

UFP TECHNOLOGIES INC
Form 10-Q
May 12, 2009
[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended **MARCH 31, 2009**

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: **001-12648**

UFP Technologies, Inc.

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(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

04-2314970

(IRS Employer Identification No.)

172 East Main Street, Georgetown, Massachusetts 01833, USA

(Address of principal executive offices) (Zip Code)

(978) 352-2200

(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 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 o**

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, 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 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. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

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 o; No x**

5,787,482 shares of registrant's Common Stock, \$.01 par value, were outstanding as of April 27, 2009.

Table of Contents

UFP Technologies, Inc.

Index

	Page
<u>PART I - FINANCIAL INFORMATION</u>	3
<u>Item 1. Financial Statements</u>	3
<u>Condensed Consolidated Balance Sheets as of March 31, 2009, and December 31, 2008</u>	3
<u>Condensed Consolidated Statements of Income for the Three Months Ended March 31, 2009, and 2008</u>	4
<u>Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2009, and 2008</u>	5
<u>Notes to Interim Condensed Consolidated Financial Statements</u>	6
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	17
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	20
<u>Item 4. Controls and Procedures</u>	21
<u>PART II - OTHER INFORMATION</u>	21
<u>Item 1A. Risk Factors</u>	21
<u>Item 6. Exhibits</u>	21
<u>SIGNATURES / EXHIBIT INDEX</u>	22
Exhibits	

Table of Contents**PART I: FINANCIAL INFORMATION****ITEM 1: FINANCIAL STATEMENTS****UFP Technologies, Inc.****Condensed Consolidated Balance Sheets**

	31-Mar-09		31-Dec-08
	(unaudited)		(audited)
Assets:			
Current assets:			
Cash and cash equivalents	\$ 9,433,029	\$	6,729,370
Receivables, net	11,026,530		12,754,875
Inventories, net	7,171,404		8,152,746
Prepaid expenses	1,151,588		516,388
Deferred income taxes	1,488,575		1,488,575
Total current assets	30,271,126		29,641,954
Property, plant and equipment	41,314,347		40,666,779
Less accumulated depreciation and amortization	(29,535,069)		(28,912,455)
Net property, plant, and equipment	11,779,278		11,754,324
Goodwill	6,481,037		6,481,037
Other assets	1,075,971		845,346
Total assets	\$ 49,607,412	\$	48,722,661
Liabilities and Equity			
Current liabilities:			
Current installments of long-term debt	\$ 614,445	\$	716,697
Current installments of capital lease obligations			702,765
Accounts payable	3,258,527		3,304,194
Accrued taxes and other expenses	3,933,799		6,230,001
Total current liabilities	7,806,771		10,953,657
Long-term debt, excluding current installments	7,929,779		3,941,996
Capital lease obligations, excluding current installments			909,900
Deferred income taxes	162,459		113,073
Retirement and other liabilities	1,016,026		913,644
Total liabilities	16,915,035		16,832,270
Commitments and contingencies			
Stockholders' equity:			
Preferred stock, \$.01 par value. Authorized 1,000,000 shares; no shares issued or outstanding			
Common stock, \$.01 par value. Authorized 20,000,000 shares; issued and outstanding 5,784,982 shares at March 31, 2009, and 5,666,703 shares at December 31, 2008	57,850		56,667
Additional paid-in capital	14,214,328		13,774,334
Retained earnings	17,881,348		17,536,387
Total UFP Technologies, Inc. stockholders' equity	32,153,526		31,367,388
Noncontrolling interests	538,851		523,003
Total equity	32,692,377		31,890,391
Total liabilities and equity	\$ 49,607,412	\$	48,722,661

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

Table of Contents

UFP Technologies, Inc.

