

EPIQ SYSTEMS INC

FORM 8-K

(Current report filing)

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Address	501 KANSAS AVENUE KANSAS CITY, KS 66105-1309
Telephone	9136219500
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Symbol	EPIQ
SIC Code	7371 - Computer Programming Services
Industry	Software & Programming
Sector	Technology
Fiscal Year	12/31

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

July 27, 2010

Date of Report (Date of earliest event reported)

EPIQ Systems, Inc.

(Exact name of registrant as specified in its charter)

Missouri
(State or other jurisdiction
of incorporation)

000-22081
(Commission
File Number)

48-1056429
(IRS Employer
Identification No.)

501 Kansas Avenue, Kansas City, Kansas 66105
(Address of principal executive offices)

(913) 621-9500
(Registrant's telephone number, including area code)

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On July 27, 2010, Epiq Systems, Inc. issued a press release announcing its financial results for the three and six months ended June 30, 2010. The full text of the press release (including financial tables) is attached as Exhibit 99.1 to this report and is incorporated herein by reference.

The press release includes the following non-GAAP financial measures: (i) non-GAAP net income (net income adjusted for amortization of acquisition intangibles, share-based compensation, acquisition expense, capitalized loan fee amortization, provision for litigation, non-cash embedded option charges, and the effect of tax adjustments that are outside of the company's anticipated effective tax rate, all net of tax), (ii) non-GAAP earnings per share, calculated as non-GAAP net income on a fully diluted per share basis, and (iii) non-GAAP adjusted EBITDA (net income adjusted for depreciation, amortization, share-based compensation, acquisition expense, net expenses related to financing, provision for litigation, and provision for income taxes). Income taxes represent a complex element of a company's income statement and effective tax rates can vary widely between different periods. Epiq Systems uses a statutory tax rate of 40% to reflect income tax adjustments in presentation of its non-GAAP net income and non-GAAP earnings per share. Utilization of a statutory tax rate for presentation of the non-GAAP measures is done to allow a consistent basis for investors to understand financial performance across historical periods and to allow a comparison with other companies, many of whom use similar non-GAAP financial measures to supplement their GAAP results.

These non-GAAP financial measures are intended to supplement the GAAP financial information included in the press release by providing additional insight regarding results of operations. These non-GAAP financial measures are reconciled in the press release to the most directly comparable measures as reported in accordance with GAAP, and should be viewed in addition to, and not in lieu of, such comparable financial measures.

Management of Epiq Systems uses these non-GAAP financial measures, together with GAAP results, as it assesses current and prospective

operating results and for assessing anticipated operating results for potential acquisitions. The compensation committee has used non-GAAP financial measures in evaluating the performance of management and in determining executive bonuses. Management of Epiq Systems believes these non-GAAP measures may be useful to investors by comparing the results of operations of the company without the effect of these items. Certain items are excluded from these non-GAAP financial measures to provide additional comparability measures from period-to-period. These non-GAAP financial measures will not be defined in the same manner by all companies and may not be comparable to other companies.

The information in Item 2.02 of this report and in the exhibit attached hereto is not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section. The information contained in this Item 2.02 and in the accompanying exhibit is not incorporated by reference into any filing with the SEC made by the registrant, whether made before or after the date hereof, except as otherwise expressly stated by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits.

The following exhibit is filed as part of this report:

<u>Exhibit No.</u>	<u>Description</u>
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99.1	Epiq Systems, Inc. Press Release issued July 27, 2010, reporting quarter ended June 30, 2010 financial results.
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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

EPIQ Systems, Inc.

