INVACARE CORP
Form 10-Q
November 05, 2010

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

FORM 10-Q

[X] 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

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number 001-15103

INVACARE CORPORATION
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Ohio<br>(State or other jurisdiction of incorporation or organization) | 95-2680965<br>(IRS Employer Identification No) |
| One Invacare Way, P.O. Box 4028, Elyria, Ohio<br>(Address of principal executive offices) | 44036<br>(Zip Code) |

(440) 329-6000
(Registrant's telephone number, including area code)

______________________________________________
(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 (the “Exchange Act”) 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 X 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 the definitions of “large accelerated filer,” “accelerated filer” and ”small reporting company” in Rule 12b-2 of the Exchange Act (Check One). Large accelerated filer Accelerated filer X Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

As of November 2, 2010, the registrant had 31,317,518 Common Shares and 1,085,347 Class B Common Shares outstanding.

INVACARE CORPORATION

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Part I. FINANCIAL INFORMATION
Item 1. Financial Statements.

INVACARE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Balance Sheets (unaudited)

| | September 30, 2010 | December 31, 2009 |
|---|---|---|
| | (In thousands) | |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | $ 32,089 | $ 37,501 |
| Trade receivables, net | 254,657 | 263,014 |
| Installment receivables, net | 3,338 | 3,565 |
| Inventories, net | 182,597 | 172,222 |
| Deferred income taxes | 1,327 | 390 |
| Other current assets | 48,308 | 51,772 |
| TOTAL CURRENT ASSETS | 522,316 | 528,464 |
| | | |
| OTHER ASSETS | 42,925 | 48,006 |
| OTHER INTANGIBLES | 72,075 | 85,305 |
| PROPERTY AND EQUIPMENT, NET | 130,037 | 141,633 |
| GOODWILL | 495,184 | 556,093 |
| TOTAL ASSETS | $ 1,262,537 | $ 1,359,501 |
| | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | $ 144,910 | $ 141,059 |
| Accrued expenses | 136,576 | 142,293 |
| Accrued income taxes | 4,121 | 5,884 |
| Short-term debt and current maturities of long-term obligations | 1,016 | 1,091 |
| TOTAL CURRENT LIABILITIES | 286,623 | 290,327 |
| | | |
| LONG-TERM DEBT | 246,368 | 272,234 |
| OTHER LONG-TERM OBLIGATIONS | 94,994 | 95,703 |
| SHAREHOLDERS' EQUITY | | |
| Preferred shares | - | - |
| Common shares | 8,372 | 8,273 |
| Class B common shares | 275 | 278 |
| Additional paid-in-capital | 229,917 | 229,272 |
| Retained earnings | 363,104 | 346,272 |
| Accumulated other comprehensive earnings | 96,403 | 174,204 |
| Treasury shares | (63,519) | (57,062) |
| TOTAL SHAREHOLDERS' EQUITY | 634,552 | 701,237 |
| | $ 1,262,537 | $ 1,359,501 |

TOTAL LIABILITIES AND SHAREHOLDERS'
EQUITY

See notes to condensed consolidated financial statements.

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INVACARE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statement of Operations - (unaudited)

