INTERPHARM HOLDINGS INC
Form 10-Q
May 15, 2007

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarter Ended March 31, 2007

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 0-22710

INTERPHARM HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware State or other jurisdiction of corporation or organization)	13-3673965 (I.R.S. Employer Identification Number)
75 Adams Avenue, Hauppauge, New York (Address of principal executive offices)	11788 (Zip Code)

Issuer's telephone number, including area code (631) 952-0214

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 is a large accelerated filer, an accelerated filer or a non-accelerated filer (as defined in Rule 12b-2 of the Act).

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act.)

YES o NO x

As of the close of business on May 11, 2007, there were 65,813,668 shares of the Registrant's $0.01 par value per share Common Stock outstanding.

INTERPHARM HOLDINGS, INC. AND SUBSIDIARIES

TABLE OF CONTENTS

		Page
PART I	Financial Information	
Item 1.	Financial Statements & Notes	1-26
Item 2.	Managements Discussion & Analysis of Financial Condition and Results of Operations	27-37
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	37
Item 4.	Controls and Procedures	38
PART II	Other Information Required in Report	
Item 1.	Legal Proceedings	39
Item 6.	Exhibits	40
Signatures Page		41
Exhibits/Certifications		42-45

INTERPHARM HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

ASSETS

	March 31, 2007 (Unaudited)	June 30, 2006
CURRENT ASSETS		
Cash	$ 184	$ 1,438
Accounts receivable, net	14,109	14,212
Inventories	12,117	8,706
Prepaid expenses and other current assets	1,564	1,316
Assets held for sale	538	—
Deferred tax assets	83	1,321
Total Current Assets	28,595	26,993
Land, building and equipment, net	32,385	29,069
Deferred tax assets	7,744	4,849
Investment in APR, LLC	1,023	1,023
Other assets	1,168	933
TOTAL ASSETS	$ 70,915	$ 62,867

See Notes To Condensed Consolidated Financial Statements.

1

INTERPHARM HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 2007 (Unaudited)	June 30, 2006
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 2,090	$ 1,686
Accounts payable, accrued expenses and other liabilities	15,027	12,650
Liabilities held for sale	377	—
Deferred revenue	—	3,399
Total Current Liabilities	17,494	17,735
OTHER LIABILITIES		
Long-term debt, less current maturities	14,585	13,952
Contract termination liability	1,330	—
Other liabilities	—	125
Total Other Liabilities	15,915	14,077
TOTAL LIABILITIES	33,409	31,812
COMMITMENTS AND CONTINGENCIES		
Series B-1 Redeemable Convertible Preferred Stock: 15 shares authorized; issued and outstanding - 10 at March 31, 2007 and June 30, 2006; liquidation preference of $10,000	8,155	8,225
Series C-1 Redeemable Convertible Preferred Stock: 10 shares authorized; issued and outstanding - 10 at March 31, 2007; liquidation preference of $10,000	8,352	—
STOCKHOLDERS' EQUITY		
Preferred stocks, 10,000 shares authorized; issued and outstanding - 5,132 and 5,141 at March 31, 2007 and June 30, 2006, respectively; aggregate liquidation preference of $3,588 and $4,291 at March 31, 2007 and June 30, 2006, respectively	51	51
Common stock, $0.01 par value, 150,000 and 65,569 shares authorized and issued, respectively, at March 31, 2007, and 70,000 and 64,537 shares authorized and issued, respectively, at June 30, 2006.	656	645
Additional paid-in capital	28,885	24,196
Stock subscription receivable	—	(90)
Accumulated other comprehensive income	114	98
Accumulated deficit	(8,707)	(2,070)

TOTAL STOCKHOLDERS' EQUITY		20,999		22,830
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	70,915	$	62,867

See Notes To Condensed Consolidated Financial Statements.