Date: July 27, 2010

By: /s/ TOM W. OLOFSON

Name: Tom W. Olofson

Title: Chairman of the Board and Chief Executive Officer

Epiq Systems Announces Second Quarter 2010 Results Led by 38% Growth in Operating Revenue for eDiscovery

KANSAS CITY, Kan., July 27, 2010 (GLOBE NEWSWIRE) -- Epiq Systems, Inc. (Nasdaq:EPIQ) today announced results of operations for the second quarter of 2010 with operating revenue (total revenue before operating revenue from reimbursed direct costs) of \$56.0 million compared to \$57.1 million for the same period last year. June 30, 2010 year-to-date operating revenue was \$105.2 million compared to \$109.8 million for the prior year. Operating revenue in the second quarter reflects a new all-time high of \$19.8 million for the eDiscovery segment and continued strength in the Bankruptcy segment. The year-over-year comparisons of total operating revenue reflect the planned conclusion of the major analog-to-digital television conversion contract that was completed in the latter part of 2009.

Second quarter highlights also included the retirement of the approximately \$50 million aggregate principal amount of 4 percent contingent convertible subordinated notes. In addition, the Board of Directors approved the Company's first quarterly cash dividend of 3.5 cents per common share and announced a share repurchase program authorizing up to \$35 million in share repurchases.

Net income for the second quarter of 2010 was \$3.9 million, \$0.10 per share, up 36% compared to \$2.9 million, \$0.08 per share, for the year ago quarter. June 30, 2010 year-to-date net income was \$6.3 million, \$0.16 per share, compared to \$6.2 million, \$0.16 per share, for the prior year. June 30, 2010 year-to-date net income includes a \$1.6 million provision for a voluntary settlement related to a shareholder derivative action.

Second quarter 2010 net cash provided by operating activities was \$11.1 million compared to \$18.5 million for the year ago quarter. June 30, 2010 year-to-date net cash provided by operations was \$16.3 million compared to \$21.0 million for the prior year. As of June 30, 2010, trade accounts receivables totaled \$55.6 million, up \$12.1 million from December 31, 2009 related to fluctuations in the timing of sales and collections. Total cash and cash equivalents of \$29.0 million as of June 30, 2010, reflects the \$22.8 million that was paid in the redemption of the contingent convertible subordinated notes that did not convert to shares. Condensed consolidated balance sheets and cash flow statements are attached.

Non-GAAP net income for the second quarter of 2010 was \$7.2 million, \$0.18 per share, up 7% compared to \$6.8 million, \$0.17 per share, for the year ago quarter. June 30, 2010 year-to-date non-GAAP net income was \$13.4 million, \$0.34 per share, compared to \$13.1 million, \$0.33 per share, for the prior year.

Second quarter 2010 non-GAAP adjusted EBITDA was \$17.2 million, up 11% compared to \$15.5 million for the year ago quarter. June 30, 2010 year-to-date non-GAAP adjusted EBITDA was \$33.2 million, up 7% compared to \$31.0 million for the prior year.

Operating revenue for the Bankruptcy segment for the second quarter of 2010 was \$24.4 million, compared to \$24.1 million for the year ago quarter. June 30, 2010 year-to-date operating revenue was \$49.0 million, up 18% compared to \$41.4 million in the prior year. Non-GAAP adjusted EBITDA was \$13.2 million for the second quarter of 2010, up 6% compared to \$12.5 million for the year ago quarter. June 30, 2010 year-to-date non-GAAP adjusted EBITDA was \$26.9 million, up 29% compared to \$20.9 million in the prior year. The strong financial results for the segment reflect both the high number of active matters and the multi-year nature of most restructuring engagements. Revenue for Chapter 7 engagements continues to reflect the results of increased bankruptcy filings and high aggregate deposit balances, offset by pricing formulas that reference short-term interest rates.

Operating revenue for the eDiscovery segment for the second quarter of 2010 was \$19.8 million, up 38% compared to \$14.3 million for the year ago quarter. The second quarter represents the strongest quarterly result in the history of each of the company's domestic and international eDiscovery businesses, and also marked the third consecutive sequential quarterly increase in operating revenue for the segment. June 30, 2010 year-to-date operating revenue was \$36.6 million, up 29% compared to \$28.4 million in the prior year. Second quarter 2010 non-GAAP adjusted EBITDA was \$8.7 million, up 97% compared to \$4.4 million for the year ago quarter. June 30, 2010 year-to-date non-GAAP adjusted EBITDA was \$15.6 million, up 67% compared to \$9.3 million in the prior year. Higher case activity levels and a growing contribution from new service offerings contributed to the growth.