| (In thousands except per share data) | Three Months Ended September 30, 2010 | Three Months Ended September 30, 2009 | Nine Months Ended September 30, 2010 | Nine Months Ended September 30, 2009 |
|---|---|---|---|---|
| Net sales | $ 437,476 | $ 434,031 | $ 1,270,544 | $ 1,244,567 |
| Cost of products sold | 305,909 | 302,577 | 894,774 | 886,590 |
| Gross profit | 131,567 | 131,454 | 375,770 | 357,977 |
| Selling, general and administrative expense | 101,946 | 104,344 | 308,143 | 296,416 |
| Loss on debt extinguishment including debt finance charges and associated fees | 3,711 | - | 22,145 | - |
| Charge related to restructuring activities | - | 1,857 | - | 3,757 |
| Interest expense | 5,172 | 7,760 | 17,334 | 26,096 |
| Interest income | (185) | (283) | (495) | (1,076) |
| Earnings before income taxes | 20,923 | 17,776 | 28,643 | 32,784 |
| Income taxes | 5,325 | 4,300 | 10,550 | 9,250 |
| NET EARNINGS | $ 15,598 | $ 13,476 | $ 18,093 | $ 23,534 |
| DIVIDENDS DECLARED PER COMMON SHARE | .0125 | .0125 | .0375 | .0375 |
| Net earnings per share – basic | $ 0.48 | $ 0.42 | $ 0.56 | $ 0.74 |
| Weighted average shares outstanding - basic | 32,431 | 31,970 | 32,389 | 31,945 |
| Net earnings per share – assuming dilution | $ 0.48 | $ 0.42 | $ 0.56 | $ 0.74 |
| Weighted average shares outstanding - assuming dilution | 32,524 | 32,004 | 32,529 | 31,952 |

See notes to condensed consolidated financial statements.

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INVACARE CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statement of Cash Flows - (unaudited)

| | Nine Months Ended September 30, 2010 | 2009 |
|---|---|---|
| OPERATING ACTIVITIES | (In thousands) | |
| Net earnings | $ 18,093 | $ 23,534 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | |
| Amortization of convertible debt discount | 2,487 | 3,062 |
| Loss on debt extinguishment including debt finance charges and associated fees | 22,145 | - |
| Depreciation and amortization | 27,212 | 29,852 |
| Provision for losses on trade and installment receivables | 12,472 | 14,157 |
| Provision for other deferred liabilities | 2,106 | 1,976 |
| Provision (benefit) for deferred income taxes | (214) | 460 |
| Provision for stock-based compensation | 5,293 | 3,310 |
| Gain on disposals of property and equipment | 20 | 379 |
| Changes in operating assets and liabilities: | | |
| Trade receivables | (7,221) | 9,782 |
| Installment sales contracts, net | (1,730) | (2,821) |
| Inventories | (17,344) | 6,131 |
| Other current assets | 1,799 | 9,257 |
| Accounts payable | 7,591 | 9,613 |
| Accrued expenses | (387) | (22,585) |
| Other deferred liabilities | 2,158 | (100) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 74,480 | 86,007 |
| | | |
| INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (11,325) | (10,516) |
| Proceeds from sale of property and equipment | 26 | 1,111 |
| Other long term assets | 1,058 | (461) |
| Business acquisitions, net of cash acquired | (13,725) | - |
| Other | (629) | (270) |
| NET CASH USED FOR INVESTING ACTIVITIES | (24,595) | (10,136) |
| | | |
| FINANCING ACTIVITIES | | |
| Proceeds from revolving lines of credit and long-term borrowings | 341,602 | 274,420 |
| Payments on revolving lines of credit and long-term debt and capital lease obligations | (393,635) | (373,335) |
| Proceeds from exercise of stock options | 1,137 | 1,001 |
| Payment of dividends | (1,212) | (1,201) |
| NET CASH USED BY FINANCING ACTIVITIES | (52,108) | (99,115) |

| | | | | |
|---|---|---|---|---|
| Effect of exchange rate changes on cash | | (3,189) | | 3,549 |
| Decrease in cash and cash equivalents | | (5,412) | | (19,695) |
| Cash and cash equivalents at beginning of period | | 37,501 | | 47,516 |
| Cash and cash equivalents at end of period | $ | 32,089 | $ | 27,821 |

See notes to condensed consolidated financial statements.

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INVACARE CORPORATION AND SUBSIDIARIES
Notes to Condensed Consolidated
Financial Statements
(Unaudited)
September 30, 2010

Nature of Operations - Invacare Corporation is the world's leading manufacturer and distributor in the estimated $8.0 billion worldwide market for medical equipment and supplies used in the home based upon the Company's distribution channels, breadth of product line and net sales. The Company designs, manufactures and distributes an extensive line of health care products for the non-acute care environment, including the home health care, retail and extended care markets.

