LIQUIDITY SERVICES INC
Form 10-Q
February 04, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2010

OR

o 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 0-51813

LIQUIDITY SERVICES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**52-2209244**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
1920 L Street, N.W., 6th Floor, Washington, D.C.	**20036**
(Address of Principal Executive Offices)	(Zip Code)

(202) 467-6868

(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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 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.

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o	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 x

The number of shares outstanding of the issuer s common stock, par value $.001 per share, as of February 4, 2011 was 27,159,746.

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PART I FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements.

Liquidity Services, Inc. and Subsidiaries
Consolidated Balance Sheets

(Dollars in Thousands)

	December 31, 2010 (Unaudited)	September 30, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 48,525	$ 43,378
Short-term investments	32,947	33,405
Accounts receivable, net of allowance for doubtful accounts of $359 and $328 at December 31, 2010 and September 30, 2010, respectively	4,762	4,475
Inventory	18,687	17,321
Prepaid expenses, deferred taxes and other current assets	10,987	10,122
Total current assets	115,908	108,701
Property and equipment, net	7,822	6,781
Intangible assets, net	2,633	3,057
Goodwill	39,537	39,831
Other assets	6,532	6,534
Total assets	$ 172,432	$ 164,904
Liabilities and stockholders equity		
Current liabilities:		
Accounts payable	$ 8,767	$ 8,605
Accrued expenses and other current liabilities	19,707	24,654
Profit-sharing distributions payable	6,372	5,596
Acquisition earn out payable	7,500	
Customer payables	12,474	9,783
Total current liabilities	54,820	48,638
Deferred taxes and other long-term liabilities	2,015	3,892
Total liabilities	56,835	52,530
Stockholders equity:		
Common stock, $0.001 par value; 120,000,000 shares authorized; 29,264,574 shares issued and 27,102,518 shares outstanding at December 31, 2010; 28,827,072 shares issued and 26,894,591 shares outstanding at September 30, 2010	27	27
Additional paid-in capital	91,393	85,517
Treasury stock, at cost	(21,884)	(18,343)
Accumulated other comprehensive loss	(5,140)	(4,645)
Retained earnings	51,201	49,818
Total stockholders equity	115,597	112,374
Total liabilities and stockholders equity	$ 172,432	$ 164,904

See accompanying notes to the unaudited consolidated financial statements.

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Liquidity Services, Inc. and Subsidiaries
Unaudited Consolidated Statements of Operations
(Dollars in Thousands, Except Per Share Data)

	Three Months Ended December 31, 2010	2009
Revenue	$ 78,511	$ 65,313
Costs and expenses:		
Cost of goods sold (excluding amortization)	32,939	26,950
Profit-sharing distributions	10,621	8,991
Technology and operations	13,324	12,086
Sales and marketing	6,015	4,647
General and administrative	6,737	5,940
Amortization of contract intangibles	203	203
Depreciation and amortization	1,190	911
Acquisition costs	4,695	
Total costs and expenses	75,724	59,728
Income from operations	2,787	5,585
Interest income and other (expense), net	(21)	(14)
Income before provision for income taxes	2,766	5,571
Provision for income taxes	(1,383)	(2,631)
Net income	$ 1,383	$ 2,940
Basic earnings per common share	$ 0.05	$ 0.11
Diluted earnings per common share	$ 0.05	$ 0.11
Basic weighted average shares outstanding	27,207,288	27,539,308
Diluted weighted average shares outstanding	28,291,022	27,673,241

See accompanying notes to the unaudited consolidated financial statements.

