MOOG INC
Form 10-Q
August 04, 2009

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

(Mark One)

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

For the quarterly period ended June 27, 2009

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: 1-5129

MOOG Inc.

(Exact name of registrant as specified in its charter)

New York State	**16-0757636**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
East Aurora, New York	**14052-0018**
(Address of principal executive offices)	(Zip Code)

Telephone number including area code: **(716) 652-2000**

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 þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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 þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The number of shares outstanding of each class of common stock as of July 30, 2009 was:

Class A common stock, $1.00 par value 38,492,674 shares

Class B common stock, $1.00 par value 4,126,122 shares

MOOG inc.
QUARTERLY REPORT ON FORM 10-Q
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PART I FINANCIAL INFORMATION
Item 1. Financial Statements.

MOOG Inc.
Consolidated Condensed Balance Sheets
(Unaudited)

(dollars in thousands)	June 27, 2009	September 27, 2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 77,014	$ 86,814
Receivables	523,975	517,361
Inventories	475,499	408,295
Other current assets	90,403	77,915
TOTAL CURRENT ASSETS	1,166,891	1,090,385
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of $429,996 and $399,806, respectively	454,384	428,120
GOODWILL	644,579	560,735
INTANGIBLE ASSETS, net	194,669	74,755
OTHER ASSETS	42,750	73,252
TOTAL ASSETS	$2,503,273	$2,227,247
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES		
Notes payable	$ 28,497	$ 7,579
Current installments of long-term debt	10,170	1,487
Accounts payable	122,998	128,723
Customer advances	53,122	41,507
Contract loss reserves	18,815	20,536
Other accrued liabilities	185,478	177,261
TOTAL CURRENT LIABILITIES	419,080	377,093
LONG-TERM DEBT, excluding current installments		
Senior debt	411,946	261,922
Senior subordinated notes	380,635	400,072
LONG-TERM PENSION AND RETIREMENT OBLIGATIONS	105,604	108,072
DEFERRED INCOME TAXES	124,379	80,754
OTHER LONG-TERM LIABILITIES	5,190	4,924
TOTAL LIABILITIES	1,446,834	1,232,837
SHAREHOLDERS EQUITY		
Common stock	48,605	48,605
Other shareholders equity	1,007,834	945,805
TOTAL SHAREHOLDERS EQUITY	1,056,439	994,410

TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$2,503,273	$2,227,247

See Accompanying Notes to Consolidated Condensed Financial Statements.

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MOOG Inc.
Consolidated Condensed Statements of Earnings
(Unaudited)

(dollars in thousands, exept per share data)	Three Months Ended June 27, 2009	Three Months Ended June 28, 2008	Nine Months Ended June 27, 2009	Nine Months Ended June 28, 2008
NET SALES	$ 445,160	$ 496,575	$ 1,344,583	$ 1,411,820
COST OF SALES	319,410	338,084	945,213	956,064
GROSS PROFIT	125,750	158,491	399,370	455,756
Research and development	22,805	30,518	72,127	80,686
Selling, general and administrative	70,545	75,413	208,550	219,634
Restructuring	9,946		9,946	
Interest	9,471	9,121	28,494	28,056
Equity in earnings of LTi and other	(3,409)	(729)	(9,014)	(1,746)
EARNINGS BEFORE INCOME TAXES	16,392	44,168	89,267	129,126
INCOME TAXES	496	13,057	19,409	41,712
NET EARNINGS	$ 15,896	$ 31,111	$ 69,858	$ 87,414
NET EARNINGS PER SHARE				
Basic	$ .37	$ .73	$ 1.64	$ 2.05
Diluted	$ .37	$ .72	$ 1.63	$ 2.02
AVERAGE COMMON SHARES OUTSTANDING				
Basic	42,571,843	42,646,335	42,571,608	42,577,639
Diluted	42,837,237	43,248,903	42,882,372	43,249,953

See accompanying Notes to Consolidated Condensed Financial Statements.