Condensed Consolidated Statements of Income

(Unaudited)

	Three Months Ended	
	31-Mar-2009	31-Mar-2008
Net sales	\$ 21,607,763	\$ 28,008,036
Cost of sales	16,664,975	21,119,910
Gross profit	4,942,788	6,888,126
Selling, general & administrative expenses	4,310,400	4,922,099
Operating income	632,388	1,966,027
Interest expense, net	81,539	98,384
Other income	(4,000)	
Income before income tax expense	554,849	1,867,643
Income tax expense	194,040	703,700
Net income from consolidated operations	\$ 360,809	\$ 1,163,943
Net income attributable to noncontrolling interests	(15,848)	(15,802)
Net income attributable to UFP Technologies, Inc.	\$ 344,961	\$ 1,148,141
<i>Net income per share attributable to UFP Technologies, Inc.:</i>		
Basic	\$ 0.06	\$ 0.21
Diluted	\$ 0.06	\$ 0.19
<i>Weighted average common shares outstanding:</i>		
Basic	5,713,495	5,449,682
Diluted	6,152,972	6,090,530

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

Table of Contents

UFP Technologies, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Three Months Ended	
	31-Mar-2009	31-Mar-2008
Cash flows from operating activities:		
Net income attributable to UFP Technologies, Inc.	\$ 344,961	\$ 1,148,141
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	639,881	757,710
Noncontrolling interests	15,848	15,802
Gain on acquisition	(80,578)	
Stock issued in lieu of cash compensation	183,500	343,880
Share-based compensation	257,677	246,786
Deferred income taxes		(14,566)
Gain on disposal of fixed assets	(4,000)	
Changes in operating assets and liabilities:		
Receivables, net	1,728,345	(1,458,328)
Inventories, net	1,164,206	(331,743)
Prepaid expenses	(635,200)	(470,850)
Accounts payable	(45,667)	(17,710)
Accrued taxes and other expenses	(2,266,202)	(559,925)
Retirement and other liabilities	102,382	173,384
Other assets	(144,892)	(377,580)
Net cash provided (used in) by operating activities	1,260,261	(544,999)
Cash flows from investing activities:		
Additions to property, plant, and equipment	(458,468)	(606,221)
Acquisition of Stephenson & Lawyer, Inc. net of cash acquired		(5,181,066)
Acquisition of Foamade assets	(375,000)	
Proceeds from fixed asset disposals	4,000	
Net cash used in investing activities	(829,468)	(5,787,287)
Cash flows from financing activities:		
Principal repayments of long-term debt	(114,469)	(177,707)
Proceeds from the issuance of long-term debt	4,000,000	
Proceeds from exercise of stock options		73,863
Tax benefit from exercise of non-qualified stock options		14,566
Principal repayments of capital lease obligations	(1,612,665)	(171,333)
Net proceeds from sale of common stock		15,205
Net cash provided by (used in) financing activities	2,272,866	(245,406)
Net increase (decrease) in cash	2,703,659	(6,577,692)
Cash and cash equivalents at beginning of period	6,729,370	9,060,347
Cash and cash equivalents at end of period	\$ 9,433,029	\$ 2,482,655

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

Table of Contents

NOTES TO INTERIM

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) **Basis of Presentation**

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The interim condensed consolidated financial statements of UFP Technologies, Inc. (the Company) presented herein, without audit, have been prepared pursuant to the rules of the Securities and Exchange Commission for quarterly reports on Form 10-Q and do not include all the information and note disclosures required by accounting principles generally accepted in the United States of America. These statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2008, included in the Company's 2008 Annual Report on Form 10-K as filed with the Securities and Exchange Commission.

The condensed consolidated balance sheet as of March 31, 2009, the condensed consolidated statements of income for the three-month periods ended March 31, 2009, and 2008, and the condensed consolidated statements of cash flows for the three months ended March 31, 2009, and 2008, are unaudited but, in the opinion of management, include all adjustments (consisting of normal, recurring adjustments) necessary for a fair presentation of results for these interim periods.

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

The results of operations for the three-month period ended March 31, 2009, are not necessarily indicative of the results to be expected for the entire fiscal year ending December 31, 2009.