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Liquidity Services, Inc. and Subsidiaries
Unaudited Consolidated Statement of Changes in Stockholders Equity

(In Thousands Except Share Data)

	Treasury Stock		Common Stock		Additional Paid-in	Accumulated Other Comprehensive	Retained	
	Shares	Amount	Shares	Amount	Capital	Loss	Earnings	Total
Balance at September 30, 2010	(1,932,481)	$ (18,343)	28,827,072	$ 27	$ 85,517	$ (4,645)	$ 49,818	$ 112,374
Common stock repurchased	(229,575)	(3,541)						(3,541)
Exercise of common stock options and restricted stock			437,502		2,396			2,396
Compensation expense from grants of common stock options and restricted stock					3,480			3,480
Comprehensive income:								
Net income							1,383	1,383
Foreign currency translation and other						(495)		(495)
Balance at December 31, 2010	(2,162,056)	$ (21,884)	29,264,574	$ 27	$ 91,393	$ (5,140)	$ 51,201	$ 115,597

See accompanying notes to the unaudited consolidated financial statements.

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Liquidity Services, Inc. and Subsidiaries
Unaudited Consolidated Statements of Cash Flows

(In Thousands)

	Three Months Ended December 31, 2010	Three Months Ended December 31, 2009
Operating activities		
Net income	$ 1,383	$ 2,940
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,393	1,114
Stock compensation expense	2,216	1,736
Provision for inventory allowance	(167)	(10)
Provision for doubtful accounts	31	40
Changes in operating assets and liabilities:		
Accounts receivable	(316)	399
Inventory	(1,199)	(3,325)
Prepaid expenses and other assets	(865)	(815)
Accounts payable	162	149
Accrued expenses and other	2,553	2,758
Profit-sharing distributions payable	776	(145)
Customer payables	2,691	(1,078)
Other liabilities	(1,877)	(65)
Net cash provided by operating activities	6,781	3,698
Investing activities		
Purchases of short-term investments	(6,131)	(18,147)
Proceeds from the sale of short-term investments	6,575	10,583
Increase in goodwill and intangibles	(21)	(59)
Purchases of property and equipment	(2,002)	(1,227)
Net cash used in investing activities	(1,579)	(8,850)
Financing activities		
Principal repayments of capital lease obligations and debt		(14)
Repurchases of common stock	(3,541)	(5,085)
Proceeds from exercise of common stock options (net of tax)	2,396	76
Incremental tax benefit from exercise of common stock options	1,264	
Net cash provided by (used in) financing activities	119	(5,023)
Effect of exchange rate differences on cash and cash equivalents	(174)	(223)
Net increase (decrease) in cash and cash equivalents	5,147	(10,398)
Cash and cash equivalents at beginning of period	43,378	33,538
Cash and cash equivalents at end of period	$ 48,525	$ 23,140
Supplemental disclosure of cash flow information		
Cash paid for income taxes	$ 567	$ 463
Cash paid for interest	10	4
Assets acquired under capital leases		
Contingent purchase price accrued	4,695	

See accompanying notes to the unaudited consolidated financial statements.

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Liquidity Services, Inc. and Subsidiaries
Notes to the Unaudited Consolidated Financial Statements

1. Organization

Liquidity Services, Inc. and subsidiaries (LSI or the Company) is a leading online auction marketplace for surplus and salvage assets. LSI enables buyers and sellers to transact in an efficient, automated online auction environment offering over 500 product categories. The Company s marketplaces provide professional buyers access to a global, organized supply of surplus and salvage assets presented with digital images and other relevant product information. Additionally, LSI enables its corporate and government sellers to enhance their financial return on excess assets by providing a liquid marketplace and value-added services that integrate sales and marketing, logistics and transaction settlement into a single offering. LSI organizes its products into categories across major industry verticals such as consumer electronics, general merchandise, apparel, scientific equipment, aerospace parts and equipment, technology hardware, energy equipment, industrial capital assets and specialty equipment. The Company s online auction marketplaces are *www.liquidation.com*, *www.govliquidation.com, www.govdeals.com, www.networkintl.com, www.secondipity.com, www.uk-liquidation.co.uk* and *www.liquibiz.com*. LSI has one reportable segment consisting of operating online auction marketplaces for sellers and buyers of surplus, salvage and scrap assets.