Principles of Consolidation - The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries and include all adjustments, which were of a normal recurring nature, necessary to present fairly the financial position of the Company as of September 30, 2010, the results of its operations for the three and nine months ended September 30, 2010 and changes in its cash flow for the nine months ended September 30, 2010 and 2009 respectively. Certain foreign subsidiaries, represented by the European segment, are consolidated using an August 31 quarter end in order to meet filing deadlines. No material subsequent events have occurred related to the European segment, which would require disclosure or adjustment to the Company's financial statements. All significant intercompany transactions are eliminated. The results of operations for the three and nine months ended September 30, 2010 are not necessarily indicative of the results to be expected for the full year.

Recent Accounting Pronouncements - On January 21, 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2010-06, Improving Disclosures about Fair Value Measurements (ASU 2010-06). The ASU 2010-06 amends ASC 820 to require a number of additional disclosures regarding fair value measurements. The amended guidance requires entities to disclose additional information regarding assets and liabilities that are transferred between levels of the fair value hierarchy. Entities are also required to disclose information in the Level 3 roll forward about purchases, sales, issuances and settlements on a gross basis. In addition to these new disclosure requirements, ASU 2010-06 also amends Topic 820 to further clarify existing guidance pertaining to the level of disaggregation at which fair value disclosures should be made and the requirements to disclose information about the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. The Company adopted ASU 2010-06 effective January 1, 2010 and it was utilized in preparing the fair value measurement disclosures.

On July 21, 2010, the FASB issued Accounting Standards Update No. 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses (ASU 2010-20). ASU 2010-20 requires entities to provide additional disclosures regarding credit-risk exposures, including how credit risk is analyzed and assessed, and allowances for credit losses, including reasons for changes each period. The Company is analyzing the impact of ASU 2010-20, which is currently expected to impact the Company's installment receivable disclosures in the Company's 2010 Form 10-K. The Company does not believe ASU 2010-20 will have any material impact on the Company's financial position, results of operations or cash flows.

Use of Estimates - The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States, which require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

Business Segments - The Company operates in five primary business segments: North America/Home Medical Equipment (NA/HME), Invacare Supply Group (ISG), Institutional Products Group (IPG), Europe and Asia/Pacific.

The NA/HME segment sells each of three primary product lines, which includes: standard, rehab and respiratory products. Invacare Supply Group sells distributed product and the Institutional Products Group sells health care furnishings and accessory products. Europe and Asia/Pacific sell the same product lines as NA/HME and the Institutional Products Group. Each business segment sells to the home health care, retail and extended care markets.

The Company evaluates performance and allocates resources based on profit or loss from operations before income taxes for each reportable segment. The accounting policies of each segment are the same as those described in the summary of significant accounting policies for the Company's consolidated financial statements. Intersegment sales and transfers are based on the costs to manufacture plus a reasonable profit element. Therefore, intercompany profit or loss on intersegment sales and transfers is not considered in evaluating segment performance, except for Asia/Pacific due to its significant intercompany sales volume.

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The information by segment is as follows (in thousands):

