risk and Significant Clients

Our business depends entirely on the clinical trials that pharmaceutical, biotechnology and medical device companies conduct. Our revenues and profitability will decline if there is less competition in the pharmaceutical, biotechnology or medical device industries, which could result in fewer products under development and decreased pressure to accelerate a product approval. Our revenues and profitability will also decline if the FDA or similar agencies in foreign countries modify their requirements in a manner that decreases the need for our solutions.

Financial instruments that potentially subject us to concentration of credit risk consist primarily of trade accounts receivable from companies operating in the pharmaceutical, biotechnology and medical device industries. For the nine months ended September 30, 2009 and 2010, one client accounted for approximately 17% and 24% of net revenues, respectively. The loss of this client could have a material adverse effect on our operations. We maintain reserves for potential credit losses. Such losses, in the aggregate, have not historically exceeded management s estimates.

Cash and Cash Equivalents

We consider cash on deposit and in overnight investments and investments in money market funds with financial institutions to be cash equivalents. At the balance sheet dates, cash equivalents consisted primarily of investments in money market funds. At December 31, 2009 and September 30, 2010, approximately $13.1 million and $5.6 million, respectively, was held by our UK subsidiary. At September 30, 2010, approximately $6.6 million was held by our

German subsidiary.

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Short-term Investments and Investments in Marketable Securities

At September 30, 2010, short-term investments consisted of an auction rate security issued by a municipality while marketable securities consisted of common stock received from the buyer of certain assets of our EDC operations. Available-for-sale securities are carried at fair value, based on quoted market prices, with unrealized gains and losses reported as a separate component of stockholders equity. We classified our short-term investments and investment in marketable securities at December 31, 2009 and September 30, 2010 as available-for-sale. At December 31, 2009 and September 30, 2010, unrealized gains and losses were immaterial. Realized gains and losses during the nine months ended September 30, 2009 and 2010 were immaterial. For purposes of determining realized gains and losses, the cost of the securities sold is based upon specific identification.

The following summarizes the short-term investments at December 31, 2009 and September 30, 2010 (in thousands):

	December 31, 2009			
	Amortized cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Municipal securities	$ 6,764	$	$ (2)	$ 6,762
Corporate debt securities	1,769	1		1,770
Bonds of government sponsored agencies	1,250			1,250
Total short-term investments as of December 31, 2009	$ 9,783	$ 1	$ (2)	$ 9,782

	September 30, 2010			
	Amortized cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Municipal securities	$ 50	$	$	$ 50
Total short-term investments as of September 30, 2010	$ 50	$	$	$ 50

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of three years for computer and other equipment, two to four years for rental equipment, five years for furniture and fixtures and three to five years for system development costs. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful life of the asset or the remaining lease term. Repair and maintenance costs are expensed as incurred. Improvements and betterments are capitalized. Depreciation expense was $2.1 million and $3.2 million for the three months ended September 30, 2009 and 2010, respectively, and $6.7 million and $6.8 million for the nine months ended September 30, 2009 and 2010, respectively.

We capitalize costs associated with internally developed and/or purchased software systems for new products and enhancements to existing products that have reached the application development stage and meet recoverability tests. These costs are included in property and equipment. Capitalized costs include external direct costs of materials and services utilized in developing or obtaining internal-use software, and payroll and payroll-related expenses for employees who are directly associated with and devote time to the internal-use software project.

Amortization of capitalized software development costs is charged to costs of revenues. Amortization of capitalized software development costs was $0.8 million and $0.9 million for the three months ended September 30, 2009 and

2010, respectively, and $2.5 million and $2.7 million for the nine months ended September 30, 2009 and 2010, respectively. For the nine-month periods ended September 30, 2009 and 2010, we capitalized $1.9 million and $4.3 million, respectively, of software development costs. As of September 30, 2010, $6.2 million of capitalized costs had not yet been placed in service and were therefore not being amortized.

The largest component of property and equipment is rental equipment which is internally manufactured and also purchased from third parties. Our clients use the rental equipment to perform the ECG, respiratory and ePRO tests and collect and send the related data to us. Our clients use the respiratory diagnostic equipment to perform the centralized spirometry and pulmonary function recordings, and it also provides the means to send such recordings to us. We provide this equipment to clients primarily through rentals via cancellable agreements and, in some cases, through non-recourse equipment sales. The equipment rentals and sales are included in our services agreements with our clients and the decision to rent or buy equipment is made by our clients prior to the start of the study. The decision to buy rather than rent is usually predicated upon the economics to the client based upon the length of the study and the number of diagnostic tests to be performed each month. The longer the study and the fewer the number of tests performed, the more likely it is that the client may request to purchase equipment rather than rent. Regardless of whether the client rents or buys the equipment, we consider the resulting cash flow to be part of our operations and reflect it as such in our consolidated statements of cash flows.

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Our services agreements contain multiple elements. As a result, significant contract interpretation is sometimes required to determine the appropriate accounting. In doing so, we consider factors such as whether the deliverables specified in a multiple element arrangement should be treated as separate units of accounting for revenue recognition purposes and, if so, how the contract value should be allocated among the deliverable elements and when to recognize revenue for each element. We recognize revenue for delivered elements only when the fair values of undelivered elements are known, uncertainties regarding client acceptance are resolved and there are no client-negotiated refund or return rights affecting the revenue recognized for delivered elements.

The gross cost for rental equipment was $37.3 million and $55.3 million at December 31, 2009 and September 30, 2010, respectively. The accumulated depreciation for rental equipment was $30.9 and $34.3 million at December 31, 2009 and September 30, 2010, respectively. At December 31, 2009, rental equipment consisted solely of cardiac safety equipment, whereas at September 30, 2010, rental equipment included cardiac safety, respiratory and ePRO equipment.

