HealthSpring, Inc.
Form 10-Q
November 04, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended September 30, 2008
Commission File Number: 001-32739
HealthSpring, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**20-1821898**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
9009 Carothers Parkway **Suite 501** **Franklin, Tennessee**	**37067**
(Address of Principal Executive Offices)	(Zip Code)

(615) 291-7000
(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 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. (Check one):

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

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

	Outstanding at October 30, 2008
Common Stock, Par Value $0.01 Per Share	**58,531,537 Shares**

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Part I FINANCIAL INFORMATION

Item 1: Financial Statements

HEALTHSPRING, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)
(unaudited)

	September 30, 2008	December 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	$ 427,188	$ 324,090
Accounts receivable, net	55,030	59,027
Investment securities available for sale	2,752	24,746
Investment securities held to maturity	28,130	16,594
Deferred income taxes	6,659	2,295
Prepaid expenses and other	6,197	4,913
Total current assets	525,956	431,665
Investment securities available for sale	34,711	39,905
Investment securities held to maturity	15,810	10,105
Property and equipment, net	25,744	24,116
Goodwill	590,016	588,001
Intangible assets, net	221,371	235,893
Restricted investments	10,648	10,095
Other	29,686	11,293
Total assets	$ 1,453,942	$ 1,351,073
Liabilities and Stockholders Equity		
Current liabilities:		
Medical claims liability	$ 184,080	$ 154,510
Accounts payable, accrued expenses and other current liabilities	37,232	27,489
Funds held for the benefit of members	86,624	82,231
Risk corridor payable to CMS	26,554	22,363
Current portion of long-term debt	28,974	18,750
Total current liabilities	363,464	305,343
Deferred income taxes	95,655	90,552
Long-term debt, less current portion	246,282	277,500
Other long-term liabilities	6,852	6,323
Total liabilities	712,253	679,718
Stockholders equity:		
Common stock, $0.01 par value, 180,000,000 shares authorized, 57,811,927 shares issued and 55,864,870 outstanding at September 30, 2008, 57,617,335 shares issued and 57,293,242 outstanding at December 31, 2007	578	576

Additional paid in capital	502,556	494,626
Retained earnings	266,858	176,218
Accumulated other comprehensive income	109	
Treasury stock, at cost, 1,947,057 shares at September 30, 2008 and 324,093 shares at December 31, 2007	(28,412)	(65)
Total stockholders equity	741,689	671,355
Total liabilities and stockholders equity	$ 1,453,942	$ 1,351,073

See accompanying notes to condensed consolidated financial statements.

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HEALTHSPRING, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except share data)
(unaudited)

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Revenue:				
Premium:				
Medicare	$ 514,932	$ 342,173	$ 1,607,104	$ 1,033,481
Commercial	960	10,876	4,346	36,225
Total premium revenue	515,892	353,049	1,611,450	1,069,706
Management and other fees	8,051	6,528	23,699	18,613
Investment income	3,800	6,765	11,975	17,972
Total revenue	527,743	366,342	1,647,124	1,106,291
Operating expenses:				
Medical expense:				
Medicare	411,413	279,923	1,287,761	838,798
Commercial	290	8,338	4,281	28,934
Total medical expense	411,703	288,261	1,292,042	867,732
Selling, general and administrative	58,634	40,161	177,512	131,314
Depreciation and amortization	7,047	3,016	21,280	8,850
Impairment of intangible assets				4,537
Interest expense	4,520	123	14,513	357
Total operating expenses	481,904	331,561	1,505,347	1,012,790
Income before equity in earnings of unconsolidated affiliate and income taxes	45,839	34,781	141,777	93,501
Equity in earnings of unconsolidated affiliate	156	158	357	275
Income before income taxes	45,995	34,939	142,134	93,776
Income tax expense	(16,635)	(12,574)	(51,494)	(33,519)
Net income	$ 29,360	$ 22,365	$ 90,640	$ 60,257
Net income per common share:				
Basic	$ 0.53	$ 0.39	$ 1.61	$ 1.05
Diluted	$ 0.53	$ 0.39	$ 1.61	$ 1.05
Weighted average common shares outstanding:				
Basic	55,693,943	57,259,106	56,137,029	57,244,854

Diluted	55,811,236	57,355,150	56,243,533	57,355,891

See accompanying notes to condensed consolidated financial statements.

