PC TEL INC
Form 10-Q/A
November 04, 2009

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

Form 10-Q/A

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

For the quarterly period ended June 30, 2009

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 000-27115

PCTEL, Inc.

(Exact Name of Business Issuer as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**77-0364943** (I.R.S. Employer Identification Number)
471 Brighton Drive, Bloomingdale, IL (Address of Principal Executive Office)	**60108** (Zip Code)

(630) 372-6800

(Registrant s Telephone Number, Including Area Code)

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 on its corporate Web site, if any, every Interactive Date 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 þ 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 definition of accelerated filer large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act:

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o	Smaller reporting company o

(Do not check if a smaller reporting company)

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

Indicate the number of shares outstanding of each of the registrant s classes of common stock, as of the latest practicable date.

Title	**Outstanding**
Common Stock, par value $.001 per share	18,775,552 as of August 1, 2009

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EXPLANATORY NOTE

This amendment is being filed to restate the PCTEL, Inc. (the company) condensed consolidated statements of operations, condensed consolidated balance sheets, condensed consolidated statements of cash flows, and notes to condensed consolidated financial statements for the quarterly period ended June 30, 2009 to correct an error in accounting for income taxes as described below and in footnote 16 to the condensed consolidated financial statements herein. The company is also revising the discussion under Item 2, Management s Discussion and Analysis of Financial Condition and Results of Operations and under Item 4, Controls and Procedures in light of the restatement. The error was discovered on October 29, 2009 in the preparation of the income tax provision for the quarter ended September 30, 2009.

Summary of Misstatement in the Quarter Ended June 30, 2009

During the quarter ended June 30, 2009, the company entered into a plan of liquidation for the Wi-Sys legal entity as part of its consolidation of Wi-Sys operations into PCTEL in order to achieve operating cost synergies. Pursuant to that liquidation, the company incurred $275 of Canadian income taxes related to the transfer of assets from the Canadian entity to the company s U.S. entity. The company initially recorded those taxes as income tax expense in the quarter. Under accounting for income taxes incurred related to the transfer of assets between companies in a controlled group, the current Canadian taxes of $275, less the reversal of the deferred tax liability of $223 should be charged to prepaid taxes, with the balance amortized over the life of the related assets. Therefore income tax expense during the quarter was overstated by $275.

Summary of Misstatement Year to Date as of the Quarter Ended June 30, 2009

The company filed an amendment for the quarter ended March 31, 2009 to restate the company s condensed consolidated statements of operations, condensed consolidated balance sheets, condensed consolidated statements of cash flows, and notes to condensed consolidated financial Statements to correct two errors in accounting for income taxes as described below and in footnote 21 of that filing to the condensed consolidated financial statements therein. The company also revised the discussion under Item 4, Controls and Procedures in light of the restatement. The errors were discovered on October 29, 2009 in the preparation of the income tax provision for the quarter ended September 30, 2009.

The company acquired Wi-Sys Communications, a Canadian company, through a purchase of all of Wi-Sys common stock for $2.3 million in cash on January 5, 2009. When recording the initial Wi-Sys balance sheet at fair value under purchase accounting in the quarter ended March, 31, 2009, the company did not record a $223 deferred tax liability, with correspondent recording of additional goodwill, for the effect of the book over tax basis in the related intangible asset. The company evaluated at the time, in error, that it would treat the permanent difference as a reconciling item in its reconciliation of effective tax rate to statutory rate. During the same quarter, the company impaired all of its goodwill, resulting in goodwill impairment expense being understated by $223, equal to the amount of the unrecorded deferred tax liability.

Additionally, the company discovered that it omitted the effect of compensation deduction limitations for U.S. income tax purposes under IRS Code Section 162(m) when calculating the tax provision. This resulted in income tax expense being understated by $127.

The effect of the misstatements year to date are presented in this amendment as compared to the original filings on form 10-Q for the quarters ended March 31, 2009 and June 30, 2009. The year to date effect of the misstatements on the income statement is that goodwill impairment expense is understated by $223, income tax expense is overstated by $148, and net income is overstated by $75.

