

Manitex International, Inc.
Form 10-Q
August 10, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2012

OR

.. **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: 001-32401

MANITEX INTERNATIONAL, INC.

(Exact Name of Registrant as Specified in Its Charter)

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Michigan
(State or Other Jurisdiction of

42-1628978
(I.R.S. Employer

Incorporation or Organization)

Identification Number)

9725 Industrial Drive, Bridgeview, Illinois 60455

(Address of Principal Executive Offices)

(Zip Code)

(708) 430-7500

(Registrant's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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 No

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

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

The number of shares of the registrant's common stock, no par, outstanding at August 10, 2012 was 12,227,631

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MANITEX INTERNATIONAL, INC.

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Table of Contents**PART 1 FINANCIAL INFORMATION****Item 1 Financial Statements****MANITEX INTERNATIONAL INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(In thousands, except for share and per share amounts)

	June 30, 2012 Unaudited	December 31, 2011 Unaudited
ASSETS		
Cash	\$ 1,728	\$ 71
Trade receivables (net)	35,054	23,913
Accounts receivable finance	330	394
Other receivables	3,062	2,284
Inventory (net)	53,332	42,307
Deferred tax asset	923	923
Prepaid expense and other	2,067	1,317
Total current assets	96,496	71,209
Accounts receivable finance	360	557
Total fixed assets (net)	10,358	11,017
Intangible assets (net)	19,051	20,153
Deferred tax asset	1,390	3,238
Goodwill	15,245	15,267
Other long-term assets	146	150
Total assets	\$ 143,046	\$ 121,591
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Notes payable short term	\$ 6,264	\$ 5,349
Revolving credit facilities	1,946	
Current portion of capital lease obligations	865	634
Accounts payable	26,865	18,421
Accounts payable related parties	532	470
Accrued expenses	6,799	4,946
Other current liabilities	922	357
Total current liabilities	44,193	30,177
Long-term liabilities		
Revolving term credit facilities	31,652	25,874
Deferred tax liability	4,825	4,825
Notes payable	4,442	6,335
Capital lease obligations	4,210	4,035
Deferred gain on sale of building	2,219	2,408
Other long-term liabilities	1,050	1,143

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Total long-term liabilities	48,398	44,620
Total liabilities	92,591	74,797
Commitments and contingencies		
Shareholders' equity		
Preferred Stock Authorized 150,000 shares, no shares issued or outstanding at June 30, 2012 and December 31, 2011		
Common Stock no par value, 20,000,000 shares authorized, 11,727,631 and 11,681,051 shares issued and outstanding at June 30, 2012 and December 31, 2011, respectively	48,979	48,571
Warrants		232
Paid in capital	1,133	1,098
Retained earnings (deficit)	161	(3,368)
Accumulated other comprehensive income	182	261
Total shareholders' equity	50,455	46,794
Total liabilities and shareholders' equity	\$ 143,046	\$ 121,591

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

Table of Contents**MANITEX INTERNATIONAL, INC.****CONSOLIDATED STATEMENTS OF INCOME**

(In thousands, except for share and per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012 Unaudited	2011 Unaudited	2012 Unaudited	2011 Unaudited
Net revenues	\$ 52,496	\$ 37,066	\$ 95,345	\$ 68,788
Cost of sales	41,740	29,588	76,013	54,851
Gross profit	10,756	7,478	19,332	13,937
Operating expenses				
Research and development costs	649	358	1,319	681
Selling, general and administrative expenses	5,911	4,879	11,297	9,763
Total operating expenses	6,560	5,237	12,616	10,444
Operating income	4,196	2,241	6,716	3,493
Other income (expense)				
Interest expense	(620)	(655)	(1,267)	(1,271)
Foreign currency transaction (losses) gains	(108)	33	(94)	48
Other income (loss)	71	(8)	79	17
Total other expense	(657)	(630)	(1,282)	(1,206)
Income before income taxes	3,539	1,611	5,434	2,287
Income tax	1,231	582	1,875	816
Net income	\$ 2,308	\$ 1,029	\$ 3,559	\$ 1,471
Earnings Per Share				
Basic	\$ 0.20	\$ 0.09	\$ 0.30	\$ 0.13
Diluted	\$ 0.20	\$ 0.09	\$ 0.30	\$ 0.13
Weighted average common shares outstanding				
Basic	11,713,206	11,409,533	11,698,256	11,406,177
Diluted	11,729,360	11,601,180	11,707,094	11,591,428