INTERPHARM HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(In thousands, except per share data)

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006	Nine Months Ended March 31, 2007	Nine Months Ended March 31, 2006
SALES, Net	$ 19,910	$ 16,110	$ 60,215	$ 46,869
COST OF SALES (including related-party rent expense of $204 and $446 for the three and nine months ended March 31, 2007 and $102 and $306 for the three and nine months ended March 31, 2006, respectively)	13,535	12,111	40,828	33,708
GROSS PROFIT	6,375	3,999	19,387	13,161
OPERATING EXPENSES				
Selling, general and administrative	3,882	3,263	9,675	7,901
Related party rent	36	18	79	54
Research and development	4,711	2,975	13,001	7,006
TOTAL OPERATING EXPENSES	8,629	6,256	22,755	14,961
OPERATING LOSS	(2,254)	(2,257)	(3,368)	(1,800)
OTHER (EXPENSE) INCOME				
Contract termination expense	—	—	(1,655)	—
Interest expense, net	(289)	(170)	(816)	(359)
Asset impairment	(101)	—	(101)	—
Other	46	2	(75)	(5)
TOTAL OTHER EXPENSE	(344)	(168)	(2,647)	(364)
LOSS BEFORE INCOME TAXES	(2,598)	(2,425)	(6,015)	(2,164)
BENEFIT FROM INCOME TAXES	(746)	(926)	(1,668)	(828)
NET LOSS	(1,852)	(1,499)	(4,347)	(1,336)
Series C-1 preferred stock beneficial conversion feature	—	—	1,094	—
Preferred stock dividends	454	98	1,196	181
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ (2,306)	$ (1,597)	$ (6,637)	$ (1,517)

EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS								
Basic and diluted loss per share	$	(0.04)	$	(0.05)	$	(0.10)	$	(0.05)
Basic and diluted weighted average shares and equivalent shares outstanding		65,380		32,464		65,052		32,423

See Notes To Condensed Consolidated Financial Statements.

INTERPHARM HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(UNAUDITED)
(In thousands)

	Preferred Stock		Common Stock		Paid-In	Subscription	Accumulated Other Comprehensive	Accumulated	Stockholders'
	Shares	Amount	Shares	Amount	Capital	Receivable	Income	Deficit	Equity
BALANCE- July 1, 2006	5,141	$ 51	64,537	$ 645	$ 24,196	$ (90)	$ 98	$ (2,070)	$ 22,830
Accrued dividends - Series B-1	—	—	—	—	—	—	—	(206)	(206)
Accrued dividends - Series C-1	—	—	—	—	—	—	—	(206)	(206)
Series C-1 Preferred beneficial conversion feature	—	—	—	—	1,094	—	—	(1,094)	—
Series B-1 dividends paid with common stock	—	—	299	3	488	—	—	(413)	78
Series C-1 dividends paid with common stock			122	2	245	—	—	(247)	—
Dividends declared - Series A-1	—	—		—	—	—	—	(124)	(124)
Shares issued for options exercised	—	—	602	6	387	—	—	—	393
Conversion of Series A preferred stock	(7)	—	7	—	—	—	—	—	—
Conversion of Series B preferred stock	(2)	—	2	—	—	—	—	—	—
Fair value of warrants issued	—	—	—	—	1,641	—	—	—	1,641
Stock based compensation and modification expense	—	—	—	—	834	—	—	—	834
Collections on stock subscription receivable	—	—	—	—	—	90	—	—	90
Change in fair value of interest rate swap	—	—	—	—	—	—	16	—	16
Net loss	—	—	—	—	—	—	—	(4,347)	(4,347)

BALANCE - March 31, 2007	5,132	$	51	65,569	$	656	$	28,885	$	—	$	114	$	(8,707)	$	20,999

See Notes To Condensed Consolidated Financial Statements.

4

INTERPHARM HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(UNAUDITED)
(In thousands)

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006	Nine Months Ended March 31, 2007	Nine Months Ended March 31, 2006
NET LOSS	$ (1,852)	$ (1,499)	$ (4,347)	$ (1,336)
OTHER COMPREHENSIVE INCOME (LOSS)				
Change in fair value of interest rate swap	31	(12)	16	(12)
TOTAL COMPREHENSIVE LOSS	$ (1,821)	$ (1,511)	$ (4,331)	$ (1,348)

See Notes To Condensed Consolidated Financial Statements.