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PCTEL Inc.
Condensed Consolidated Balance Sheets
(unaudited, in thousands except per share amounts)

	(Unaudited) June 30, 2009 (Restated)	December 31, 2008
ASSETS		
Cash and cash equivalents	$ 40,189	$ 44,766
Short-term investment securities	27,768	17,835
Accounts receivable, net of allowance for doubtful accounts of $123 and $121 at June 30, 2009 and December 31, 2008, respectively	9,777	14,047
Inventories, net	9,314	10,351
Deferred tax assets, net	1,148	1,148
Prepaid expenses and other assets	2,589	2,575
Total current assets	90,785	90,722
Property and equipment, net	12,228	12,825
Long-term investment securities	11,492	15,258
Goodwill		384
Other intangible assets, net	4,919	5,240
Deferred tax assets, net	10,005	10,151
Other noncurrent assets	795	926
TOTAL ASSETS	**$ 130,224**	**$ 135,506**
LIABILITIES AND STOCKHOLDERS EQUITY		
Accounts payable	$ 1,378	$ 2,478
Accrued liabilities	4,123	6,198
Total current liabilities	5,501	8,676
Long-term liabilities	1,597	1,512
Total liabilities	7,098	10,188
Stockholders equity:		
Common stock, $0.001 par value, 100,000,000 shares authorized, 18,761,052 and 18,236,236 shares issued and outstanding at June 30, 2009 and December 31, 2008, respectively	19	18
Additional paid-in capital	138,580	137,930
Accumulated deficit	(15,795)	(12,639)

Accumulated other comprehensive income		322		9
Total stockholders equity		123,126		125,318
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	**$**	**130,224**	**$**	**135,506**

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

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PCTEL, Inc.
Condensed Consolidated Statements of Operations
(unaudited, in thousands, except per share information)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009 (Restated)	2008	2009 (Restated)	2008
CONTINUING OPERATIONS				
REVENUES	$ 13,368	$ 20,274	$ 27,507	$ 38,574
COST OF REVENUES	7,310	10,566	14,778	20,099
GROSS PROFIT	**6,058**	**9,708**	**12,729**	**18,475**
OPERATING EXPENSES:				
Research and development	2,649	2,609	5,337	4,795
Sales and marketing	1,914	2,874	3,996	5,637
General and administrative	2,543	2,981	5,076	5,753
Amortization of other intangible assets	553	552	1,106	992
Restructuring charges	340	(13)	493	364
Impairment of goodwill			1,485	
Loss on sale of product lines and related note receivable	454		454	
Gain on sale of assets and related royalties	(200)	(200)	(400)	(400)
Total operating expenses	8,253	8,803	17,547	17,141
OPERATING INCOME (LOSS) FROM CONTINUING OPERATIONS	(2,195)	905	4,818	1,334
Other income, net	201	652	366	1,437
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND DISCONTINUED OPERATIONS	(1,994)	1,557	(4,452)	2,771
Provision (benefit) for income taxes	(700)	1,027	(1,296)	1,764
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	**(1,294)**	**530**	**(3,156)**	**1,007**
DISCONTINUED OPERATIONS				
NET INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX PROVISION		187		36,878
NET INCOME (LOSS)	**($1,294)**	**$ 717**	**($3,156)**	**$ 37,885**
Basic Earnings per Share:				
Income (Loss) from Continuing Operations	($0.07)	$ 0.03	($0.18)	$ 0.05
Income from Discontinued Operations	$0.00	$ 0.01	$0.00	$ 1.87

Net Income (Loss)	($0.07)	$ 0.04	($0.18)	$ 1.92
Diluted Earnings per Share:				
Income (Loss) from Continuing Operations	($0.07)	$ 0.03	($0.18)	$ 0.05
Income from Discontinued Operations	$0.00	$ 0.01	$0.00	$ 1.86
Net Income (Loss)	($0.07)	$ 0.04	($0.18)	$ 1.91
Weighted average shares Basic	17,616	19,089	17,583	19,762
Weighted average shares Diluted	17,616	19,413	17,583	19,862

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

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PCTEL, Inc.
Condensed Consolidated Statements of Cash Flows
(unaudited, in thousands)