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

Table of Contents**MANITEX INTERNATIONAL, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(In thousands)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012 Unaudited	2011 Unaudited	2012 Unaudited	2011 Unaudited
Net income:	\$ 2,308	\$ 1,029	\$ 3,559	\$ 1,471
Other comprehensive income (loss)				
Foreign currency translation adjustments	(348)	63	(117)	309
Derivative instrument fair market value adjustment net of income taxes	30	(125)	38	(27)
Total other comprehensive (loss) income	(378)	48	(79)	282
Comprehensive income	\$ 1,930	\$ 1,077	\$ 3,480	\$ 1,753

Table of Contents**MANITEX INTERNATIONAL, INC.****CONSOLIDATED STATEMENT OF CASH FLOWS**

(In thousands, except for share amounts)

	Six Months Ended June 30,	
	2012 Unaudited	2011 Unaudited
Cash flows from operating activities:		
Net income	\$ 3,559	\$ 1,471
Adjustments to reconcile net income to cash used for operating activities:		
Depreciation and amortization	1,790	1,604
Changes in allowances for doubtful accounts	10	20
Changes in inventory reserves	93	80
Deferred income taxes	1,848	529
Stock based deferred compensation	181	87
Gain on disposal of fixed assets	(72)	(31)
Reserves for uncertain tax provisions	4	5
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(12,133)	(2,973)
(Increase) decrease in accounts receivable finance	243	
(Increase) decrease in inventory	(11,287)	(6,962)
(Increase) decrease in prepaid expenses	(765)	(61)
(Increase) decrease in other assets	4	(71)
Increase (decrease) in accounts payable	8,717	1,868
Increase (decrease) in accrued expense	1,927	(684)
Increase (decrease) in other current liabilities	575	201
Increase (decrease) in other long-term liabilities	(97)	
Net cash used for operating activities	(5,403)	(4,917)
Cash flows from investing activities:		
Proceeds from the sale of fixed assets	98	135
Investments in intangibles other than goodwill		(148)
Purchase of property and equipment	(330)	(344)
Net cash used for investing activities	(232)	(357)
Cash flows from financing activities:		
Borrowing on revolving term credit facilities	7,761	2,965
Repayments on revolving term credit facility		
Shares repurchased for income tax withholdings on stock based deferred compensation		(12)
New borrowings	4,479	4,036
Note payments	(5,296)	(1,219)
Proceeds from capital leases	724	
Payments on capital lease obligations	(318)	(284)
Net cash provided by financing activities	7,350	5,486
Net increase in cash and cash equivalents	1,715	212
Effect of exchange rate change on cash	(58)	105
Cash and cash equivalents at the beginning of the year	71	662

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Cash and cash equivalents at end of period	\$ 1,728	\$ 979
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The accompanying notes are an integral part of these financial statements.

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MANITEX INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(In thousands, except per share data)

Note 1. Nature of Operations

Manitex International, Inc. (the Company) is a leading provider of engineered lifting solutions. The Company operates in two business segments, the Lifting Equipment segment and the Equipment Distribution segment.

Lifting Equipment Segment

The Company designs, manufactures and distributes a diverse group of products that serve different functions and are used in a variety of industries. Through its Manitex, Inc. subsidiary it markets a comprehensive line of boom trucks and sign cranes. Manitex's boom trucks and crane products are primarily used for industrial projects, energy exploration and infrastructure development, including, roads, bridges and commercial construction. Its Badger Equipment Company subsidiary (Badger) is a manufacturer of specialized rough terrain cranes and material handling products, including a 30-ton model, the first in a new line of specialized high quality rough terrain cranes. Badger primarily serves the needs of the construction, municipality, and railroad industries.

The Manitex Liftking subsidiary sells a complete line of rough terrain forklifts, including the Liftking and Noble product lines, as well as special mission oriented vehicles, and other specialized carriers, heavy material handling transporters and steel mill equipment. Manitex Liftking's rough terrain forklifts are used in both commercial and military applications. Specialty mission oriented vehicles and specialized carriers are designed and built to meet the Company's unique customer needs and requirements. The Company's specialized lifting equipment has met the particular needs of customers in various industries that include utility, ship building and steel mill industries.