2. Summary of Significant Accounting Policies

Unaudited Interim Financial Information

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles (GAAP) 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 information disclosed in the notes to the consolidated financial statements for these periods is unaudited. Operating results for the three months ended December 31, 2010 are not necessarily indicative of the results that may be expected for the year ending September 30, 2011 or any future period.

The Company has evaluated subsequent events through the date that these financial statements were issued and filed with the Securities and Exchange Commission.

Short-Term Investments

Available-for-sale securities, which approximate par value, are stated at fair value, with the unrealized gains and losses reported in accumulated other comprehensive income. For the three months ended December 31, 2010 and 2009, the amount of unrealized losses reported in accumulated other comprehensive loss was approximately $14,000 and $42,000, respectively. Realized gains and losses and declines in fair value that are determined to be other-than-temporary on available-for-sale securities are included in interest income and other income, net. The cost of securities sold is based on the specific identification method and the securities have a duration of three to twelve months. Interest and dividends on securities classified as available-for-sale are included in interest income and other income, net. Realized losses for sales of investments for the three months ended December 31, 2010 and 2009 were $101,000 and $3,000, respectively.

Stock-Based Compensation

The Company recognizes compensation cost for all share-based payments based on the grant-date fair value. As a result, the Company s income before provision for income taxes and net income for the three months ended December 31, 2010 and 2009 was approximately $2,216,000 and $1,108,000; and $1,736,000 and $937,000 lower, respectively, than if it had continued to account for share-based compensation under the previous authoritative guidance. The total compensation cost related to nonvested awards not yet recognized at December 31, 2010 was approximately $24,073,000, which will be recognized over the weighted average vesting period of 26 months. The Company utilizes the Black-Scholes option pricing model to determine its shared-based compensation expense. Inputs into the Black-Scholes model include volatility rates that range from 40% to 72%, a dividend rate of 0%, and risk-free interest rates that range from 0.31% to 5.05% since October 1, 2005. The Company anticipates a forfeiture rate of 18.4% based on its historical forfeiture rate. As a result of adopting the new authoritative guidance on October 1, 2005, the Company s basic and diluted earnings per share for the three months ended December 31, 2010 and 2009 were approximately $0.04 and $0.04; and $0.03 and $0.03 lower, respectively, than if it had continued to account for share-based compensation under the previous authoritative guidance.

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Liquidity Services, Inc. and Subsidiaries
Notes to the Unaudited Consolidated Financial Statements (Continued)

Comprehensive Income

Comprehensive loss includes net income adjusted for foreign currency translation and unrealized gains and losses on available-for-sale securities, and is reflected as a separate component of stockholders equity. For the three months ended December 31, 2010 and 2009 comprehensive income was approximately $888,000 and $2,825,000, respectively.

Earnings per Share

Basic net income attributable to common stockholders per share is computed by dividing net income attributable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted net income attributable to common stockholders per share includes the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. The Company had 1,416,886 unvested restricted shares outstanding at December 31, 2010, which were issued at prices ranging from $7.48 to $15.47 during the years ended September 30, 2010 and 2009 and the three months ended December 31, 2010, of which only 746,459 and 133,933 shares have been included in the calculation of diluted income per share for the three months ended December 31, 2010 and 2009, respectively, due to the difference between the issuance price and the average market price for the period in which they have been outstanding. The Company has also excluded the following stock options in its calculation of diluted income per share because the option exercise prices were greater than the average market prices for the applicable period:

(a) for the three months ended December 31, 2010, 264,552 options; and

(b) for the three months ended December 31, 2009, 3,336,188 options;

The following summarizes the potential outstanding common stock of the Company as of the dates set forth below:

	December 31, 2010	December 31, 2009
	(unaudited) (dollars in thousands except per share amounts)	
Weighted average shares calculation:		
Basic weighted average shares outstanding	27,207,288	27,539,308
Treasury stock effect of options and restricted stock	1,083,734	133,933