	Six Months Ended June 30,	
	2009	2008
	(Restated)	
Operating Activities:		
Net (loss) income	$ (3,156)	$ 37,885
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Income from discontinued operations		(36,878)
Depreciation and amortization	2,209	1,915
Impairment charge	1,485	
Amortization of stock based compensation	1,967	2,562
Loss from investments		461
Gain on sale of assets and related royalties	(400)	(400)
(Gain) loss on disposal/sale of property and equipment	17	(2)
Restructuring costs	166	(1,239)
Loss on sale of product lines and related note receivable	454	
Payment of withholding tax on stock based compensation	(746)	(729)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	4,589	2,583
Inventories	1,331	35
Prepaid expenses and other assets	(245)	709
Accounts payable	(1,238)	1,013
Income taxes payable	(347)	134
Other accrued liabilities	(2,217)	(1,484)
Deferred tax assets	147	
Deferred revenue	(30)	(13)
Net cash provided by operating activities	3,986	6,552
Investing Activities:		
Capital expenditures	(466)	(938)
Proceeds from disposal of property and equipment		5
Purchase of investments	(13,687)	(6,475)
Redemptions/maturities of short-term investments	7,810	18,475
Proceeds on sale of assets and related royalties	400	400
Purchase of assets/businesses, net of cash acquired	(2,260)	(3,930)
Net cash (used in) provided by investing activities	(8,203)	7,537
Financing Activities:		
Proceeds from issuance of common stock	200	712
Payments for repurchase of common stock	(578)	(24,625)

Tax benefit from stock option exercises		1,508
Cash dividend		(10,294)
Repayments of short-term borrowings		(111)
Net cash used in financing activities	(378)	(32,810)
Cash flows from discontinued operations:		
Net cash used in operating activities		(105)
Net cash provided by investing activities		50,358
Net cash provided by financing activities		
Net (decrease) increase in cash and cash equivalents	(4,595)	31,532
Effect of exchange rate changes on cash	18	(6)
Cash and cash equivalents, beginning of year	44,766	26,632
Cash and Cash Equivalents, End of Period	$ 40,189	$ 58,158

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

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PCTEL, Inc.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three Months Ended June 30, 2009
(UNAUDITED)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared 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. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009. For further information, refer to the audited consolidated financial statements and footnotes thereto included in the company s annual report on Form 10-K for the year ended December 31, 2008.

Nature of Operations

PCTEL focuses on wireless broadband technology related to propagation and optimization. The company designs and develops innovative antennas that extend the reach of broadband and other wireless networks and that simplify the implementation of those networks. The company provides highly specialized software-defined radios that facilitate the design and optimization of broadband wireless networks. The company supplies its products to public and private carriers, wireless infrastructure providers, wireless equipment distributors, value added resellers (VARs) and other original equipment manufacturers (OEMs).

On January 5, 2009, the company acquired all of the outstanding share capital of Wi-Sys Communications Inc. (Wi-Sys), a Canadian manufacturer of products for GPS, terrestrial and satellite communication systems, including programmable GPS receivers and high performance antennas. During the second quarter 2009, the company exited the Canadian facility and fully integrated the Wi-Sys product lines into the company s antenna product operations in Bloomingdale, Illinois. During the three months ended June 30, 2009, the company incurred a restructuring charge of $0.2 million for employee severance, lease termination costs, and disposition of assets.

On March 14, 2008, the company acquired the assets of Bluewave Antenna Systems, Ltd (Bluewave). The Bluewave product line augments the company s Land Mobile Radio (LMR) antenna product line.

On October 9, 2008, the company sold four of its antenna product families to Sigma Wireless Technology Ltd, a Scotland based company (SWTS). The four antenna product families represent the remaining antenna products from the company s acquisition of Sigma Wireless Technologies Limited (Sigma) in 2005. Sigma and SWTS are not related.

The company also has a reporting unit that licenses an intellectual property portfolio in the area of analog modem technology. As of June 30, 2009, the revenues and cash flows associated with this reporting unit are substantially complete. Based on the financial information for 2009 and for comparable periods, this reporting unit does not meet the quantitative threshold requirements of a reportable segment in accordance with Statement of Financial Accounting Standard (FAS) No. 131, *Disclosure about Segments of an Enterprise and Related Information* (FAS 131). As such, the results for licensing are aggregated with the rest of the company.

On December 10, 2007, the company entered into an Asset Purchase Agreement with Smith Micro Software, Inc. (Smith Micro), to sell substantially all the assets of its Mobility Solutions Group (MSG). On January 4, 2008, the company completed the sale of MSG. As required by GAAP, the condensed consolidated financial statements separately reflect the MSG operations as discontinued operations for all periods presented.

Basis of Consolidation and Foreign Currency Translation

The condensed consolidated balance sheet as of June 30, 2009 and the condensed consolidated statements of operations and cash flows for the three months and six months ended June 30, 2009 and 2008 are unaudited and reflect all adjustments of a normal recurring nature that are, in the opinion of management, necessary for a fair presentation of the interim period financial statements.