Our subsidiary, Manitex Load King, Inc. (Load King) manufactures specialized custom trailers and hauling systems, typically used for transporting heavy equipment. Load King trailers serve niche markets in the commercial construction, railroad, military, and equipment rental industries through a dealer network.

On July 1, 2010, the Company's newly formed Italian subsidiary, CVS Ferrari, srl (CVS) entered into an agreement to rent certain assets of CVS SpA on an exclusive rental basis during the Italian bankruptcy process (concordato preventivo) of CVS SpA. CVS SpA is located near Milan, Italy, and designed and manufactured a range of reach stackers and associated lifting equipment for the global container handling market, which were sold through a broad dealer network. During the third quarter 2010, CVS Ferrari, srl commenced operations and used the rental assets in its operations. On June 29, 2011, the Company entered into an agreement which was effective on July 1, 2011 with CVS SpA in Liquidation to acquire the assets that were being rented. See Note 18 for further information.

Equipment Distribution Segment

The Company's Crane & Machinery Division, is a crane dealer that distributes Terex rough terrain and truck cranes, Manitex boom trucks and sky cranes. The division provides service in its local market and also supplies repair parts for a wide variety of medium to heavy duty construction equipment sold both domestically and internationally. The crane products are used primarily for infrastructure development and commercial constructions. Applications include road and bridge construction, general contracting, roofing, scrap handling and sign construction and maintenance.

The Company believes that in the current environment, an option to purchase previously-owned equipment is a cost effective alternative that could increase customers return on investment. The Company's North American Equipment Exchange division (NAEE) markets previously owned construction and heavy equipment, domestically and internationally. The Division provides a wide range of used lifting and construction equipment of various ages and condition, and the Company has the capability to refurbish the equipment to the customers' specification.

2. Basis of Presentation

The accompanying consolidated financial statements, included herein, have been prepared by the Company without audit pursuant to the rules and regulations of the United States Securities and Exchange Commission. Pursuant to these rules and regulations, certain information and footnote disclosures normally included in financial statements which are prepared in accordance with accounting principles generally accepted

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in the United States of America have been omitted. In the opinion of management, the accompanying unaudited consolidated financial statements reflect all adjustments (consisting only of normal recurring accruals, except as otherwise disclosed) necessary for a fair presentation of the Company's financial position as of June 30, 2012, and results of its operations and cash flows for the periods presented. The consolidated balances as of December 31, 2011 were derived from audited financial statements but do not include all disclosures required by generally accepted accounting principles. The accompanying consolidated financial statements have been prepared in accordance with accounting standards for interim financial statements and should be read

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in conjunction with the Company's audited consolidated financial statements and the notes thereto for the year ended December 31, 2011. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011. The results of operations for the interim periods are not necessarily indicative of the results of operations expected for the year.

Allowance for Doubtful Accounts

Accounts Receivable is reduced by an allowance for amounts that may become uncollectible in the future. The Company's estimate for the allowance for doubtful accounts related to trade receivables includes evaluation of specific accounts where the Company has information that the customer may have an inability to meet its financial obligations. The Company had allowances for doubtful accounts of \$154 and \$144 at June 30, 2012 and December 31, 2011, respectively.

Inventory Valuation

Inventory consists of stock materials and equipment stated at the lower of cost (first in, first out) or market. All equipment classified as inventory is available for sale. The Company records excess and obsolete inventory reserves. The estimated reserve is based upon specific identification of excess or obsolete inventories. Selling, general and administrative expenses are expensed as incurred and are not capitalized as a component of inventory.

Accrued Warranties

The Company establishes a reserve for future warranty expense at the point when revenue is recognized by the Company. The provision for estimated warranty claims, which is included in cost of sales, is based on a percentage of sales.

Revenue Recognition

For products shipped FOB destination, sales are recognized when the product reaches its FOB destination, or when the services are rendered, which represents the point when the risks and rewards of ownership are transferred to the customer. For products shipped FOB shipping point, revenue is recognized when the product is shipped, as this is the point when title and risk of loss pass from us to our customers.