Diluted weighted average common shares outstanding		28,291,022		27,673,241
Net income	$	1,383	$	2,940
Net income per common share:				
Basic income per common share	$	0.05	$	0.11
Diluted income per common share	$	0.05	$	0.11

3. Defense Logistics Agency (DLA) Disposition Services Contracts

The Company s original Surplus Contract with the Defense Logistics Agency (DLA) Disposition Services expired on December 17, 2008. Under the terms of the original Surplus Contract, the Company distributed to the DLA Disposition Services a fixed percentage of the profits realized from the ultimate sale of the inventory, after deduction for allowable expenses, as provided for under the terms of the original Surplus Contract. Profit-sharing distributions to the DLA Disposition Services for the three months ended December 31, 2010 and 2009 were $0 and $371,000, respectively, including accrued amounts, as of December 31, 2010 and 2009, of $169,000 and $360,000, respectively.

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Liquidity Services, Inc. and Subsidiaries
Notes to the Unaudited Consolidated Financial Statements (Continued)

The Company responded to a RFP and was awarded the new Surplus Contract. Significant operations began under the new Surplus Contract during February 2009. The new Contract has a base term expiring in February 2012 with two one year renewal options. Under the new Surplus Contract, the Company is required to purchase all usable surplus property offered to the Company by the Department of Defense (DOD) at a fixed percentage equal to 1.8% of the DoD s original acquisition value. The Company retains 100% of the profits from the resale of the property and bears all of the costs for the merchandising and sale of the property. The new Surplus Contract contains a provision providing for a mutual termination of the contract for convenience.

As a result of the Surplus Contract, the Company is the sole remarketer of all DoD surplus turned into DLA Disposition Services available for sale within the United States, Puerto Rico, and Guam.

The Company has a Scrap Contract with DLA Disposition Services, in which the base term expires in June 2012 with three one year renewal options. Under the terms of the Scrap Contract, the Company is required to purchase all scrap government property referred to it by DLA Disposition Services. The Company distributes to DLA Disposition Services a fixed percentage of the profits realized from the ultimate sale of the inventory, after deduction for allowable expenses, as provided for under the terms of the Contract. Effective June 1, 2007, the profit-sharing distribution for the Scrap Contract was decreased from 80% to 77% in exchange for the Company s agreement to implement additional inventory assurance processes and procedures with respect to the mutilation of demilitarized scrap property sold by the Company. The Scrap Contract also has a performance incentive that allows the Company to receive up to an additional 2% of the profit sharing distribution. This incentive is measured annually on June 30th, and is applied to the prior 12 months. For the three months ended December 31, 2010 and 2009, profit-sharing distributions to the DLA Disposition Services under the Scrap Contract were $10,326,000 and $8,232,000, respectively, including accrued amounts, as of December 31, 2010 and 2009, of $6,125,000 and $3,973,000, respectively. The Scrap Contract may be terminated by either the Company or DLA Disposition Services if the rate of return performance ratio does not exceed specified benchmark ratios for two consecutive quarterly periods and the preceding twelve months. The Company has performed in excess of the benchmark ratios throughout the contract period through December 31, 2010.

As a result of the Scrap Contract, the Company is the sole remarketer of all U.S. Department of Defense scrap turned into DLA Disposition Services available for sale within the United States, Puerto Rico, and Guam.

4. Network International Acquisition Acquisition Costs

On June 15, 2010, the Company acquired the stock of Network International, Inc. for approximately $10,305,000. The acquisition price included an upfront cash payment of $7,500,000 and an earn-out payment. Under the terms of the agreement, the earn-out is based on EBITDA earned by Network International, Inc. during each of the three six month periods after the closing date of the acquisition through December 31, 2011. The Company estimated the fair value of the earn-out at the time of the acquisition to be $2,805,000 out of a possible total earn out payment of $7,500,000. Upon review of the estimate as of December 31, 2010, the Company has determined that the operating results of Network International are exceeding original estimates significantly, and has estimated that the full $7,500,000 earn out payment is likely based on the last six months of operating history and estimates for the next 12 months. Therefore, the Company has recorded an additional liability of $4,695,000 as of December 31, 2010 and reflected this increase in its statement of operations for the three months ended December 31, 2010 in accordance with new authoritative guidance related to business combinations issued by the FASB in December 2007, which the Company adopted for fiscal year 2010.