Operating revenue for the Settlement Administration segment for the second quarter of 2010 was on target with plan at \$11.8 million compared to \$18.7 million in the year ago quarter. On a sequential quarterly basis, the second quarter represented a 53% increase compared to \$7.7 million in the first quarter of 2010. June 30, 2010 year-to-date operating revenue was \$19.6 million compared to \$40.0 million in the prior year. Non-GAAP adjusted EBITDA was \$2.8 million for the second quarter of 2010 compared to \$5.2 million for the year ago quarter. June 30, 2010 year-to-date non-GAAP adjusted EBITDA was \$3.7 million, compared to \$12.0 million in the prior year. The comparison in segment results versus the prior year reflects the conclusion of the large analog-to-digital television conversion contract that completed as expected in the latter part of 2009.

Tom W. Olofson, chairman and CEO, and Christopher E. Olofson, president and COO of Epiq Systems, stated, "Strong second quarter results were highlighted by record performance of the eDiscovery segment. eDiscovery experienced significantly increased performance both domestically and internationally and is benefiting from the 2009 launch of domestic document review services. Earlier this month, we extended this business line by opening a new review center in London to support United Kingdom and European clients. Additionally, activity for corporate restructuring engagements remains strong as our bankruptcy franchise continues to benefit from a strong inventory. We are pleased

with having captured the number one market share for newly filed Chapter 11 engagements in 2010. The retirement of our convertible note earlier in the summer, the announcement of our first cash dividend, and the implementation of a share buyback program favorably complement the operational activities of the quarter for our shareholders."

Recent key events include:

- The second quarter represented new record operating revenue highs for both the domestic and international eDiscovery businesses.
- Epiq's corporate restructuring business achieved the number one market share for new corporate restructuring engagements for the first six months of 2010.
- The company expanded document review services by opening a new review center in London to assist international and multi-national law firms and corporate clients with the efficient and timely management of their e-disclosure and e-discovery processes.
- Epiq retired the approximately \$50.0 million aggregate principal amount of 4 percent contingent convertible subordinated notes which matured on June 15, 2010. The note holders elected to convert approximately \$27.2 million of the notes into 2.3 million shares of common stock based on an \$11.67 conversion price, and to redeem approximately \$22.8 million, which was paid entirely from cash on hand.
- Epiq's Board of Directors approved the company's first quarterly cash dividend of 3.5 cents per common share. The quarterly dividend is payable August 12, 2010 to shareowners of record at the close of business on July 15, 2010.
- On June 23, 2010, a share repurchase program was approved by the Board of Directors, authorizing up to \$35 million in share repurchases. Through July 23, 2010, the company purchased 1,063,467 shares of common stock at a weighted average cost of \$12.92 for a total expenditure of approximately \$13.74 million.
- Epiq's senior credit facility was amended for an additional four year period, increasing the amount of funds available from \$100 million to \$140 million with an accordion feature to increase to \$200 million to facilitate future business expansion.
- As reported by the Administrative Office of the U.S. Courts, bankruptcy filings totaled 1,531,997 for the 12 month period ended March 31, 2010, up 27% versus the same period in 2009. This is the highest number of total bankruptcy filings since the 12 month period ending March 31, 2006, which was just prior to when many of the provisions of the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 took effect.

Conference Call

The company will host a conference call today at 3:30 p.m. central time to discuss these results. The internet broadcast of the call can be accessed at www.epiqsystems.com. To listen by phone, please call (877) 303-6311 before 3:30 p.m. central time. An archive of the internet broadcast will be available on the company's website until the next earnings update. A recording of the call will also be available through August 27, 2010 beginning approximately two hours after the call ends. To access the recording, call (800) 642-1687 and enter conference ID number 86127352.