The condensed consolidated financial statements include the accounts of the company and its subsidiaries. All intercompany accounts and transactions have been eliminated. The unaudited interim condensed consolidated financial statements of the company have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United

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States of America have been condensed or omitted. The significant accounting policies followed by the company are set forth within the company s Annual Report on Form 10-K for the year ended December 31, 2008. There were no changes in the company s significant accounting policies during the three months and six months ended June 30, 2009. In addition, the company reaffirms the use of estimates in the preparation of the financial statements as set forth in the 2008 Form 10-K. These interim condensed consolidated financial statements should be read in conjunction with the company s audited consolidated financial statements and notes thereto included in the 2008 Form 10-K.

The company is exposed to foreign currency fluctuations due to our foreign operations and international sales. The functional currency for the company s foreign operations is predominantly the applicable local currency. Accounts of foreign operations are translated into U.S. dollars using the exchange rate in effect at the applicable balance sheet date for assets and liabilities and average monthly rates prevailing during the period for revenue and expense accounts. Adjustments resulting from translation are included in accumulated other comprehensive income, a separate component of shareholders equity. Gains and losses resulting from other transactions originally in foreign currencies and then translated into U.S. dollars are included in net income (loss). Net foreign exchange gains (losses) resulting from foreign currency transactions included in other income, net were ($4) and ($34) for the three months and six months ended June 30, 2009 respectively. Net foreign exchange gains resulting from foreign currency transactions included in other income, net were $52 and $218 for the three months and six months ended June 30, 2008, respectively

2. Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162)* (The Codification). The Codification, which was launched on July 1, 2009, became the single source of authoritative nongovernmental U.S. GAAP, superseding existing FASB, American Institute of Certified Public Accountants, Emerging Issues Task Force (EITF) and related literature. The Codification eliminates the GAAP hierarchy contained in FAS 162 and establishes one level of authoritative GAAP. All other literature is considered non-authoritative. This Statement is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The company will adopt this Statement for its quarter ending September 30, 2009. There will be no change to the company s consolidated financial statements due to the implementation of this Statement.

In June 2009, the FASB issued SFAS 166, *Accounting for Transfers of Financial Assets An Amendment of FASB Statement No. 140* (FAS 166) which will require entities to provide more information about sales of securitized financial assets and similar transactions, particularly if the seller retains risk related to the assets. The statement eliminates the concept of a qualifying special-purpose entity, changes the requirements for the de-recognition of financial assets, and calls upon sellers of the assets to make additional disclosures about them. FAS 166 is effective for fiscal years beginning after November 15, 2009. The company does not expect the adoption of FAS 166 to have a material impact on the consolidated financial statements

In June 2009, FASB issued SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)* (FAS 167). FAS 167 amends FIN 46(R), *Consolidation of Variable Interest Entities (revised December 2003) an interpretation of ARB No. 51* (FIN 46(R)) to require an enterprise to perform an analysis to determine whether the enterprise s variable interest or interests give it a controlling financial interest in a variable interest entity. This analysis identifies the primary beneficiary of a variable interest entity as one with the power to direct the activities of a variable interest entity that most significantly impact the entity s economic performance and the obligation to absorb losses of the entity that could potentially be significant to the variable interest. SFAS No. 167 will be effective as of the beginning of the annual reporting period commencing after November 15, 2009 and will be adopted by the Company in the first quarter of 2010. The company does not expect the adoption of FAS 167 to have a material impact on the consolidated financial statements

In May 2009, the FASB issued SFAS No. 165, (*Subsequent Events*) (FAS 165). FAS 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. FAS 165 is effective for interim or annual financial periods ending after June 15, 2009 and was adopted by the company in the second quarter 2009. The adoption of FAS 165 did not have a material effect on the condensed consolidated financial statements. In accordance with FAS 165, the company reviewed for subsequent events through August 7, 2009.

In April 2009, the FASB issued FASB Staff Position (FSP) No. FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* (FSP 157-4). This FSP provides additional guidance for estimating fair value in accordance with FAS No. 157, *Fair Value Measurements* , when the volume and level of activity for the asset or liability have significantly decreased. This FSP also includes guidance on identifying circumstances that indicate a transaction is not orderly. This FSP emphasizes that even if there has been a significant decrease in the volume and level of activity for the asset or liability and regardless of the valuation technique(s) used, the objective of a fair value measurement remains the same. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. FSP 157-4 is effective for interim and annual reporting periods ending after June 15, 2009, and was adopted by the company in the second quarter 2009. The adoption FSP 157-4 did not have a material effect on the condensed consolidated financial statements.