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Liquidity Services, Inc. and Subsidiaries
Notes to the Unaudited Consolidated Financial Statements (Continued)

5. Goodwill and Intangible Assets

The carrying amount of goodwill, as of December 31, 2010, is net of a $3,405,000 decrease due to foreign currency translation.

Intangible assets at December 31, 2010 consisted of the following:

[redacted]					
Contract intangible	7	$ 5,694	$ (4,406)	$	1,288
[redacted]					
Covenants not to compete	3 - 5	2,985	(2,034)		951
[redacted]					
Total intangible assets, net				$	2,633

Future expected amortization of intangible assets at December 31, 2010 was as follows:

Years ending September 30,		**(in thousands)**
2011 (remaining nine months)	$	1,157
2012		1,213
2013		187
2014		15
2015 and after		61
Total	$	2,633

6. Debt

Senior Credit Facility

In December 2002, and as subsequently amended, the Company entered into a senior credit facility with a bank, which provided for borrowings up to $30.0 million. This senior credit facility expired on April 30, 2010. The Company had no outstanding borrowings under this facility as of April 30, 2010.

On April 30, 2010, the Company entered into a new senior credit facility (the Agreement) with a bank, which provides for borrowings up to $30.0 million. Borrowings under the Agreement bear interest at an annual rate equal to the 30 day LIBOR rate plus 1.25% (1.512% at December 31, 2010) due monthly. As of September 30, 2010 and December 31, 2010, the Company had no outstanding borrowings under the Agreement.

Borrowings under the Agreement are secured by substantially all of the assets of the Company. The Agreement contains certain financial and non-financial restrictive covenants including, among others, the requirements to maintain a minimum level of earnings before interest, income taxes, depreciation and amortization (EBITDA) and a minimum debt coverage ratio. As of December 31, 2010, the Company was in compliance with these covenants.

7. Income Taxes

The Company s interim effective income tax rate is based on management s best current estimate of the expected annual effective income tax rate. The Company estimates that its fiscal year 2011 tax rate will be approximately 50%, which is an increase from the estimated 46% disclosed in the Company s fiscal year 2010 Form 10-K. The estimated 4% increase is a result of the estimated additional earn out payment described in Note 4, which is not deductable against U.S. taxable income. We estimate that our future effective income tax rate will be approximately 46%, which is comprised of (1) approximately 35% for federal taxes, (2) approximately 8% for state taxes, and (3) approximately 3% for book and tax differences including stock based compensation expenses, primarily related to employee stock options, which are currently expensed in our financial statements but are not deductable for tax purposes until they are exercised.

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Liquidity Services, Inc. and Subsidiaries
Notes to the Unaudited Consolidated Financial Statements (Continued)

The Company applies the guidance related to uncertainty in income taxes. The Company has concluded that there were no uncertain tax positions identified during its analysis. The Company s policy is to recognize interest and penalties in the period in which they occur in the income tax provision. The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, various state and local jurisdictions and in foreign jurisdictions, primarily the U.K. Currently, the Company is not subject to any income tax examinations. The statute of limitations for years prior to fiscal 2007 is now closed. However, certain tax attribute carryforwards that were generated prior to fiscal 2007 may be adjusted upon examination by tax authorities if they are utilized.

8. Stockholders Equity

Common Stock

On February 23, 2006, the Company issued 5,000,000 shares of common stock for net proceeds of $43,977,000 in conjunction with its initial public offering. On March 13, 2007, the Company issued 100,000 shares of common stock for net proceeds of $1,070,000 in conjunction with its follow-on offering.