(2) Supplemental Cash Flow Information

Cash paid for interest and income taxes is as follows:

	Three Months Ended			
		31-Mar-2009		31-Mar-2008
Interest	\$	94,658	\$	104,388
Income taxes, net of refunds	\$	133,000	\$	470,691

(3) **Investment in Affiliated Partnership**

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The Company has a 26.32% ownership interest in a realty limited partnership, United Development Company Limited (UDT). In accordance with the provisions of FASB Interpretation FIN No. 46R, Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51, the Company has consolidated the financial statements of UDT because it has determined that UDT is a variable interest entity (VIE) pursuant to FIN No. 46R, and the Company is the primary beneficiary. Included in the Condensed Consolidated Balance Sheets are the following UDT amounts:

Table of Contents

	31-Mar-2009		31-Dec-2008
Cash	\$ 217,303	\$	148,746
Net property, plant, and equipment	\$ 1,262,025	\$	1,311,273
Accrued expenses	\$ 19,900	\$	12,900
Current and long-term debt	\$ 728,088	\$	737,288

(4) **Fair Value Accounting**

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The Company has adopted Statement of Financial Accounting Standards No. 157 (SFAS No. 157), Fair Value Measurements, which defines fair value, establishes a framework in generally accepted accounting principles for measuring fair value, and expands disclosures about fair value measurements. This standard only applies when other standards require or permit the fair value measurement of assets and liabilities. It does not increase the use of fair value measurement. SFAS No. 157 was effective for fiscal years beginning after November 15, 2007, except as it related to nonrecurring fair value measurements of nonfinancial assets and liabilities for which the standard is effective for fiscal years beginning after November 15, 2008.

Financial instruments recorded at fair value in the condensed consolidated balance sheets, or disclosed at fair value in the footnotes, are categorized below based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels defined by SFAS No.157 and directly related to the amount of subjectivity associated with inputs to fair valuation of these assets and liabilities are as follows:

Level 1 Valued based on unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Valued based on either directly or indirectly observable prices for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

Level 3 Valued based on management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

Financial instruments that currently require disclosure under SFAS No. 157 consist of money market funds and certificates of deposit, both considered cash equivalents. Assets and liabilities measured at fair value on a recurring basis are categorized by the levels discussed above and in the tables below:

Cash Equivalents at March 31, 2009	Level 1	Level 2	Level 3	Total
Money market funds	\$ 8,138,949	\$	\$	\$ 8,138,949
Certificates of deposit	\$	\$ 200,000	\$	\$ 200,000
Total	\$ 8,138,949	\$ 200,000	\$	\$ 8,338,949

Table of Contents

Effective this quarter, the Company implemented SFAS 157 for nonfinancial assets and liabilities that are re-measured at fair value on a non-recurring basis. The adoption of SFAS 157 for nonfinancial assets and liabilities did not impact the Company's financial position or results of operations; however, it could have an impact in future periods. In addition, the Company may have additional disclosure requirements in the event an acquisition is completed or an impairment of the Company's assets is incurred in future periods.

(5) **New Accounting Pronouncements**

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In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51. This statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. SFAS No. 160 requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financial statements and separate from the parent's equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement. SFAS No. 160 amends the consolidation procedures of certain aspects of ARB No. 51 for consistency with the requirements of SFAS No. 141R. This statement requires changes in the parent's ownership interest of consolidated subsidiaries to be accounted for as equity transactions. This statement also includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interest. The adoption of this statement resulted in the presentation of the noncontrolling interest in UDT as equity, rather than a liability. In addition, we now present net income of the consolidated group in the statement of operations, with a reconciliation to net income attributable to UFP Technologies, Inc.

In December 2007, the FASB issued SFAS No. 141R, Business Combinations, which changes how business acquisitions are accounted for. SFAS No. 141R requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction and establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed in a business combination. Certain provisions of this standard will, among other things, impact the determination of acquisition-date fair value of consideration paid in a business combination (including contingent consideration); exclude transaction costs from acquisition accounting; and change accounting practices for acquired contingencies, acquisition-related restructuring costs, in-process research and development, indemnification assets and tax benefits. The Company implemented SFAS No. 141R in the first quarter of 2009. Implementation of this standard resulted in the Company recognizing a gain of approximately \$81,000 related to its acquisition of selected assets of Foamade Industries, Inc. (Note 5), and \$25,000 of acquisition-related costs were charged to expense, that would otherwise have been included as part of the acquisition cost prior to the adoption of SFAS No. 141R.