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MOOG Inc.
Consolidated Condensed Statements of Cash Flows
(Unaudited)

(dollars in thousands)	Nine Months Ended June 27, 2009	Nine Months Ended June 28, 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	$ 69,858	$ 87,414
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	40,777	35,252
Amortization	14,671	11,471
Provisions for non-cash losses on contracts, inventories and receivables	30,148	23,308
Equity-based compensation expense	4,651	3,694
Other	(5,841)	(2,389)
Changes in assets and liabilities providing (using) cash, excluding the effects of acquisitions:		
Receivables	29,931	(80,961)
Inventories	(29,542)	(59,786)
Accounts payable	(23,703)	16,644
Customer advances	(5,599)	7,165
Accrued expenses	(21,021)	(2,380)
Accrued income taxes	(4,990)	11,666
Pension assets and liabilities	(13,700)	10,437
Other assets and liabilities	(1,739)	(5,973)
NET CASH PROVIDED BY OPERATING ACTIVITIES	83,901	55,562
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of businesses, net of acquired cash	(170,681)	(22,354)
Equity investment in LTi REEnergy GmbH		(28,114)
Purchase of property, plant and equipment	(63,983)	(68,526)
Supplemental retirement plan investment redemption	18,071	
Other	(1,144)	(1,110)
NET CASH USED BY INVESTING ACTIVITIES	(217,737)	(120,104)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from notes payable	5,658	1,142
Net proceeds from (repayments of) revolving lines of credit	145,310	(131,500)
Payments on long-term debt	(2,775)	(4,137)
Proceeds from senior subordinated notes		196,414
Redemption of senior subordinated notes	(18,071)	
Excess tax benefits from equity-based payment arrangements	43	878
Other	(3,801)	(2,679)

NET CASH PROVIDED BY FINANCING ACTIVITIES	126,364	60,118
Effect of exchange rate changes on cash	(2,328)	5,660
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(9,800)	1,236
Cash and cash equivalents at beginning of period	86,814	83,856
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 77,014	$ 85,092
CASH PAID FOR:		
Interest	$ 29,542	$ 25,923
Income taxes, net of refunds	19,148	34,019

See accompanying Notes to Consolidated Condensed Financial Statements.

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MOOG INC.
Notes to Consolidated Condensed Financial Statements
Nine Months Ended June 27, 2009
(Unaudited)
(dollars in thousands, except per share data)

Note 1 Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared by management in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments consisting of normal recurring adjustments considered necessary for the fair presentation of results for the interim period have been included. The results of operations for the three and nine months ended June 27, 2009 are not necessarily indicative of the results expected for the full year. The accompanying unaudited consolidated condensed financial statements should be read in conjunction with the financial statements and notes thereto included in our Form 10-K for the fiscal year ended September 27, 2008. All references to years in these financial statements are to fiscal years.

Note 2 Acquisitions

All of our acquisitions are accounted for under the purchase method and, accordingly, the operating results for the acquired companies are included in the consolidated statements of earnings from the respective dates of acquisition. Under purchase accounting, we record assets and liabilities at fair value and such amounts are reflected in the respective captions on the balance sheet. All of the following acquisitions, with the exception of LTi REEnergy GmbH, resulted in goodwill being recorded as a result of the respective purchase price allocations.

On June 4, 2008, we acquired a 40% ownership in LTi REEnergy GmbH, with operations in Germany and China, for cash of $28,288. LTi REEnergy specializes in the design and manufacture of servo controllers as well as complete drive systems for electric rotor blade controls for wind turbines. We accounted for this investment using the equity method of accounting with our net investment reflected in other assets on the balance sheet. Our 40% share of the net earnings for the three and nine months ended June 27, 2009 was $2,986 and $6,717, respectively, and is included in the operating results of our Industrial Systems segment. On June 1, 2009, we acquired the remaining 60% of LTi REEnergy and began to consolidate 100% of the operating results from that date forward. The total purchase price, net of cash acquired, was $71,962. We financed the purchase price with available cash on hand of $12,774, issuance of a $13,451 unsecured note due to the seller in February 2010, $17,449 of assumed debt and the $28,288 cash paid for the 40% investment in 2008. Sales for the twelve months preceding the acquisition of the remaining 60% ownership were approximately $140,000.

On March 2, 2009, we acquired Fernau Avionics Limited, a UK-based company. The purchase price, net of cash acquired, was $45,764, which was financed with credit facility borrowings. Fernau Avionics is a leading supplier of ground-based air navigation systems for military, naval and civil aviation. This acquisition complements our present navigation aids business in the U.S. Sales for the 2008 calendar year were approximately $22,500. This acquisition is included in our Aircraft Controls segment.

On February 13, 2009, we acquired Videolarm Inc., based in Decatur, Georgia. The purchase price, net of cash acquired, was $44,853, which was financed with credit facility borrowings. Videolarm produces products for surveillance systems including integrated cameras, vandal resistant protective housings and networked solutions. Sales for the 2008 calendar year were approximately $19,500. This acquisition is included in our Space and Defense Controls segment.