Share Repurchase Program

On December 2, 2008, the Company s Board of Directors approved a $10.0 million share repurchase program. Under the program, the Company is authorized to repurchase the issued and outstanding shares of common stock. Share repurchases may be made through open market purchases, privately negotiated transactions or otherwise, at times and in such amounts as management deems appropriate. The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements and other market conditions. The repurchase program may be discontinued or suspended at any time, and will be funded using our available cash. On February 2, 2010, the Company s Board of Directors approved an additional $10.0 million for the share repurchase program. On November 30, 2010, the Company s Board of Directors approved an additional $10.0 million for the share repurchase program. The Company s Board of Directors reviews the share repurchase program periodically, the last such review having occurred in November 2010. During the year ended September 30, 2009, 707,462 shares were purchased under the program for approximately $3,874,000. During the year ended September 30, 2010, 1,225,019 shares were purchased under the program for approximately $14,471,000. During the three months ended December 31, 2010, 229,575 shares were purchased under the program for approximately $3,541,000. As of December 31, 2010, approximately $8,114,000 may yet be expended under the program.

2006 Omnibus Long-Term Incentive Plan (the 2006 Plan)

Under the 2006 Plan, 5,000,000 shares of common stock were initially reserved for issuance. In February 2009, at the Company s annual meeting of stockholders, the stockholders approved an increase of 5,000,000 shares of the Company s common stock to the shares available for issuance under the 2006 Plan. At September 30, 2009, there were 5,189,996 shares remaining reserved for issuance in connection with awards under the 2006 Plan. During fiscal year 2010, the Company granted options to purchase 624,566 shares to employees and directors with exercise prices between $9.05 and $13.96, and options to purchase 75,467 shares were forfeited. During fiscal year 2010, the Company granted 699,410 restricted shares to employees and directors at prices ranging from $9.05 to $13.96, and 45,026 restricted shares were forfeited. At September 30, 2010, there were 3,986,513 shares remaining reserved for issuance in connection with awards under the 2006 Plan. During the three months ended December 31, 2010, the Company issued options to purchase 231,000 shares to employees and directors with exercise prices between $13.48 and $17.02, and options to purchase 9,345 shares were forfeited. During the three months ended December 31, 2010, the Company issued 635,092 restricted shares to employees and directors at prices ranging from $15.12 to $15.47, and 15,313 restricted shares were forfeited. At December 31, 2010, there were 3,145,079 shares remaining reserved for issuance in connection with awards under the 2006 Plan. The maximum number of shares subject to options or stock appreciation rights that can be awarded under the 2006 Plan to any person is 1,000,000 per year. The maximum number of shares that can be awarded under the 2006 Plan to any person, other than pursuant to an option or stock appreciation right, is 700,000 per year.

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Liquidity Services, Inc. and Subsidiaries
Notes to the Unaudited Consolidated Financial Statements (Continued)

Stock Option Activity

A summary of the Company s stock option activity for the year ended September 30, 2010 and the three months ended December 31, 2010 is as follows:

	Options	Weighted-Average Exercise Price
Options outstanding at September 30, 2009	4,609,226	$ 10.95
Options granted	624,566	10.92
Options exercised	(411,036)	7.88
Options canceled	(75,467)	12.24
Options outstanding at September 30, 2010	4,747,289	11.20
Options granted	231,000	15.56
Options exercised	(261,442)	9.17
Options canceled	(9,345)	11.80
Options outstanding at December 31, 2010	4,707,502	11.52
Options exercisable at December 31, 2010	2,621,266	12.00

The intrinsic value of outstanding and exercisable options at December 31, 2010 is approximately $13,100,000 and $6,206,000, respectively, based on a stock price of $14.05 on December 31, 2010.

Restricted Share Activity

A summary of the Company s restricted share activity for the year ended September 30, 2010 and the three months ended December 31, 2010 is as follows:

	Restricted Shares	Weighted-Average Fair Value
Unvested restricted shares at September 30, 2009	462,836	$ 8.88
Restricted shares granted	699,410	10.00
Restricted shares vested		