Company Description

Epiq Systems is a leading global provider of integrated technology solutions for the legal profession. Our solutions streamline the administration of bankruptcy, litigation, financial transactions and regulatory compliance matters. We offer innovative technology solutions for electronic discovery, document review, legal notification, claims administration and controlled disbursement of funds. Our clients include leading law firms, corporate legal departments, bankruptcy trustees, government agencies and other professional advisors who require innovative technology, responsive service and deep subject-matter expertise.

The Epiq Systems, Inc. logo is available at <http://www.globenewswire.com/newsroom/prs/?pkgid=5250>

Use of Non-GAAP Financial Measures

This press release includes the following non-GAAP financial measures: (i) non-GAAP net income (net income adjusted for amortization of acquisition intangibles, share-based compensation, acquisition expense, capitalized loan fee amortization, provision for litigation, non-cash embedded option charges, and the effect of tax adjustments that are outside of the company's anticipated effective tax rate, all net of tax), (ii) non-GAAP earnings per share, calculated as non-GAAP net income on a fully diluted per share basis, and (iii) non-GAAP adjusted EBITDA (net income adjusted for depreciation, amortization, share-based compensation, acquisition expense, net expenses related to financing, provision for litigation, and provision for income taxes). Income taxes represent a complex element of a company's income statement and effective tax rates can vary widely between different periods. Epiq Systems uses a statutory tax rate of 40% to reflect income tax adjustments in presentation of its non-GAAP net income and non-GAAP earnings per share. Utilization of a statutory tax rate for presentation of the non-GAAP measures is done to allow a consistent basis for investors to understand financial performance across historical periods and to allow a comparison with other companies, many of whom use similar non-GAAP financial measures to supplement their GAAP results.

These non-GAAP financial measures are intended to supplement the GAAP financial information included in this press release by providing additional insight regarding results of operations. These non-GAAP financial measures are reconciled in the accompanying tables to the most directly comparable measures as reported in accordance with GAAP, and should be viewed in addition to, and not in lieu of, such comparable financial measures.

Forward-looking and Cautionary Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act, including those relating to the possible or assumed future results of our operations and financial condition. These forward-looking statements are based on our current expectations and may be identified by terms such as "believe," "expect," "anticipate," "should," "planned," "may," "estimated," "goal," "objective" and "potential." Because forward-looking statements involve future risks and uncertainties, listed below are a variety of factors that could cause actual results and experience to differ materially from the anticipated results or other expectations expressed in our forward-looking statements. These factors include (1) any material changes in our total number of client engagements and the volume associated with each engagement, (2) any material changes in our client's deposit portfolio or the services required or selected by our clients in engagements, (3) material changes in the number of bankruptcy filings, class action filings or mass tort actions each year, (4) risks associated with handling of confidential data and compliance with information privacy laws, (5) changes in or the effects of pricing structures and arrangements, (6) risks associated with the integration of acquisitions into our existing business operations, (7) risks associated with indebtedness, (8) risks associated with foreign currency fluctuations, (9) risks associated with developing and providing software and internet-based technology solutions to our clients, and (10) other risks detailed from time to time in our SEC filings, including our annual report on Form 10-K. In addition, there may be other factors not included in our SEC filings that may cause actual results to differ materially from any forward-looking statements. We undertake no obligations to update publicly or revise any forward-looking statements contained herein to reflect future events or developments.

EPIQ SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
REVENUE:				
Case management services	\$ 39,137	\$ 35,812	\$ 74,048	\$ 70,346
Case management bundled products and services	4,779	3,476	9,586	6,803
Document management services	12,123	17,851	21,516	32,603
Operating revenue before reimbursed direct costs	56,039	57,139	105,150	109,752
Operating revenue from reimbursed direct costs	9,894	9,051	16,154	17,266
Total Revenue	65,933	66,190	121,304	127,018
OPERATING EXPENSES:				
Direct cost of services (exclusive of depreciation and amortization shown separately below)	16,448	19,723	31,752	39,393
Direct cost of bundled products and services (exclusive of depreciation and amortization shown separately below)	928	855	1,838	1,710
Reimbursed direct costs	9,629	9,035	15,833	17,082
General and administrative	23,900	23,844	44,113	42,151
Depreciation and software and leasehold amortization	5,246	4,552	10,447	9,066
Amortization of identifiable intangible assets	1,696	1,818	3,516	3,754
Other operating expense	25	13	69	484
Total Operating Expenses	57,872	59,840	107,568	113,640
INCOME FROM OPERATIONS	8,061	6,350	13,736	13,378
INTEREST EXPENSE (INCOME):				
Interest expense	328	365	724	738
Interest income	(13)	(16)	(22)	(51)
Net Interest Expense	315	349	702	687
INCOME BEFORE INCOME TAXES	7,746	6,001	13,034	12,691