INTERPHARM HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(In thousands)

	Nine Months Ended March 31, 2007	Nine Months Ended March 31, 2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss from continuing operations	$ (4,347)	$ (1,336)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Bad debt expense	55	11
Asset impairment	101	—
Accreted non-cash interest expense	54	—
Depreciation and amortization	1,671	1,062
Stock based compensation expense	834	1,004
Contract termination expense	1,655	—
Deferred tax benefit	(1,657)	(800)
Loss on disposal of fixed assets	75	5
Changes in operating assets and liabilities:		
Accounts receivable	49	(2,258)
Inventories	(3,412)	(346)
Prepaid expenses and other current assets	(272)	(635)
Accounts payable, accrued expenses and other liabilities	1,743	6,803
Deferred revenue	(3,399)	2,296
Total adjustments	(2,503)	7,142
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(6,850)	5,806
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of building and equipment, net	(4,992)	(6,621)
Proceeds from sale of equipment	129	—
Deposits and other long-term assets	(706)	(604)
NET CASH USED IN INVESTING ACTIVITIES	(5,569)	(7,225)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from sale of Series C-1 preferred stock and warrants, net	9,993	—
Expenditures relating to sale of Series B-1 preferred stock and warrants	(70)	—
Proceeds from options exercised	393	—
Proceeds from long-term debt	2,240	8,654
Payment of Series A-1 dividends	(124)	(165)
Payment of deferred financing costs	—	(270)
Collections on stock subscription receivable	90	21
Repayment of bank line of credit, net	—	(6,728)
Repayments of long-term debt	(1,357)	(376)
NET CASH PROVIDED BY FINANCING ACTIVITIES	11,165	1,136
NET DECREASE IN CASH	(1,254)	(283)
CASH - Beginning	1,438	537

CASH - Ending	$	184	$	254

See Notes To Condensed Consolidated Financial Statements.

INTERPHARM HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(UNAUDITED)
(In thousands)

	Nine Months Ended March 31, 2007	Nine Months Ended March 31, 2006
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the periods for:		
Interest	$ 934	$ 273
Income taxes	$ —	$ 15
Non-Cash Investing or Financing Transactions:		
Issuance of common stock in exchange for subscription receivable	$ —	$ 133
Acquisition of machinery and equipment in exchange for capital lease payable	$ 156	$ 128
Reclassification of equipment deposits to building and equipment	$ 410	$ 771
Series B-1 dividends paid with common stock	$ 491	$ —
Series C-1 dividends paid with common stock	$ 247	$ —
Accrual of Series B-1 dividends	$ 206	$ —
Accrual of Series C-1 dividends	$ 206	$ —
Change in fair value of interest rate swap	$ 16	$ 12
Repayment of debt with proceeds from new credit facility	$ —	$ 20,445
Declaration of preferred dividends	$ —	$ 124

See Notes To Condensed Consolidated Financial Statements.

INTERPHARM HOLDINGS, INC. AND SUBSIDIARIES

(IN THOUSANDS, EXCEPT PER SHARE DATA)

NOTE 1 - Condensed Consolidated Financial Statements

The accompanying interim unaudited condensed consolidated financial statements include the accounts of Interpharm Holdings, Inc. and its subsidiaries that are hereafter referred to as the “Company”. All intercompany accounts and transactions have been eliminated in consolidation.

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, such interim statements reflect all adjustments (consisting of normal recurring accruals) necessary to present fairly the financial position and the results of operations and cash flows for the interim periods presented. The operating results for the three and nine months ended March 31, 2007 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2007. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company’s Form 10-K for the year ended June 30, 2006.

NOTE 2 - Summary of Significant Accounting Policies

Nature of Business

Interpharm Holdings, Inc., through its wholly-owned subsidiary, Interpharm, Inc. (“Interpharm, Inc.”), is in the business of developing, manufacturing and marketing generic prescription strength and over-the-counter pharmaceutical products for wholesale distribution throughout the United States.

Revenue Recognition

The Company recognizes product sales revenue upon the shipment of product, when estimated provisions for chargebacks and other sales allowances are reasonably determinable, and when collectibility is reasonably assured. Accruals for these provisions are presented in the consolidated financial statements as reductions to revenues.

In addition, the Company is party to supply agreements with certain pharmaceutical companies under which, in addition to the selling price of the product, the Company receives payments based on sales or profits associated with these products realized by its customer. The Company recognizes revenue related to the initial selling price upon shipment of the products as the selling price is fixed and determinable and no right of return exists. The additional revenue component of these agreements is recognized by the Company at the time its customers record their sales and is based on pre-defined formulas contained in the agreements. Receivables related to this revenue of $816 and $620 at March 31, 2007 and June 30, 2006, respectively, are included in “Accounts receivable, net” in the accompanying Condensed Consolidated Balance Sheets.