Customers may be invoiced prior to the time customers take physical possession. Revenue is recognized in such cases only when the customer has a fixed commitment to purchase the units, the units have been completed, tested and made available to the customer for pickup or delivery, and the customer has authorized in writing that we hold the units for pickup or delivery at a time specified by the customer. In such cases, the units are invoiced under our customary billing terms, title to the units and risks of ownership pass to the customer upon invoicing, the units are segregated from our inventory and identified as belonging to the customer and we have no further obligations under the order.

The Company establishes reserves for future warranty expense at the point when revenue is recognized by the Company and is based on percentage of revenues. The provision for estimated warranty claims, which is included in cost of sales, is based on revenues.

Litigation Claims

In determining whether liabilities should be recorded for pending litigation claims, the Company must assess the allegations and the likelihood that it will successfully defend itself. When the Company believes it is probable that it will not prevail in a particular matter, it will then make an estimate of the amount of liability based, in part, on the advice of outside legal counsel.

Comprehensive Income

Reporting Comprehensive Income requires reporting and displaying comprehensive income and its components. Comprehensive income includes, in addition to net earnings, other items that are reported as direct adjustments to stockholder's equity. Currently, the comprehensive income adjustment required for the Company has two components. First is a foreign currency translation adjustment, the result of consolidating its foreign subsidiaries. The second component is a derivative instrument fair market value adjustment (net of income taxes) related to forward currency contracts designated as a cash flow hedge. See Note 4 for additional details.

3. Financial Instruments Forward Currency Exchange Contracts

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The following tables set forth the company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of June 30, 2012 and December 31, 2011 by level within the fair value hierarchy. As required by ASC 820-10, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

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The following is summary of items that the Company measures at fair value:

	Fair Value at June 30, 2012			Total
	Level 1	Level 2	Level 3	
Asset				
Forward currency exchange contracts	\$ 180	\$	\$	\$ 180
Total current assets at fair value	\$ 180	\$	\$	\$ 180
Liabilities:				
Forward currency exchange contracts	\$ 55	\$	\$	\$ 55
Total current liabilities at fair value	\$ 55	\$	\$	\$ 55
Fair Value at December 31, 2011				
	Level 1	Level 2	Level 3	Total
Asset				
Forward currency exchange contracts	\$ 145	\$	\$	\$ 145
Total current assets at fair value	\$ 145	\$	\$	\$ 145
Liabilities:				
Forward currency exchange contracts	\$ 77	\$	\$	\$ 77
Total current liabilities at fair value	\$ 77	\$	\$	\$ 77
Load King contingent consideration	\$	\$	\$ 30	\$ 30
Total long-term liabilities at fair value	\$	\$	\$ 30	\$ 30

Fair Value Measurements

ASC 820-10 classifies the inputs used to measure fair value into the following hierarchy:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 - Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability; and
- Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

The fair value of the forward currency contracts are determined on the last day of each reporting period using quoted prices in active markets, which are supplied to the Company by the foreign currency trading operation of its bank. Under ASC 820-10, items valued based on quoted prices in active markets are Level 1 items.

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The Load King purchase agreement has a contingent consideration provision which provides for a one-time payment of \$750 if net revenues are equal to or greater than \$30,000 in 2010, 2011 or 2012. Given the disparity between the revenue threshold and the Company's projected financial results, it was determined that a Monte Carlo simulation analysis was appropriate to determine the fair value of contingent consideration. It was determined that the probability weighted average earn out payment is \$30. Based thereon, we determined the fair value of the contingent consideration to be \$30. During the quarter ended March 31, 2012, the Company determined that the sales would not equal or exceed \$30,000 for any of the three years and, therefore, eliminated the accrual for contingent consideration.

Table of Contents**4. Derivative Financial Instruments**

The Company's risk management objective is to use the most efficient and effective methods available to us to minimize, eliminate, reduce or transfer the risks which are associated with fluctuation of exchange rates between the Canadian and U.S. dollar and the Euro and the U.S. dollar. When the Company's Canadian subsidiary receives a significant new U.S. dollar order, management will evaluate different options that may be available to mitigate future currency exchange risks. The decision to hedge future sales is not automatic and is decided case by case. The Company will only use hedge instruments to hedge firm existing sales orders and not estimated exposure, when management determines that exchange risks exceeds desired risk tolerance levels.