PROVISION FOR INCOME TAXES	<u>3,831</u>	<u>3,115</u>	<u>6,784</u>	<u>6,527</u>
NET INCOME	<u>\$ 3,915</u>	<u>\$ 2,886</u>	<u>\$ 6,250</u>	<u>\$ 6,164</u>
NET INCOME PER SHARE INFORMATION:				
Net income per share – Diluted	\$ 0.10	\$ 0.08	\$ 0.16	\$ 0.16
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING – DILUTED				
	41,105	41,854	41,339	41,895
Cash dividends declared per common share	\$ 0.035	--	\$ 0.035	--

EPIQ SYSTEMS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

	June 30, 2010	December 31, 2009
ASSETS		
ASSETS:		
Cash and cash equivalents	\$ 28,962	\$ 48,986
Trade accounts receivable, net	55,611	43,471
Property and equipment, net	40,703	40,005
Goodwill	263,999	264,239
Other intangibles, net	15,988	19,524
Other	<u>29,740</u>	<u>21,716</u>
TOTAL ASSETS	<u>\$ 435,003</u>	<u>\$ 437,941</u>

LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Accounts payable	\$ 12,481	\$ 8,260
Indebtedness	5,888	58,798
Other liabilities	55,715	44,485
STOCKHOLDERS' EQUITY	<u>360,919</u>	<u>326,398</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 435,003</u>	<u>\$ 437,941</u>

EPIQ SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

Three months ended Six months ended

	June 30,		June 30,	
	2010	2009	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	\$ 3,915	\$ 2,886	\$ 6,250	\$ 6,164
Non-cash adjustments to net income:				
Depreciation and amortization	6,942	6,370	13,963	12,820
Other, net	(1,244)	3,392	133	4,994
Changes in operating assets and liabilities, net	1,486	5,842	(4,070)	(2,988)
Net cash provided by operating activities	<u>11,099</u>	<u>18,490</u>	<u>16,276</u>	<u>20,990</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Property and equipment, software and other	<u>(6,627)</u>	<u>(3,342)</u>	<u>(9,838)</u>	<u>(10,293)</u>
Net cash used in investing activities	<u>(6,627)</u>	<u>(3,342)</u>	<u>(9,838)</u>	<u>(10,293)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Net payments on indebtedness	(25,496)	(2,409)	(25,747)	(3,319)
Other	<u>(824)</u>	<u>1,201</u>	<u>(731)</u>	<u>1,865</u>
Net cash used in financing activities	<u>(26,320)</u>	<u>(1,208)</u>	<u>(26,478)</u>	<u>(1,454)</u>
Effect of exchange rate changes on cash	<u>1</u>	<u>(23)</u>	<u>16</u>	<u>(34)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>\$ (21,847)</u>	<u>\$ 13,917</u>	<u>\$ (20,024)</u>	<u>\$ 9,209</u>

EPIQ SYSTEMS, INC.