Earnings (Loss) Per Share

Basic earnings (loss) per share (“EPS”) of common stock is computed by dividing net income (loss) attributable to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted EPS reflects the amount of net income (loss) for the period available to each share of common stock outstanding during the reporting period, giving effect to all potentially dilutive shares of common stock from the potential exercise of stock options and warrants and conversions of convertible preferred stocks. In accordance with

Emerging Issues Task Force ("EITF") Issue No. 03-6, "Participating Securities and the Two-Class Method Under FASB Statement No. 128, Earnings Per Share," during the fiscal year ended June 30, 2006, in periods when there was net income and Series K preferred stock was outstanding, the Company used the Two-Class Method to calculate the effect of the participating Series K on the calculation of basic EPS and the if-converted method was used to calculate the effect of the participating Series K on diluted EPS. In periods when there was a net loss, the effect of the participating Series K was excluded from both basic and diluted EPS. Additionally, in May 2006, the Series K preferred stock was converted into the Company's common stock; therefore the use of the Two-Class Method is not required for the three and nine months ended March 31, 2007.

INTERPHARM HOLDINGS, INC. AND SUBSIDIARIES

(IN THOUSANDS, EXCEPT PER SHARE DATA)

NOTE 2 - Summary of Significant Accounting Policies, continued

Use of Estimates in the Financial Statements

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 revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include deferred tax asset valuations, reserve for chargebacks, deferred revenue, fair values of stock based compensation awards and inventory overhead costing estimates.

Stock Based Compensation

Effective July 1, 2005, the Company adopted the fair value recognition provisions of Statement of Financial Accounting Standards ("SFAS") No. 123 (Revised 2004), "Share-Based Payment," ("SFAS No. 123(R)"), using the modified-prospective-transition method. As a result, the Company's net loss before taxes for the three months ended March 31, 2007 and its net income before taxes for the three month period ended March 31, 2006 is lower by $248 and $588, respectively, and $834 and $1,004 for the nine months ended March 31, 2007 and 2006, respectively, than if it had continued to account for share-based compensation under Accounting Principles Board ("APB") opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25").

Sales Incentives

In accordance with the terms and conditions of an agreement entered into during the fiscal year ended June 30, 2006, the Company has offered a sales incentive to one of its customers in the form of an incentive volume price adjustment. The Company accounts for sales incentives in accordance with EITF 01-9, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of Vendor's Products)" ("EITF 01-9"). The terms of this volume based sales incentive required the customer to purchase a minimum quantity of the Company's products during a specified period of time. The incentive offered was based upon a fixed dollar amount per unit sold to the customer. The Company made an estimate of the ultimate amount of the incentive the customer would earn based upon past history with the customer and other facts and circumstances. The Company had the ability to estimate this volume incentive price adjustment, as there did not exist a relatively long period of time for the particular adjustment to be earned. Any change in the estimated amount of the volume incentive was recognized immediately using a cumulative catch-up adjustment. In accordance with EITF 01-9, the Company recorded the provision for this sales incentive when the related revenue is recognized. The Company's sales incentive liability may prove to be inaccurate, in which case the Company may have understated or overstated the provision required for these arrangements. Therefore, although the Company makes its best estimate of its sales incentive liability, many factors, including significant unanticipated changes in the purchasing volume of its customer, could have significant impact on the Company's liability for sales incentives and the Company's reported operating results. The specific terms of this agreement which related to sales incentives expired in October 2006. For the three and nine months ended March 31, 2007, the Company recognized $0 and $3,399 sales incentive revenue related to this agreement.

Impairment of Long-Lived Assets

In accordance with SFAS No. 144, the Company accounted for certain long lived assets and related liabilities that will be disposed or that met all of the "held for sale" criteria, as a disposal group which has been classified as "held for sale" and presented separately in the Current Assets and Current Liabilities sections, respectively, of the accompanying Condensed Consolidated Balance Sheet as of March 31, 2007. The major classes of assets and liabilities classified as "held for sale" are separately discussed in Note 17. The "held for sale" classification required having appropriate approvals by the Company's management and Board of Directors, as applicable, and meeting other criteria.

INTERPHARM HOLDINGS, INC. AND SUBSIDIARIES

(IN THOUSANDS, EXCEPT PER SHARE DATA)

NOTE 2 - Summary of Significant Accounting Policies, continued

Reclassifications

Certain reclassifications have been made to the audited condensed consolidated financial statements for the prior period in order to have them conform to the current period's classifications. These reclassifications have no effect on previously reported net income.