| | Three Months Ended September 30, 2010 | Three Months Ended September 30, 2009 | Nine Months Ended September 30, 2010 | Nine Months Ended September 30, 2009 |
|---|---|---|---|---|
| Revenues from external customers | | | | |
| North America / HME | $ 190,925 | $ 185,072 | $ 556,000 | $ 559,851 |
| Invacare Supply Group | 75,201 | 70,825 | 217,745 | 204,688 |
| Institutional Products Group | 19,777 | 23,462 | 64,755 | 67,469 |
| Europe | 128,613 | 134,604 | 369,446 | 360,209 |
| Asia/Pacific | 22,960 | 20,068 | 62,598 | 52,350 |
| Consolidated | $ 437,476 | $ 434,031 | $ 1,270,544 | $ 1,244,567 |
| Intersegment Revenues | | | | |
| North America / HME | $ 20,717 | $ 21,775 | $ 64,060 | $ 50,549 |
| Invacare Supply Group | 29 | 16 | 61 | 214 |
| Institutional Products Group | 1,335 | 561 | 4,332 | 1,711 |
| Europe | 2,036 | 2,868 | 7,369 | 6,719 |
| Asia/Pacific | 8,821 | 7,331 | 24,605 | 22,724 |
| Consolidated | $ 32,938 | $ 32,551 | $ 100,427 | $ 81,827 |
| Charge related to restructuring before income taxes | | | | |
| North America / HME | $ - | $ (80) | $ - | $ 255 |
| Invacare Supply Group | | 60 | | 60 |
| Institutional Products Group | - | - | - | 171 |
| Europe | - | 1,810 | - | 2,434 |
| Asia/Pacific | - | 365 | - | 1,135 |
| Consolidated | $ - | $ 2,155 | $ - | $ 4,055 |
| Earnings (loss) before income taxes | | | | |
| North America / HME | $ 15,091 | $ 9,679 | $ 37,117 | $ 24,986 |
| Invacare Supply Group | 2,249 | 1,567 | 4,448 | 3,442 |
| Institutional Products Group | 1,864 | 3,629 | 7,002 | 6,721 |
| Europe | 12,769 | 12,372 | 26,596 | 23,393 |
| Asia/Pacific | 2,893 | 468 | 6,244 | 131 |
| All Other * | (13,943) | (9,939) | (52,764) | (25,889) |
| Consolidated | $ 20,923 | $ 17,776 | $ 28,643 | $ 32,784 |

* “All Other” consists of un-allocated corporate selling, general and administrative costs, which do not meet the quantitative criteria for determining reportable segments. In addition, “All Other” loss before income taxes includes loss on debt extinguishment including finance charges and associated fees.

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Net Earnings Per Common Share - The following table sets forth the computation of basic and diluted net earnings per common share for the periods indicated (amounts in thousands, except per share amounts).

| | Three Months Ended September 30, 2010 | Three Months Ended September 30, 2009 | Nine Months Ended September 30, 2010 | Nine Months Ended September 30, 2009 |
|---|---|---|---|---|
| | (In thousands, except per share data) | | | |
| Basic | | | | |
| Average common shares outstanding | 32,431 | 31,970 | 32,389 | 31,945 |
| Net earnings | $ 15,598 | $ 13,476 | $ 18,093 | $ 23,534 |
| Net earnings per common share | $ 0.48 | $ 0.42 | $ 0.56 | $ 0.74 |
| Diluted | | | | |
| Average common shares outstanding | 32,431 | 31,970 | 32,389 | 31,945 |
| Stock options and awards | 93 | 34 | 99 | 7 |
| Shares related to convertible debt | - | - | 41 | - |
| Average common shares assuming dilution | 32,524 | 32,004 | 32,529 | 31,952 |
| Net earnings | $ 15,598 | $ 13,476 | $ 18,093 | $ 23,534 |
| Net earnings per common share | $ 0.48 | $ 0.42 | $ 0.56 | $ 0.74 |

At September 30, 2010, 3,877,362 and 3,425,015 shares were excluded from the average common shares assuming dilution for the three and nine months ended September 30, 2010, respectively, as they were anti-dilutive. At September 30, 2009, 4,436,375 and 4,778,393 shares were excluded from the average common shares assuming dilution for the three and nine months ended September 30, 2009, respectively, as they were anti-dilutive. For the three and nine months ended September 30, 2010, the majority of the anti-dilutive shares were granted at an exercise price of $25.24 which was higher than the average fair market value prices of $23.28 and $24.99, respectively. For the three and nine months ended September 30, 2009, the majority of the anti-dilutive shares were granted at an exercise price of $41.87 which was higher than the average fair market value prices of $20.41 and $17.87, respectively. For the nine months ended September 30, 2010, the Company included the impact of 41,000 shares necessary to settle the conversion spread related to the Company's 4.125% Senior Subordinated Convertible Debentures due 2027. This is attributable to the Company's average stock price during the first nine months being greater than the conversion price of $24.79, established under the indenture governing the convertible debentures.