On January 30, 2009, we acquired 70% of the stock of Insensys Ltd., a UK-based company. On April 30, 2009, we acquired the remaining 30%. The purchase price, net of cash acquired, was $23,558 and was financed with available cash on hand. Insensys is a supplier of pitch control and rotor blade monitoring systems for wind turbines. Sales for the 2008 calendar year were approximately $8,000. This acquisition is included in our Industrial Systems segment.

On January 23, 2009, we acquired Ethox International, based in Buffalo, New York. The purchase price, net of cash acquired, was $15,131, which was financed with credit facility borrowings plus $6,814 of assumed debt. Ethox produces proprietary medical devices and is engaged in contract manufacturing of disposables for medical device companies. Ethox also provides microbiology, toxicology and sterilization services. Sales for the 2008 calendar year were approximately $27,000. This acquisition is included in our Medical Devices segment.

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On December 30, 2008, we acquired Aitecs Medical UAB, a Lithuanian-based manufacturer of syringe-style infusion therapy pumps. The purchase price, net of cash acquired, was $21,379, which was financed with credit facility borrowings. Aitecs has a product portfolio that includes pumps for general hospital use, operating rooms and patient controlled analgesia. Sales for the twelve months preceding the acquisition were approximately $9,000. This acquisition is included in our Medical Devices segment.

On October 8, 2008, we acquired Berkeley Process Control, Inc., based in Richmond, California. The purchase price, net of cash acquired, was $14,036, which was financed with credit facility borrowings. Berkeley manufactures motion control software and hardware that automates the precise handling of semiconductor wafers and enhances the speed, quality and safety of welding in the oil and gas market and in nuclear fuel canisters. Sales for the twelve months preceding the acquisition were approximately $6,300. This acquisition is included in our Industrial Systems segment.

On May 2, 2008, we acquired CSA Engineering, Inc. The purchase price, net of cash acquired, was $15,277, which was financed with credit facility borrowings and a $2,000 unsecured note to the sellers due June 30, 2009. CSA designs and supplies systems for vibration suppression, precision motion control and dynamic testing of structures for the aerospace and defense markets. CSA s specialized applications include satellite payload isolation systems, ground based test systems for space and missile hardware, tuned mass dampers for vibration control and a jitter reduction control system for the Airborne Laser optical bench. Sales for the 2007 calendar year were approximately $14,000. This acquisition is included in our Space and Defense Controls segment.

On November 20, 2007, we acquired PRIZM Advanced Communication Electronics Inc. The purchase price, net of cash acquired, was $12,000, which was financed with credit facility borrowings and issuance of $3,000 of unsecured notes to the sellers due on March 31, 2009. PRIZM specializes in the design of fiber optic and wireless video and data multiplexers used in commercial and military subsea markets for oil and gas exploration, terrestrial robots and remote sensing applications. Sales for the twelve months preceding the acquisition were approximately $5,000. This acquisition is included in our Components segment.

Our purchase price allocations are substantially complete with the exception of LTi REEnergy, Fernau and Berkeley. LTi REEnergy s purchase price allocation is based on preliminary estimates of fair values of assets acquired and liabilities assumed. Fernau s purchase price allocation is substantially complete with the exception of other current liabilities. Berkeley s purchase price allocation is substantially complete with the exception of inventory.

Note 3 Inventories

	June 27, 2009	September 27, 2008
Raw materials and purchased parts	$190,257	$150,984
Work in progress	223,524	203,331
Finished goods	61,718	53,980
Total	$475,499	$408,295

Note 4 Goodwill and Intangible Assets

The changes in the carrying amount of goodwill for the nine months ended June 27, 2009 are as follows:

	Balance as of September 27, 2008	Current Year Acquisitions	Foreign Currency Translation	Balance as of June 27, 2009
Aircraft Controls	$103,925	$22,568	$ 3,438	$129,931
Space and Defense Controls	81,790	25,046		106,836
Industrial Systems	102,338	20,962	(462)	122,838

Components	160,717		(2,893)	157,824
Medical Devices	111,965	15,182	3	127,150
Total	$560,735	$83,758	$ 86	$644,579

The components of acquired intangible assets are as follows:

	June 27, 2009 Gross Carrying Amount	June 27, 2009 Accumulated Amortization	September 27, 2008 Gross Carrying Amount	September 27, 2008 Accumulated Amortization
Customer-related	$142,095	$(30,644)	$ 67,246	$(23,506)
Technology-related	50,823	(14,325)	33,238	(10,650)
Program-related	32,756	(873)		
Marketing-related	22,663	(9,494)	16,719	(8,543)
Artistic-related	25	(19)	25	(17)
Acquired intangible assets	$248,362	$(55,355)	$117,228	$(42,716)

The increase in acquired intangible assets since September 27, 2008 is primarily a result of the values assigned in purchase accounting for the 2009 acquisitions as follows: LTi REEnergy $59,855, Fernau $29,592, Videolarm $14,210, Insensys $8,061, Ethox $4,961, Aitces $6,065 and Berkeley $4,440.