The Company reclassified certain components of stockholders' equity section to reflect the elimination of deferred compensation arising from unvested share-based compensation pursuant to the requirements of Staff Accounting Bulletin No. 107, regarding Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment." This deferred compensation was previously recorded as an increase to additional paid-in capital with a corresponding reduction to stockholders' equity for such deferred compensation. This reclassification has no effect on net income or total stockholders' equity as previously reported. The Company will record an increase to additional paid-in capital as the share-based payments vest.

Recently Issued Accounting Pronouncements

New Accounting Pronouncements

In November 2006, The Emerging Issues Task Force ("EITF") reached a final consensus in EITF Issue 06-6 "Debtor's Accounting for a Modification (or Exchange) of Convertible Debt Instruments" ("EITF 06-6"). EITF 06-6 addresses the modification of a convertible debt instrument that changes the fair value of an embedded conversion option and the subsequent recognition of interest expense for the associated debt instrument when the modification does not result in a debt extinguishment pursuant to EITF 96-19, "Debtor's Accounting for a Modification or Exchange of Debt Instruments,". The consensus should be applied to modifications or exchanges of debt instruments occurring in interim or annual periods beginning after November 29, 2006. The adoption of EITF 06-6 did not have a material effect on the Company's consolidated financial position, results of operations or cash flows.

In November 2006, The Financial Accounting Standards Board ("FASB") ratified EITF Issue No. 06-7, "Issuer's Accounting for a Previously Bifurcated Conversion Option in a Convertible Debt Instrument When the Conversion Option No Longer Meets the Bifurcation Criteria in FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities" ("EITF 06-7"). At the time of issuance, an embedded conversion option in a convertible debt instrument may be required to be bifurcated from the debt instrument and accounted for separately by the issuer as a derivative under of Financial Accounting Standards ("FAS") 133, based on the application of EITF 00-19. Subsequent to the issuance of the convertible debt, facts may change and cause the embedded conversion option to no longer meet the conditions for separate accounting as a derivative instrument, such as when the bifurcated instrument meets the conditions of Issue 00-19 to be classified in stockholders' equity. Under EITF 06-7, when an embedded conversion option previously accounted for as a derivative under FAS 133 no longer meets the bifurcation criteria under that standard, an issuer shall disclose a description of the principal changes causing the embedded conversion option to no longer require bifurcation under FAS 133 and the amount of the liability for the conversion option reclassified to stockholders' equity. EITF 06-7 should be applied to all previously bifurcated conversion options in convertible debt instruments that no longer meet the bifurcation criteria in FAS 133 in interim or annual periods beginning after December 15, 2006, regardless of whether the debt instrument was entered into prior or subsequent to the effective date of EITF 06-7. Earlier application of EITF 06-7 is permitted in periods for which financial statements have not yet been issued. The adoption of EITF 06-7 did not have a material effect on the Company's consolidated financial position, results of operations or cash flows.

In February 2006, the FASB issued SFAS No. 155 "Accounting for Certain Hybrid Financial Instruments, an amendment of FASB Statements No. 133 and 140" ("SFAS 155"). SFAS 155 clarifies certain issues relating to embedded derivatives and beneficial interests in securitized financial assets. The provisions of SFAS 155 are effective for all financial instruments acquired or issued after fiscal years beginning after September 15, 2006. The Company is currently assessing the impact that the adoption of SFAS 155 will have on its financial position and results of operations.

INTERPHARM HOLDINGS, INC. AND SUBSIDIARIES

(IN THOUSANDS, EXCEPT PER SHARE DATA)

NOTE 2 - Summary of Significant Accounting Policies, continued

Recently Issued Accounting Pronouncements, continued

New Accounting Pronouncements, continued

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes", ("FIN 48"). This interpretation clarified the accounting for uncertainty in income taxes recognized in accordance with SFAS No. 109, "Accounting for Income Taxes" ("SFAS No.109"). Specifically, FIN 48 clarifies the application of SFAS No. 109 by defining a criterion that an individual tax position must meet for any part of the benefit of that position to be recognized in an enterprise's financial statements. Additionally, FIN 48 provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods of income taxes, as well as the required disclosure and transition. This interpretation is effective for fiscal years beginning after December 15, 2006. The Company is currently assessing the impact that the adoption of FIN 48 will have on its financial position and results of operations.