In April 2009, the FASB issued FASB Staff Position (FSP) FAS 107-1 and Accounting Principles Board (APB) Opinion 28-1, Interim Disclosures about Fair Value of Financial Instruments. This FSP amends SFAS No. 107, Disclosures About Fair Value of Financial Instruments, to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This FSP also amends APB Opinion No. 28, Interim Financial Reporting, to require those disclosures in summarized financial information at interim reporting periods. This FSP is effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The FSP does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In periods after initial adoption, this FSP requires comparative disclosures only for periods ending after initial adoption. The Company does not

In April 2009, the FASB issued FASB Staff Position (FSP) FAS 107-1 and Accounting Principles Board (APB)

Table of Contents

expect the changes associated with adoption of this FSP will have a material effect on the determination or reporting of its financial results.

(6) **Acquisition**

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On January 18, 2008, the Company acquired 100% of the common stock of Stephenson & Lawyer, Inc. (S&L), a Grand Rapids, Michigan-based foam fabricator. S&L was consolidated into the Company's financial statements effective January 1, 2008. S&L specializes in the fabrication of technical urethane foams, and brings to the Company access to this family of foams, modern manufacturing capabilities, and a seasoned management team. Including a purchase price of \$7,225,000 plus transaction costs, the total acquisition cost was \$7,325,000. The acquisition cost was allocated as follows:

Cash and cash equivalents	\$	2,144,000
Accounts receivable		1,737,000
Inventories		1,842,000
Prepays		45,000
Deferred tax assets		182,000
Property, plant and equipment		2,620,000
Current liabilities		(1,045,000)
Other liabilities		(200,000)
Purchase price		7,325,000
Cash and cash equivalents acquired		(2,144,000)
Purchase price net of cash acquired	\$	5,181,000

The operating results of Stephenson & Lawyer, Inc. have been included in the Company's results of operations for the quarters ended March 31, 2009, and 2008.

On March 9, 2009, the Company acquired selected assets of the Hillsdale, Michigan, operations of Foamade Industries, Inc. (Foamade). The Hillsdale operation of Foamade specialized in the fabrication of technical urethane foams for a myriad of industries. The Company is in the process of transitioning the acquired assets to its Grand Rapids, Michigan, plant.

The Company recorded a gain of approximately \$81,000 on the transaction as it acquired the assets in a bargain purchase. The gain was recorded as a reduction of selling, general and administrative expenses in the March 31, 2009, condensed consolidated statement of income.

The following table summarizes the consideration paid for the assets and the amount of the assets acquired at the acquisition date:

Table of Contents

	9-Mar-2009	
Consideration		
Cash	\$	375,000
Fair value of total consideration transferred	\$	375,000
Acquisition costs included in SG&A	\$	25,000
Recognized amounts of identifiable assets acquired:		
Inventory	\$	182,864
Fixed assets	\$	189,100
Non-compete	\$	30,000
Customer list	\$	103,000
Total identifiable net assets	\$	504,964
Deferred tax liabilities	\$	(49,386)
Net assets acquired	\$	455,578

The amount of revenue and earnings included in the Company's condensed consolidated statement of income for the quarter ended March 31, 2009, is approximately \$285,000 and \$100,000, respectively. It is impractical to determine the amount of sales and earnings that would have been recorded, had the acquisition occurred on January 1, 2009, or January 1, 2008.

(7) Share-Based Compensation

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Share-based compensation cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the employee's requisite service period (generally the vesting period of the equity grant).

The Company issues share-based payments through several plans, which are described below. The compensation cost that has been charged against income for those plans is as follows:

	Three Months Ended	
	31-Mar-09	31-Mar-08
Cost of sales	\$	\$
Selling, general & administrative expense	257,677	246,786
Total share-based compensation expense	\$ 257,677	\$ 246,786

The total income tax benefit recognized in the condensed consolidated statement of income for share-based compensation arrangements was approximately \$90,000 and \$84,000 for the three-month periods ended March 31, 2009, and 2008, respectively.

Employee Stock Option Plan

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The Company's 1993 Employee Stock Option Plan ("Employee Stock Option Plan"), which is stockholder-approved, provides long-term rewards and incentives in the form of stock options to the Company's key employees, officers, employee directors, consultants, and advisors. The plan provides for either non-qualified stock options or incentive stock options for the issuance of up to 1,550,000 shares of common stock. The exercise price of the incentive stock options may not be less than the fair market value of the common stock on the date of grant, and the exercise price for non-qualified stock options shall be determined by the Compensation Committee. These options

Table of Contents

expire over five- to ten-year periods. Options granted under the plan generally become exercisable with respect to 25% of the total number of shares subject to such options at the end of each 12-month period following the grant of the options, except for options granted to officers, which may vest on a different schedule. At March 31, 2009, there were 634,375 options outstanding under the Employee Stock Option Plan. Should stock options be issued under the Employee Stock Option Plan in the future, the Company will record compensation expense based upon the intrinsic fair market value of the stock options, using a lattice-based option valuation model.