All acquired intangible assets other than goodwill are being amortized. Customer-related intangible assets primarily consist of customer relationships. Technology-related intangible assets primarily consist of technology, patents, intellectual property and engineering drawings. Program-related intangible assets consist of long-term programs. Marketing-related intangible assets primarily consist of trademarks, trade names and non-compete agreements.

The weighted-average amortization period is nine years for marketing-related and technology-related intangible assets, ten years for customer-related and artistic-related intangible assets and twelve years for program-related intangible assets. In total, these intangible assets have a weighted-average life of ten years. Amortization of acquired intangible assets was $5,462 and $13,313 for the three and nine months ended June 27, 2009 and was $3,399 and $10,588 for the three and nine months ended June 28, 2008, respectively. Based on acquired intangible assets recorded at June 27, 2009, amortization is expected to be $20,095 in 2009, $25,525 in 2010, $24,119 in 2011, $23,201 in 2012 and $20,662 in 2013.

Note 5 Product Warranties

In the ordinary course of business, we warrant our products against defects in design, materials and workmanship typically over periods ranging from twelve to thirty-six months. We determine warranty reserves needed by product line based on historical experience and current facts and circumstances. Activity in the warranty accrual is summarized as follows:

	Three Months Ended June 27, 2009	Three Months Ended June 28, 2008	Nine Months Ended June 27, 2009	Nine Months Ended June 28, 2008
Warranty accrual at beginning of period	$11,472	$ 9,113	$10,015	$ 7,123
Additions from acquisitions	2,253		2,935	100
Warranties issued during current period	1,471	2,546	4,302	6,345
Adjustments to pre-existing warranties	(56)	50	1,671	9
Reductions for settling warranties	(2,934)	(1,478)	(6,238)	(3,766)
Foreign currency translation	1,575	220	1,096	640
Warranty accrual at end of period	$13,781	$10,451	$13,781	$10,451

Note 6 Derivative Financial Instruments

We principally use derivative financial instruments to manage interest rate risk associated with long-term debt and foreign exchange risk related to foreign operations and foreign currency transactions. We enter into derivative financial instruments with a number of major financial institutions to minimize counterparty credit risk.

Derivatives designated as hedging instruments

Interest rate swaps are used to adjust the proportion of total debt that is subject to variable and fixed interest rates. The interest rate swaps are designated as hedges of the amount of future cash flows related to interest payments on variable-rate debt that, in combination with the interest payments on the debt, convert a portion of the variable-rate debt to fixed-rate debt. At June 27, 2009, we had interest rate swaps with notional amounts totaling $75,000. Based on the applicable margin at June 27, 2009, the interest rate swaps effectively convert this amount of variable-rate debt to fixed-rate debt at 6.1% through their maturities in 2010, at which time the interest will revert back to variable rates based on LIBOR plus the applicable margin. At June 27, 2009 and September 27, 2008, the fair value of interest rate swaps was a $1,298 liability and a net $976 liability, respectively, most of which is included in other accrued liabilities.

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We use foreign currency forward contracts to purchase foreign currencies to fix the exchange rates on future payments. Essentially all of these foreign currency forwards are designated as hedges of the amount of future cash flows related to the payments. To mitigate exposure in movements between the U.S. dollar and the Philippine peso we had outstanding foreign currency forwards with notional amounts of $9,766 at June 27, 2009. These contracts mature at various times through the fourth quarter of 2010. At June 27, 2009, the fair value of these foreign currency forwards was $248 included in other current assets, $50 included in other accrued liabilities and $38 included in other long-term liabilities.

These interest rate swaps and foreign currency forwards are recorded in the consolidated balance sheet at fair value and the related gains or losses are deferred in shareholders equity as a component of Accumulated Other Comprehensive Income (Loss) (AOCI). These deferred gains and losses are amortized into expense during the periods in which the related payments affect earnings. However, to the extent the interest rate swaps and foreign currency forwards are not perfectly effective in offsetting the change in the value of the payments being hedged, the ineffective portion of these contracts is recognized in earnings immediately. Ineffectiveness was not material in the first nine months of 2009 or 2008.