In April 2009, the FASB issued FSP No. 107-1 and Accounting Principles Board (APB) Opinion No. 28-1, *Interim Disclosures about Fair Value of Financial Instruments* (FSP 107-1 and APB 28-1). This FSP amends SFAS No. 107, *Disclosures about Fair Value of Financial Instruments* (FAS 107), to require an entity to provide disclosures about fair value of financial instruments in interim financial information. This FSP also amends APB Opinion No. 28, *Interim Financial Reporting* , to require those disclosures in summarized financial information at interim reporting periods. Under this FSP, a publicly traded company shall include disclosures about the fair value of its financial instruments whenever it issues summarized financial information for interim reporting periods. In addition, an entity shall disclose in the body or in the accompanying notes of its summarized financial information for interim reporting periods and in its financial statements for annual reporting periods the fair value of all financial instruments for which it is practicable to estimate that value, whether recognized or not recognized in the statement of financial position, as required by FAS 107. FSP 107-1 and APB 28-1 is effective for interim and annual reporting periods ending after June 15, 2009, and was adopted by the company in the second quarter 2009. The adoption FAS 107-1 and APB 28-1 did not have a material effect on the condensed consolidated financial statements.

In April 2009, the FASB issued FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* (FSP FAS 115-2 and FAS 124-2). FSP FAS 115-2 and FAS 124-2 amend the other-than-temporary impairment guidance for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. FSP FAS 115-2 and FAS 124-2 do not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities. FSP FAS 115-2 and FAS 124-2 is effective for interim and annual reporting periods ending after June 15, 2009, and was adopted by the company in the second quarter 2009. The adoption FAS 115-2 and FAS 124-2 did not have a material effect on the condensed consolidated financial statements.

In April 2008, the FASB issued FASB Staff Position No. FAS 142-3, *Determination of the Useful Life of Intangible Assets* (FSP No. FAS 142-3). FSP No. FAS 142-3 requires companies estimating the useful life of a recognized intangible asset to consider their historical experience in renewing or extending similar arrangements or, in the absence of historical experience, to consider assumptions that market participants would use about renewal or extension. FSP No. FAS 142-3 will be effective for fiscal years beginning after December 15, 2008. The company adopted FSP No. FAS 142-3 in the first quarter 2009. The adoption of SFAS FSP No. FAS 142-3 did not have a material impact on the consolidated financial statements.

In December 2007, the FASB issued FAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements* (FAS 160), an amendment of Accounting Research Bulletin No. 51, *Consolidated Financial Statements* . FAS 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Minority interests will be recharacterized as noncontrolling interests and will be reported as a component of equity separate from the parent s equity, and purchases or sales of equity interests that do not result in a change in control will be accounted for as equity transactions. In addition, net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement and upon a loss of control, the interest sold, as well as any interest retained, will be recorded at fair value with any gain or loss recognized in earnings. This pronouncement is effective for fiscal years beginning after December 15, 2008. The company adopted FAS 160 in the first quarter 2009. The adoption of FAS 160 did not have a material impact on the consolidated financial statements.

3. Balance Sheet Data

Cash and Cash equivalents

At June 30, 2009, cash and cash equivalents included bank balances and investments with original maturities less than 90 days. At June 30, 2009 and December 31, 2008, the company s cash equivalents were invested in highly liquid AAA money market funds that are required to comply with Rule 2a-7 of the Investment Company Act of 1940. Such funds utilize the amortized cost method of accounting, seek to maintain a constant $1.00 per share price, and are redeemable upon demand. The company restricts its investments in money market funds to those invested 100% in either short term U.S. Government Agency securities, or bank repurchase agreements collateralized by the these same securities. The fair values of these money market funds are established through quoted prices in active markets for identical assets (Level 1 inputs). Approximately $24.3 million and $38.9 million of the company s cash and cash equivalents were insured through the Treasury Guarantee Program at June 30, 2009 and at December 31, 2008, respectively.

The company had cash equivalents in foreign bank accounts of $2.0 million and $1.8 million at June 30, 2009 and December 31, 2008, respectively.