2003 Incentive Plan

In June 2003, the Company formally adopted the 2003 Equity Incentive Plan (the "Plan"). The Plan was originally intended to benefit the Company by offering equity-based incentives to certain of the Company's executives and employees, thereby giving them a permanent stake in the growth and long-term success of the Company and encouraging the continuance of their involvement with the Company's businesses. The Plan was amended effective June 4, 2008, to permit certain performance-based cash awards to be made under the Plan. The amendment also added appropriate language so as to enable grants of stock-based awards under the Plan to continue to be eligible for exclusion from the \$1,000,000 limitation on deductibility under Section 162(m) of the Internal Revenue Code (the "Code"). On February 21, 2008, the Board of Directors also changed the name of the Plan from the 2003 Equity Incentive Plan to the 2003 Incentive Plan, in part to reflect the amendment described above.

Two types of equity awards may be granted to participants under the Plan: restricted shares or other stock awards. Restricted shares are shares of common stock awarded subject to restrictions and to possible forfeiture upon the occurrence of specified events. Other stock awards are awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, shares of common stock. Such awards may include Restricted Stock Unit Awards ("RSUs"), unrestricted or restricted stock, nonqualified options, performance shares, or stock appreciation rights. The Company determines the form, terms, and conditions, if any, of any awards made under the Plan. The maximum number of shares of common stock, in the aggregate, that may be delivered in payment or in respect of stock issued under the Plan is 1,250,000 shares. Through March 31, 2009, there were 554,958 shares of common stock issued under the Plan, none of which have been restricted; an additional 419,686 shares are being reserved for outstanding grants of RSUs and other share-based compensation that are subject to various performance and time-vesting contingencies.

Stock Purchase Plan

On April 18, 1998, the Company adopted the 1998 Stock Purchase Plan (the "Stock Purchase Plan"), which provides that all employees of the Company (who work more than twenty hours per week and more than five months in any calendar year, and who are employees on or before the applicable offering period) are eligible to participate. The Stock Purchase Plan is intended to qualify as an "Employee Stock Purchase Plan" under Section 423 of the Code. Under the Stock Purchase Plan participants may have up to 10% of their base salaries withheld for the purchase of the Company's common stock at 95% of the market value of the common stock on the last day of the offering period. The offering periods are from January 1 through June 30 and from July 1 through December 31 of each calendar year. The 1998 Stock Purchase Plan provides for the issuance of up to 400,000 shares of common stock. Through March 31, 2009, there were 305,866

Table of Contents

shares issued under this plan. The Company currently plans on dissolving the 1998 Stock Purchase Plan during 2009.

Director Plans

Through July 15, 1998, the Company maintained a stock option plan covering non-employee directors (the 1993 Director Plan). Effective July 15, 1998, with the formation of the 1998 Director Stock Option Incentive Plan (the 1998 Director Plan), the 1993 Director Plan was frozen. The 1993 Director Plan provided for options for the issuance of up to 110,000 shares of common stock. On July 1 of each year, each individual who at the time was serving as a non-employee director of the Company received an automatic grant of options to purchase 2,500 shares of common stock. These options became exercisable in full on the date of the grant and would expire ten years from the date of grant. The exercise price was the fair market value of the common stock on the date of grant. At March 31, 2009, there were no options outstanding under the 1993 Director Plan.

Effective July 15, 1998, the Company adopted the 1998 Director Plan for the benefit of non-employee directors of the Company. The 1998 Director Plan provided for options for the issuance of up to 425,000 shares of common stock. On June 2, 2004, the Company amended the 1998 Director Plan to increase the allowable amount to 725,000 shares, and, on June 4, 2008, the Company further amended the 1998 Director Plan to increase the allowable amount to 975,000 shares. These options become exercisable in full at the date of grant and expire ten years from the date of grant. In connection with the adoption of the 1998 Director Plan, the 1993 Director Plan was frozen; however, the options outstanding under the 1993 Director Plan were not affected by the adoption of the new plan. At March 31, 2009, there were 338,808 options outstanding under the 1998 Director Plan.