Activity in Accumulated Other Comprehensive Income (Loss) (AOCI) related to these derivatives during the first nine months of 2009 is summarized below:

	Pre-tax Amount	Income Tax	After-Tax Amount
Balance at September 27, 2008	$(818)	$ 309	$(509)
Net decrease in fair value of derivatives	(764)	289	(475)
Net reclassification from AOCI into earnings	777	(294)	483
Accumulated loss at June 27, 2009	$(805)	$ 304	$(501)

Activity and classification of derivatives for the three and nine months ended June 27, 2009 are as follows:

	Classification of net gain (loss) recognized in earnings	Net reclassification from AOCI into earnings (effective portion)		Net deferral in AOCI of derivatives (effective portion)	
		Three Months Ended June 27, 2009	Nine Months Ended June 27, 2009	Three Months Ended June 27, 2009	Nine Months Ended June 27, 2009
Interest rate swaps	Interest expense	$(575)	$ (1,172)	$ (161)	$ (1,289)
Foreign currency forwards	Cost of sales	180	350	19	525
Net (loss)		$(395)	$ (822)	$ (142)	$ (764)

Derivatives not designated as hedging instruments

We also have foreign currency exposure on intercompany balances that are denominated in a foreign currency and are adjusted to current values using period-end exchange rates. The resulting gains or losses are recorded in the statement of earnings. To minimize foreign currency exposure, we have foreign currency forwards with notional amounts of $142,977 at June 27, 2009. The foreign currency forwards are recorded in the balance sheet at fair value and resulting gains or losses are recorded in the statements of earnings, generally offsetting the gains or losses from the foreign currency adjustments on the intercompany balances. At June 27, 2009, the fair value of the foreign currency forwards was $284 included in other current assets and $2,697 included in other accrued liabilities. At September 27, 2008, the fair value of the foreign currency forwards was a $390 liability, which was included in other accrued liabilities.

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Activity and classification related to derivatives not designated as hedging instruments under Statement of Financial Accounting Standard (SFAS) No. 133 for the three and nine months ended June 27, 2009 is summarized below:

		Three Months Ended June 27, 2009	Nine Months Ended June 27, 2009
Net loss recognized in earnings			
Foreign currency forwards	Equity in earnings of LTi and other	$(9,622)	$ (7,130)

The fair value and classification of derivatives on the consolidated condensed balance sheet as of June 27, 2009 is summarized as follows:

	Other current assets	Other accrued liabilities	Other long-term liabilities
Derivatives designated as hedging instruments:			
Foreign currency forwards	$ 204	$ 36	$ 38
Interest rate swaps		1,298	
	$ 204	$ 1,334	$ 38
Derivatives not designated as hedging instruments Foreign currency forwards	$ 328	$ 2,711	$

In March 2008, the Financial Accounting Standards Board (FASB) issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133. The objective of SFAS No. 161 is to amend and expand the disclosure requirements with the intent to provide users of financial statements with an enhanced understanding of: (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations and (c) how derivative instruments and related hedged items affect an entity s financial position, financial performance and cash flows. We adopted SFAS No. 161 at the beginning of our second quarter of 2009.

Note 7 Fair Value

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. This statement establishes a framework for measuring fair value in generally accepted accounting principles, clarifies the definition of fair value within that framework and expands disclosures about the use of fair value measurement. SFAS No. 157 emphasizes that fair value is a market-based measurement, as opposed to a transaction-specific measurement. We adopted SFAS No. 157 at the beginning of 2009.

Fair value is defined by SFAS No. 157 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Depending on the nature of the asset or liability, various techniques and assumptions can be used to estimate fair value. SFAS No. 157 defines the following fair value hierarchy:

Level 1 Quoted prices in active markets for identical assets and liabilities.

Level 2 Observable inputs other than quoted prices in active markets for similar assets and liabilities.

Level 3 Inputs for which significant valuation assumptions are unobservable in a market and therefore value is based on the best available data, some of which is internally developed and considers risk premiums that a market participant would require.

The following table presents the fair values and classification of our financial assets and liabilities measured on a recurring basis as of June 27, 2009:

	Classification	Level 1	Level 2	Level 3	Total
Foreign currency forwards	Other current assets	$	$ 532	$	$ 532
Foreign currency forwards	Other accrued liabilities		(2,747)		(2,747)
Foreign currency forwards	Other long-term liabilities		(38)		(38)
Interest rate swaps	Other accrued liabilities		(1,298)		(1,298)
Net fair value		$	$(3,551)	$	$(3,551)

We also adopted the provisions of SFAS No. 159, The Fair Value Option for Financial Assets and Liabilities at the beginning of 2009. This statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused

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by measuring related assets and liabilities differently w