Concentration of Credit Risk - The Company manufactures and distributes durable medical equipment and supplies to the home health care, retail and extended care markets. The Company performs credit evaluations of its customers' financial condition. In December 2000, Invacare entered into an agreement with De Lage Landen, Inc. ("DLL"), a third party financing company, to provide the majority of future lease financing to Invacare's North America customers. The DLL agreement provides for direct leasing between DLL and the Invacare customer. The Company retains a recourse obligation to DLL, which was $26,439,000 at September 30, 2010, for events of default under the contracts, which total $70,347,000 at September 30, 2010. Guarantees, ASC 460, requires the Company to record a guarantee liability as it relates to the limited recourse obligation. As such, the Company has recorded a liability of $670,000 for this guarantee obligation within accrued expenses. The Company monitors the collections status of these contracts and has provided amounts for estimated losses in its allowances for doubtful accounts in accordance with Receivables, ASC 310-10-05-4. Credit losses are provided for in the financial statements.

Substantially all of the Company's receivables are due from health care, medical equipment providers and long term care facilities located throughout the United States, Australia, Canada, New Zealand and Europe. A significant portion of products sold to dealers, both foreign and domestic, is ultimately funded through government reimbursement programs such as Medicare and Medicaid and the Company has seen a significant shift in reimbursement to customers from managed care entities. Government reimbursement program changes such as the Competitive Bidding Program in the U.S., announced in the second quarter of 2010 (which is scheduled to start January 1, 2011 in nine metropolitan statistical areas (MSAs)), can have a significant impact on the collectability of accounts receivable for those customers which are in the MSA locations impacted and which have a portion of their revenues tied to Medicare reimbursement. Changes in reimbursement programs can have an adverse impact on dealer liquidity and profitability. In addition, reimbursement guidelines in the home health care industry have a substantial impact on the nature and type of equipment an end user can obtain as well as the timing of reimbursement and, thus, affect the product mix, pricing and payment patterns of the Company's customers.

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Goodwill and Other Intangibles - The decrease in goodwill reflected on the balance sheet from December 31, 2009 to September 30, 2010 was the result of foreign currency translation offset by an increase of $6,290,000 as the result of an acquisition included in the Institutional Products Group segment for which the entire amount is deductible for tax purposes.

All of the Company's other intangible assets have been assigned definite lives and continue to be amortized over their useful lives, except for $30,517,000 related to trademarks, which have indefinite lives. The changes in intangible balances reflected on the balance sheet from December 31, 2009 to September 30, 2010 were the result of foreign currency translation and amortization except for $2,430,000 recorded for customer lists as the result of an acquisition made during the second quarter of 2010 which is included in the Institutional Products Group segment.

As of September 30, 2010 and December 31, 2009, other intangibles consisted of the following (in thousands):

| | September 30, 2010 | | December 31, 2009 | |
|---|---|---|---|---|
| | Historical Cost | Accumulated Amortization | Historical Cost | Accumulated Amortization |
| Customer lists | $ 71,677 | $ 37,360 | $ 78,780 | $ 36,359 |
| Trademarks | 30,517 | — | 34,953 | — |
| License agreements | 3,126 | 2,909 | 4,326 | 4,051 |
| Developed technology | 8,377 | 3,770 | 7,409 | 2,434 |
| Patents | 7,321 | 5,603 | 7,020 | 5,246 |
| Other | 6,009 | 5,310 | 5,905 | 4,998 |
| | $ 127,027 | $ 54,952 | $ 138,393 | $ 53,088 |

Amortization expense related to other intangibles was $6,035,000 in the first nine months of 2010 and is estimated to be $8,093,000 in 2010, $8,116,000 in 2011, $7,929,000 in 2012, $6,651,000 in 2013, $6,387,000 in 2014 and $5,273,000 in 2015. Definite lived intangibles are being amortized on a straight-line basis for periods from 3 to 20 years with the majority of the intangibles being amortized over a life of between 10 and 13 years.