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Investments

At June 30, 2009 and December 31, 2008, the company s short-term and long-term investments consisted of pre-refunded municipal bonds, U.S. Government Agency bonds, AA rated corporate bonds, and shares in a Bank of America affiliated fund, the Columbia Strategic Cash Portfolio (CSCP),

CSCP

At June 30, 2009, the company s shares of the CSCP had a recorded value of approximately $5.6 million. The CSCP is an enhanced cash money market fund that has been negatively impacted by the turmoil in the credit markets. This investment is classified as available for sale and is carried at fair value. In December 2007, the CSCP was closed to new subscriptions and redemptions, and changed its method of valuing shares from the amortized cost method to the market value of the underlying securities of the fund. The CSCP manager is in the process of liquidating the fund and returning cash to the shareholders. During the six months ended June 30, 2009, the company received share redemption payments of approximately $3.3 million, and recorded in comprehensive income unrealized gains of $0.3 million, in net asset value from the CSCP marking the underlying assets of the fund to market. Starting in December 2007 and through June 30, 2009, the company has recorded cumulative losses on its CSCP investment of $2.6 million. At June 30, 2009, approximately $1.7 million of these losses had been realized through share liquidation payments and approximately $0.9 million remains unrealized. Future impairment charges may result until the fund is fully liquidated, depending on market conditions.

The CSCP fund manager provides a report of the CSCP fund share net asset value to shareholders on a daily basis, a report of the CSCP underlying securities holdings on a monthly basis, and a report of the liquidation status on a monthly basis. The CSCP fund shares are not tradable. In order to determine the fund s net asset value, the CSCP fund manager utilizes a combination of unadjusted quoted prices in active markets for identical assets (Level 1 inputs), unadjusted quoted prices for identical or similar assets in both active and inactive markets (Level 2 inputs), and unobservable inputs for distressed assets (Level 3 inputs). They do not disclose the amount of net asset value attributable to each level. The net asset value per fund share provided by the CSCP fund manager is used by management as the basis for its determination of fair value of the CSCP fund shares. The company classifies that input in its entirety at the lowest level of the inputs used by the CSCP fund manager (Level 3). Based on the total assets in the fund, the underlying assets of the $5.6 million investment in the fund at June 30, 2009 consist of approximately $1.3 million of cash and accrued interest and $4.3 million of asset backed securities primarily in the areas of residential mortgages, credit card debt, and auto loans. At June 30, 2009, approximately 95% of the CSCP holdings were in cash, accrued interest and securities with an S&P rating of A or better. Five percent of the fund s holdings are comprised of securities with S&P ratings of lower than A or were not rated.

Based on the continued illiquidity of the commercial paper market, management believes that the most accurate estimate of the CSCP liquidation schedule is found in the weighted average lives of the CSCP fund s underlying securities, adjusted for an allowance for the historical accuracy of the weighted average lives. Based on that methodology, the company classified approximately $3.9 million of the CSCP investment as short-term investment securities and approximately $1.7 million as long-term investment securities in the condensed consolidated balance sheets at June 30, 2009. The company expects the liquidation of the long-term investment portion could take years to complete.

Bonds

The company has invested $31.6 million in pre-refunded municipal bonds and U.S. Government Agency bonds and $2.1 million of AA rated corporate bonds. The income and principal from the pre-refunded bonds is secured by an irrevocable trust of U.S Treasury securities. The bonds classified as short-term investments have original maturities greater than 90 days and mature in less than one year. The company classified $9.8 million as long-term investment securities because the original maturities were greater than one year. Of this total, $5.2 million mature in 2010 and $4.6 million mature in 2011. The bonds are classified as held to maturity and are carried at amortized cost. At June 30, 2009, approximately 23% of the company s bonds were protected by bond default insurance.

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Cash equivalents and investments consist of the following:

	June 30, 2009	December 31, 2008
Cash and cash equivalents	$ 40,189	$44,766
Bonds:		
Short-term	23,816	13,600
Long-term	9,836	10,930
Available for sale securities:		
Short-term	3,952	4,235
Long-term	1,656	4,328
Total	$ 79,449	$77,859

The financial assets are measured for fair value on a recurring basis. The fair value measurements of the financial assets at June 30, 2009 were as follows:

	Quoted at Prices in Active Markets for Identical Assets (Level 1)	Signficant Other Unobservable Inputs (Level 3)	Total
Cash equivalents	$38,423	$	$ 38,423
Bonds:			
Short-term	23,922		23,922
Long-term	9,973		9,973
Available for sale securities:			
Short-term		3,952	3,952
Long-term		1,656	1,656
Total	$72,318	$5,608	$ 77,926

The bonds and cash equivalents are carried at amortized cost on the company s condensed consolidated balance sheets. The activity related to the assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) was as follows for the six months ended June 30, 2009:

	Short-term investment securities	Long-term investment securities	Total investment securities
Balance at December 31, 2008	$ 4,235&nbs		