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HEALTHSPRING, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Cash flows from operating activities:		
Net income	$ 90,640	$ 60,257
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	21,280	8,850
Impairment of intangible assets		4,537
Stock-based compensation	6,722	6,062
Amortization of deferred financing cost	1,840	152
Equity in earnings of unconsolidated affiliate	(357)	(275)
Deferred tax benefit	680	(2,042)
Increase (decrease) in cash due to:		
Accounts receivable	3,997	(19,378)
Prepaid expenses and other current assets	(1,284)	(1,903)
Medical claims liability	29,570	(3,841)
Accounts payable, accrued expenses, and other current liabilities	9,029	(8,523)
Risk corridor payable to CMS	(8,794)	16,352
Other	(772)	2,083
Net cash provided by operating activities	152,551	62,331
Cash flows from investing activities:		
Purchase of property and equipment	(8,386)	(12,123)
Purchase of investment securities	(41,181)	(66,495)
Deposit made for acquisition	(7,200)	(12,000)
Maturities of investment securities	51,296	24,310
Purchase of restricted investments	(553)	(867)
Distributions to affiliates	309	216
Net cash used in investing activities	(5,715)	(66,959)
Cash flows from financing activities:		
Funds received for the benefit of the members	378,950	
Funds withdrawn for the benefit of members	(374,557)	
Funds received for the benefit of the members, net		75,340
Payments on long-term debt	(20,994)	
Proceeds from stock options exercised	1,210	1,002
Purchase of treasury stock	(28,347)	(12)
Deferred financing cost		(317)
Net cash (used in) provided by financing activities	(43,738)	76,013

Net increase in cash and cash equivalents	103,098	71,385
Cash and cash equivalents at beginning of period	324,090	338,443
Cash and cash equivalents at end of period	$ 427,188	$ 409,828
Supplemental disclosures:		
Cash paid for interest	$ 12,803	$ 207
Cash paid for taxes	$ 48,017	$ 33,596

See accompanying notes to condensed consolidated financial statements

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HEALTHSPRING, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

(1) Organization and Basis of Presentation

HealthSpring, Inc., a Delaware corporation (the Company), was organized in October 2004 and began operations in March 2005 in connection with a recapitalization transaction accounted for as a purchase. The Company is a managed care organization that focuses primarily on Medicare, the federal government- sponsored health insurance program for United States citizens aged 65 and older, qualifying disabled persons, and persons suffering from end-stage renal disease. Through its health maintenance organization (HMO) subsidiaries, the Company operates Medicare Advantage health plans in the states of Alabama, Florida, Illinois, Mississippi, Tennessee, and Texas and offers Medicare Part D prescription drug plans to persons in all 50 states. The Company also provides management services to healthcare plans and physician partnerships.

Basis of Presentation

The accompanying condensed consolidated financial statements are unaudited and should be read in conjunction with the consolidated financial statements and notes thereto of HealthSpring, Inc. as of and for the year ended December 31, 2007, included in the Company s Annual Report on Form 10-K for the year ended December 31, 2007 as filed with the Securities and Exchange Commission (the SEC) on February 29, 2008 (2007 Form 10-K).

The accompanying unaudited condensed consolidated financial statements reflect the Company s financial position as of September 30, 2008, the Company s results of operations for the three and nine months ended September 30, 2008 and 2007 and cash flows for the nine months ended September 30, 2008 and 2007.

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 of the Securities Exchange Act of 1934, as amended (the Exchange Act). Accordingly, certain information and footnote disclosures normally included in complete financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations applicable to interim financial statements. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments (including normally recurring accruals) necessary to present fairly the Company s financial position at September 30, 2008, and its results of operations for the three and nine months ended September 30, 2008 and 2007, and its cash flows for the nine months ended September 30, 2008 and 2007.

The results of operations for the 2008 interim period are not necessarily indicative of the operating results that may be expected for the year ending December 31, 2008.

The preparation of the condensed consolidated financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. The most significant items subject to estimates and assumptions are the actuarial calculation for obligations related to medical claims and risk adjustment payments receivable from The Centers for Medicare & Medicaid Services (CMS). Other significant items subject to estimates and assumptions include the valuation of goodwill and intangible assets, the useful life of definite-lived assets, and certain amounts recorded related to the Part D program. Actual results could differ significantly from those estimates.