Accounting for Stock-Based Compensation - The Company accounts for share based compensation under the provisions of Compensation—Stock Compensation, ASC 718. The Company has not made any modifications to the terms of any previously granted options and no significant changes have been made regarding the valuation methodologies used to determine the fair value of options granted since 2005 and the Company continues to use a Black-Scholes valuation model.

The substantial majority of the options awarded have been granted at exercise prices equal to the market value of the underlying stock on the date of grant. Restricted stock awards granted without cost to the recipients are expensed on a straight-line basis over the vesting periods based on the market value at the date of grant.

The amounts of stock-based compensation expense recognized were as follows (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Stock-based compensation expense recognized as part of selling, general and administrative expense | $ 2,453 | $ 1,528 | $ 5,293 | $ 3,310 |

The amounts above reflect compensation expense related to restricted stock awards and nonqualified stock options awarded under the 2003 Performance Plan (the "2003 Plan"). Stock-based compensation is not allocated to the business segments, but is reported as part of All Other as shown in the Company's Business Segment Note to the Consolidated Financial Statements.

Stock Incentive Plans - The 2003 Plan allows the Compensation and Management Development Committee of the Board of Directors (the "Committee") to grant up to 6,800,000 Common Shares in connection with incentive stock options, non-qualified stock options, stock appreciation rights and stock awards (including the use of restricted stock). The Committee has the authority to determine which employees and directors will receive awards, the amount of the awards and the other terms and conditions of the awards. During the first nine months of 2010, the Committee granted 613,207 non-qualified stock options with a term of ten years at the fair market value of the Company's Common Shares on the date of grant under the 2003 Plan, which vest ratably in annual installments over the four years following the grant date.

Under the terms of the Company's outstanding restricted stock awards, all of the shares granted vest ratably over the four years after the grant date. Compensation expense of $1,478,000 was recognized related to restricted stock awards in the first nine months of 2010 and as of September 30, 2010, outstanding restricted stock awards totaling 331,220 were not yet vested.

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As of September 30, 2010, there was $16,864,000 of total unrecognized compensation cost from stock-based compensation arrangements granted under the 2003 Plan, which is related to non-vested options and shares, and includes $5,692,000 related to restricted stock awards. The Company expects the compensation expense to be recognized over a four-year period for a weighted-average period of approximately two years.

Stock option activity during the nine months ended September 30, 2010 was as follows:

| | 2010 | Weighted Average Exercise Price |
|---|---|---|
| Options outstanding at January 1 | 4,619,528 | $ 29.28 |
| Granted | 613,207 | 25.24 |
| Exercised | (298,338) | 23.31 |
| Canceled | (358,576) | 24.92 |
| Options outstanding at September 30 | 4,575,821 | $ 29.47 |
| | | |
| Options price range at September 30 | $ 10.70 to | |
| | $ 47.80 | |
| Options exercisable at September 30 | 3,011,917 | |
| Options available for grant at September 30* | 2,478,035 | |

* Options available for grant as of September 30, 2010 reduced by net restricted stock award activity of 491,578.

The following table summarizes information about stock options outstanding at September 30, 2010:

| | Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|---|
| Exercise Prices | Number Outstanding At 9/30/10 | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price | Number Exercisable At 9/30/10 | Weighted Average Exercise Price |
| $ 10.70 - $14.89 | 23,892 | 1.8 years | $ 10.83 | 23,142 | $ 10.70 |
| $ 16.55 - $24.43 | 1,505,963 | 7.5 | $ 21.66 | 830,844 | $ 22.31 |
| $ 24.90 - $36.40 | 1,888,075 | 6.2 | $ 28.53 | 1,000,040 | $ 31.29 |
| $ 37.70 - $47.80 | 1,157,891 | 3.9 | $ 41.53 | 1,157,891 | $ 41.53 |
| Total | 4,575,821 | 6.0 | $ 29.47 | 3,011,917 | |