The following is a summary of stock option activity under all plans:

	Shares Under Options	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding at December 31, 2008	973,183	\$ 2.97	
Granted			
Exercised			
Cancelled or expired			
Outstanding at March 31, 2009	973,183	\$ 2.97	\$ 1,871,116
Options exercisable at March 31, 2009	940,933	\$ 2.91	\$ 1,855,172
Vested and expected to vest at March 31, 2009	973,183	\$ 2.97	\$ 1,871,116

The following is a summary of information relating to stock options outstanding and exercisable by price range as of March 31, 2009:

Table of Contents

Range of exercise prices	Outstanding as of 31-Mar-2009	Options Outstanding		Weighted average exercise price	Options Exercisable	
		Weighted average remaining contractual life	Weighted average exercise price		Exercisable as of 31-Mar-2009	Weighted average exercise price
\$0.00 - \$0.99	50,000	2.9	\$	0.81	50,000	\$ 0.81
\$1.00 - \$1.99	231,911	3.8		1.15	231,911	1.15
\$2.00 - \$2.99	333,148	3.9		2.49	333,148	2.49
\$3.00 - \$3.99	203,985	3.6		3.29	190,485	3.28
\$4.00 - \$4.99	5,000	2.7		4.94	2,500	4.94
\$5.00 - \$5.99	59,456	7.1		5.14	50,706	5.13
\$6.00 - \$6.99	47,914	6.5		6.18	40,414	6.11
\$10.00 - \$10.99	27,500	9.3		10.14	27,500	10.14
\$12.00 - \$12.99	14,269	9.2		12.37	14,269	12.37
	973,183	4.3	\$	2.97	940,933	\$ 2.91

During the quarters ended March 31, 2009, and 2008, the Company recognized compensation expense related to stock options granted to directors and employees of \$19,975 and \$25,494, respectively.

On February 24, 2009, the Company's Compensation Committee approved the issuance of 25,000 shares of common stock to the Company's Chairman, Chief Executive Officer, and President under the 2003 Incentive Plan. The shares will be issued on or before December 31, 2009. Based upon the provisions of SFAS 123R, the Company has recorded compensation expense of \$26,500 during the three-month period ended March 31, 2009, based on the grant date price of \$4.24 at February 24, 2009.

Beginning in 2006, RSUs have been granted under the 2003 Incentive Plan to the executive officers of the Company. The stock unit awards are subject to various time-based vesting requirements, and certain portions of these awards are subject to performance criteria of the Company. Compensation expense on these awards is recorded based on the fair value of the award at the date of grant, which is equal to the Company's stock price, and is charged to expense ratably during the service period. Upon vesting, RSUs can be, at the Company's discretion, net share-settled to cover the required withholding tax, and the remaining amount is converted into an equivalent number of shares of common stock. No compensation expense is taken on awards that do not become vested, and the amount of compensation expense recorded is adjusted based on management's determination of the probability that these awards will become vested. The following table summarizes information about stock unit award activity during the three-month period ended March 31, 2009:

Table of Contents

	Restricted Stock Units		Weighted Average Award Date Fair Value
Outstanding at December 31, 2008	352,000	\$	5.79
Awarded	142,686		4.24
Shares distributed	(75,000)		6.35
Shares exchanged for cash			
Forfeited / cancelled			
Outstanding at March 31, 2009	419,686	\$	4.85

The Company recorded \$211,202 and \$182,667 in compensation expense related to these RSUs during the three-month periods ended March 31, 2009, and 2008, respectively

The following summarizes the future share-based compensation expense the Company will record as the equity securities granted through March 31, 2009, vest:

	Options		Common Stock		Restricted Stock Units		Total
2009	\$ 22,428	\$	79,500	\$	391,136	\$	493,064
2010	22,682				381,035		403,717
2011	11,082				215,093		226,175
2012					68,300		68,300
2013					8,403		8,403
	\$ 56,192	\$	79,500	\$	1,063,967		