**RECONCILIATION OF NET INCOME TO
NON-GAAP ADJUSTED EBITDA**

(In thousands)
(Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
NET INCOME	\$ 3,915	\$ 2,886	\$ 6,250	\$ 6,164
Plus:				
Depreciation and amortization	6,942	6,370	13,963	12,820
Share-based compensation	2,191	2,784	3,827	4,256
Acquisition expense	25	18	69	507
Expenses related to financing, net	315	349	702	687
Provision for litigation	(1)	--	1,574	--
Provision for income taxes	<u>3,831</u>	<u>3,115</u>	<u>6,784</u>	<u>6,527</u>
	<u>13,303</u>	<u>12,636</u>	<u>26,919</u>	<u>24,797</u>
NON-GAAP ADJUSTED EBITDA	<u>\$ 17,218</u>	<u>\$ 15,522</u>	<u>\$ 33,169</u>	<u>\$ 30,961</u>

EPIQ SYSTEMS, INC.

**RECONCILIATION OF NET INCOME
TO NON-GAAP NET INCOME**

(In thousands, except per share data)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
NET INCOME	\$ 3,915	\$ 2,886	\$ 6,250	\$ 6,164
Plus (net of tax ⁽¹⁾) :				
Amortization of acquisition intangibles	1,018	1,100	2,119	2,271
Share-based compensation	1,698	2,246	2,827	3,300
Acquisition expense	15	10	42	306
Loan fee amortization	59	52	111	104
Provision for litigation	(1)	--	952	--
Non-cash embedded option charges	(201)	(243)	(445)	(487)
Effective tax rate adjustment ⁽²⁾	733	715	1,571	1,451
	<u>3,321</u>	<u>3,880</u>	<u>7,177</u>	<u>6,945</u>
NON-GAAP NET INCOME	<u>\$ 7,236</u>	<u>\$ 6,766</u>	<u>\$ 13,427</u>	<u>\$ 13,109</u>
NON-GAAP NET INCOME PER SHARE - DILUTED	<u>\$ 0.18</u>	<u>\$ 0.17</u>	<u>\$ 0.34</u>	<u>\$ 0.33</u>

(1) Individual adjustments are calculated using a tax rate of 40% except for the non-qualified portion of share-based compensation.

(2) The effective tax rate adjustment reflects a non-GAAP provision for income taxes at a rate of 40%.

EPIQ SYSTEMS, INC.
CALCULATION OF DILUTED NET INCOME PER SHARE AND
DILUTED NON-GAAP NET INCOME PER SHARE

(In thousands, except per share data)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
NET INCOME	\$ 3,915	\$ 2,886	\$ 6,250	\$ 6,164
Interest expense adjustment for convertible debt	239	301	537	599
Amounts re-allocated to nonvested shares	(15)	(23)	(21)	(33)
NET INCOME ADJUSTED FOR DILUTED CALCULATION	<u>\$ 4,139</u>	<u>\$ 3,164</u>	<u>\$ 6,766</u>	<u>\$ 6,730</u>
NON-GAAP NET INCOME	\$ 7,236	\$ 6,766	\$ 13,427	\$ 13,109
Interest expense adjustment for convertible debt	239	301	537	599
Amounts re-allocated to nonvested shares	(15)	(23)	(21)	(33)
NON-GAAP NET INCOME ADJUSTED FOR DILUTED CALCULATION	<u>\$ 7,460</u>	<u>\$ 7,044</u>	<u>\$ 13,943</u>	<u>\$ 13,675</u>
BASIC WEIGHTED AVERAGE SHARES	36,688	35,776	36,438	35,731

Adjustment to reflect share-based awards	1,015	1,792	1,059	1,878
Adjustment to reflect convertible debt shares	<u>3,402</u>	<u>4,286</u>	<u>3,842</u>	<u>4,286</u>
DILUTED WEIGHTED AVERAGE SHARES	<u>41,105</u>	<u>41,854</u>	<u>41,339</u>	<u>41,895</u>
NET INCOME PER SHARE – DILUTED	<u>\$ 0.10</u>	<u>\$ 0.08</u>	<u>\$ 0.16</u>	<u>\$ 0.16</u>
NON-GAAP NET INCOME PER SHARE - DILUTED	<u>\$ 0.18</u>	<u>\$ 0.17</u>	<u>\$ 0.34</u>	<u>\$ 0.33</u>

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