The Company enters into forward currency exchange contracts in order to attempt to create a relationship such that the exchange gains and losses on the assets and liabilities denominated in other than the reporting units' functional currency would be offset by the changes in the market value of the forward currency exchange contracts it holds. The forward currency exchange contracts that the Company has to offset existing assets and liabilities denominated in other than the reporting units' functional currency have been determined not to be considered a hedge under ASC 815-10. The Company records at the balance sheet date the forward currency exchange contracts at its market value with any associated gain or loss being recorded in current earnings. Both realized and unrealized gains and losses related to forward currency contracts are included in current earnings and are reflected in the Statement of Operations in the other income (expense) section on the line titled foreign currency transaction gains/(losses). Items denominated in other than a reporting unit's functional currency includes U.S. denominated accounts receivable and accounts payable held by our Canadian subsidiary.

The Company entered into forward currency contracts to hedge certain future U.S. dollar sales of its Canadian Subsidiary. The decision to hedge future sales is not automatic and is decided on a case by case basis. The forward currency contracts to hedge future sales are designated as cash flow hedges under ASC 815-10.

As required, forward currency contracts are recognized as an asset or liability at fair value on the Company's Consolidated Balance Sheet. For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings (date of sale). Gains or losses on cash flow hedges when recognized into income are included in net revenues. Gains and losses on the derivative instruments representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. The Company expects minimal ineffectiveness as the Company has hedged only firm sales orders and has not hedged estimated exposures. In the next twelve months, the company estimates \$18 of pre-tax unrealized gains related to forward currency contract hedges to be reclassified from other comprehensive income into earnings.

At June 30, 2012, the Company had entered into a series of forward currency exchange contracts. The contracts obligate the Company to purchase approximately CDN \$5,746 in total. The contracts which are in various amounts mature between July 9, 2012 and September 28, 2012. Under the contracts, the Company will purchase Canadian dollars at exchange rates between .9465 and 1.0151. The Canadian to U.S. dollar exchange rate was .9822 at June 30, 2012.

The unrealized currency exchange asset is reported under prepaid expense and other if it is an asset or under accrued expenses if it is a liability on the balance sheet at June 30, 2012. As of June 30, 2012, the Company had the following forward currency contracts:

Nature of Derivative	Amount	Type
Forward currency contract	CDN\$ 3,519	Not designated as hedge instrument
Forward currency contract	CDN\$ 2,227	Cash flow hedge
Forward currency contract	1,200	Not designated as hedge instrument

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The following table provides the location and fair value amounts of derivative instruments that are reported in the Consolidated Balance Sheet as of June 30, 2012 and December 31, 2011:

Total derivatives NOT designated as a hedge instrument

	Balance Sheet Location	Fair Value	
		June 30, 2012	December 31, 2011
Asset Derivatives			
Foreign currency Exchange Contract	Prepaid expense and other	\$ 155	\$ 114
Liabilities Derivatives			
Foreign currency Exchange Contract	Accrued expense	\$ (48)	\$ (7)

Total derivatives designated as a hedge instrument

	Balance Sheet Location	Fair Value	
		June 30, 2012	December 31, 2011
Asset Derivatives			
Foreign currency Exchange Contract	Prepaid expense and other	\$ 25	\$ 31
Liabilities Derivatives			
Foreign currency Exchange Contract	Accrued expense	\$ (7)	\$ (70)

The following tables provide the effect of derivative instruments on the Consolidated Statement of Operations for the three and six months ended June 30, 2012 and 2011:

Derivatives Not designated as Hedge Instrument	Location of gain or (loss) recognized in Income Statement	Gain or (loss)			
		Three months ended June 30,		Six-months ended June 30,	
		2012	2011	2012	2011
Forward currency contracts	Foreign currency transaction gains (losses)	\$ 2	\$ 4	\$ (5)	\$ 32
Derivatives designated as Hedge Instrument					
Forward currency contracts	Net revenue	\$ 3	\$ 9	\$ (18)	\$ 100

The Counterparty to currency exchange forward contracts is a major financial institution with credit ratings of investment grade or better and no collateral is required. Management continues to monitor counterparty risk and believes the risk of incurring losses on derivative contracts related to credit risk is unlikely.

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Basic net earnings per share is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution of warrants, and restricted stock units. Details of the calculations are as follows:

	Three months ended		Six months ended	
	2012	June 30, 2011	2012	June 30, 2011
Net Income per common share				
Basic	\$ 2,308	\$ 1,029	\$ 3,559	\$ 1,471
Diluted				