Goodwill

The carrying value of goodwill was $34.7 million as of December 31, 2009 and $71.6 million as of September 30, 2010. During the first nine months of 2010, goodwill increased $36.8 million due to the acquisition of RS. See Note 4 for additional disclosure regarding the RS and Covance Cardiac Safety Services (CCSS) acquisitions. Goodwill is not amortized but is subject to an impairment test at least annually. We perform the impairment test annually as of December 31 or more frequently if events or circumstances indicate that the value of goodwill might be impaired. No provisions for goodwill impairment were recorded during 2009 or during the nine months ended September 30, 2010. When it is determined that the carrying value of goodwill may not be recoverable, measurement of any impairment will be based on a projected discounted cash flow method using a discount rate commensurate with the risk inherent in the current business model.

Long-lived Assets

When events or circumstances so indicate, we assess the potential impairment of our long-lived assets based on anticipated undiscounted cash flows from the assets. Such events and circumstances include a sale of all or a significant part of the operations associated with the long-lived asset, or a significant decline in the operating performance of the asset. If an impairment is indicated, the amount of the impairment charge would be calculated by comparing the anticipated discounted future cash flows to the carrying value of the long-lived asset. No impairment was indicated during either of the nine-month periods ended September 30, 2009 or 2010.

Software Development Costs

Research and development expenditures related to software development are charged to operations as incurred. We capitalize certain software development costs subsequent to the establishment of technological feasibility. Because software development costs have not been significant after the establishment of technological feasibility, all such costs have been charged to expense as incurred.

Share-Based Compensation

Accounting for Share-Based Compensation

Share-based compensation expense is measured at the grant date based on the fair value of the award and is recognized as expense over the vesting period. The aggregate share-based compensation expense recorded in the consolidated statements of operations for each of the three month periods ended September 30, 2009 and 2010 was $0.6 million. The aggregate share-based compensation expense recorded in the consolidated statements of operations for each of the nine-month periods ended September 30, 2009 and 2010 was $2.1 million.

Valuation Assumptions for Options Granted

The fair value of each stock option granted during the nine months ended September 30, 2009 and 2010 was estimated at the date of grant using Black-Scholes, assuming no dividends and using the weighted-average valuation assumptions noted in the following table.

	2009	2010
Risk-free interest rate	1.34%	2.44%
Expected life	3.5 years	3.8 years

Expected volatility	63.98%	61.73%

The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant. The expected life (estimated period of time outstanding) of the stock options granted was estimated using the historical exercise behavior of employees. Expected volatility was based on historical volatility for a period equal to the stock option s expected life, calculated on a daily basis. Fluctuations in the market that affect these estimates could have an impact on the resulting compensation cost. The above assumptions were used to determine the weighted-average per share fair value of $2.14 and $3.24 for stock options granted during the first nine months of 2009 and 2010, respectively.

Equity Incentive Plans

In 1996, we adopted a stock option plan (the 1996 Plan) that authorized the grant of both incentive and non-qualified options to acquire up to 9,450,000 shares of the Company s common stock, as subsequently amended. Our Board of Directors determined the exercise price of the options under the 1996 Plan. The exercise price of incentive stock options was not below the market value of the common stock on the grant date. Incentive stock options under the 1996 Plan expire ten years from the grant date and are exercisable in accordance with vesting provisions set by the Board, which generally are over three to five years. No additional options have been granted under this plan, as amended, since December 31, 2003 and no additional options may be granted thereunder in accordance with the terms of the 1996 Plan.

In May 2003, the stockholders approved a new stock option plan (the 2003 Plan) that authorized the grant of both incentive and non-qualified options to acquire shares of our common stock and provided for an annual option grant of 10,000 shares to each outside director. The Compensation Committee of our Board of Directors determines or makes recommendations to our Board of Directors regarding the recipients of option grants, the exercise price and other terms of the options under the 2003 Plan. The exercise price of incentive stock options may not be set below the market value of the common stock on the grant date. Incentive stock options under the 2003 Plan expire ten years from the grant date, or at the end of such shorter period as may be designated by the Compensation Committee, and are exercisable in accordance with vesting provisions set by the Compensation Committee, which generally are over four years.

On April 26, 2007, the stockholders approved the adoption of the Company s Amended and Restated 2003 Equity Incentive Plan (the Amended 2003 Plan) which included prohibition on repricing of any stock options granted under the Plan unless the stockholders approve such repricing and permitted awards of stock appreciation rights, restricted stock, long term performance awards and performance shares in addition to grants of stock options. On April 29, 2009 the Board of Directors approved a revised amendment to the Amended 2003 Plan that provides for the inclusion of restricted stock units in addition to the other equity-based awards authorized thereunder and eliminated the fixed option grants to outside directors. Restricted stock was granted for the first time in 2010 and is being recorded as compensation expense over the one-year vesting period or the four-year vesting period for grants to the Company s directors and management, respectively. In accordance with the terms of the Amended 2003 Plan, there are a total of 7,318,625 shares reserved for issuance under the Amended 2003 Plan and there were 1,254,321 shares available for grant as of September 30, 2010.

Information regarding the stock option and equity incentive plans for the nine months ended September 30, 2010 is as follows:

Share Options	**Shares**	**Weighted Average Exercise Price**	**Remaining Contractual Term (in years)**	**Intrinsic Value (in thousands)**
Outstanding as of January 1, 2010	4,406,606	$ 9.62		
Granted	877,930	6.46		
Exercised	(60,256)	3.58		
Cancelled/forfeited	(60,087)	8.41		
Outstanding as of September 30, 2010	5,164,193	$ 9.17		