The Company s health plans are restricted from making distributions without appropriate regulatory notifications and approvals or to the extent such distributions would put them out of compliance with statutory net worth requirements or requirements under the Company s credit facilities. At September 30, 2008, $461.3 million of the Company s $519.2 million of cash, cash equivalents, investment securities and restricted investments were held by the Company s HMO subsidiaries and subject to these dividend restrictions. The Company s ability to make distributions is also limited by the Company s credit facility.

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HEALTHSPRING, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

(2) Recently Adopted Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 157, Fair Value Measurements (SFAS No. 157). SFAS No. 157 establishes a common definition for fair value to be applied to U.S. GAAP requiring use of fair value, establishes a framework for measuring fair value, and expands disclosure about such fair value measurements. SFAS No. 157 is effective for financial assets and financial liabilities for fiscal years beginning after November 15, 2007. Issued in February 2008, FASB Staff Position (FSP) 157-1 Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13 removed leasing transactions accounted for under Statement 13 and related guidance from the scope of SFAS No. 157. FSP 157-2 Partial Deferral of the Effective Date of Statement 157 (FSP 157-2), deferred the effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities to fiscal years beginning after November 15, 2008. The implementation of SFAS No. 157 for financial assets and financial liabilities, effective January 1, 2008, did not have a material impact on the Company s consolidated financial position and results of operations. The adoption of this statement for nonfinancial assets and nonfinancial liabilities is not expected to have a material effect on the Company s financial statements.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS No. 159). SFAS No. 159, which amends SFAS No. 115, allows certain financial assets and liabilities to be recognized, at the Company s election, at fair value, with any gains or losses for the period recorded in the statement of income. SFAS No. 159 included available-for-sale securities in the assets eligible for this treatment. Currently, the Company records the gains or losses for the period in the statement of comprehensive income and in the equity section of the balance sheet. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007, and interim periods in those fiscal years. The Company adopted SFAS No. 159 effective January 1, 2008. The Company, at this time, has elected not to recognize any gains or losses for its available-for-sale securities in the statement of income, and has elected not to recognize any other financial assets or liabilities at fair value. Accordingly, there was no impact on the Company s consolidated financial position or results of operations as a result of adopting the new standard.

(3) Accounts Receivable

Accounts receivable at September 30, 2008 and December 31, 2007 consisted of the following (in thousands):

	September 30, 2008	December 31, 2007
Medicare premium receivables	$ 17,446	$ 37,777
Rebates	26,878	14,471
Other	12,476	8,188
	$ 56,800	$ 60,436
Allowance for doubtful accounts	(1,770)	(1,409)
Total	$ 55,030	$ 59,027

The Company s Medicare premium revenue is subject to adjustment based on the health risk of its members. This process for adjusting premiums is referred to as the CMS risk adjustment payment methodology. Under the risk adjustment payment methodology, managed care plans must capture, collect, and report diagnosis code information to CMS. After reviewing the respective submissions, CMS establishes the payments to Medicare plans generally at the beginning of the calendar year, and then adjusts premiums on two separate occasions on a retroactive basis.

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HEALTHSPRING, INC. AND SUBSIDIARIES
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The first retroactive risk premium adjustment for a given fiscal year generally occurs during the third quarter of such fiscal year. This initial settlement (the Initial CMS Settlement) represents the updating of risk scores for the current year based on updated diagnoses from the prior year. CMS then issues a final retroactive risk premium adjustment settlement for that fiscal year in the following year (the Final CMS Settlement). Prior to 2007, the Company was unable to estimate the impact of either of these risk adjustment settlements, and as such recorded them upon notification from CMS of such amounts.

In the first quarter of 2007, the Company began estimating and recording on a monthly basis the Initial CMS Settlement, as the Company concluded it had the ability to reasonably estimate such amounts. In the fourth quarter of 2007, the Company began estimating and recording the Final CMS Settlement, in that case for 2007 (based on risk score data available at that time), as the Company concluded such amounts were reasonably estimable. All such estimated amounts are periodically updated as additional diagnosis code information is reported to CMS and are adjusted to actual amounts when the ultimate settlements are known to the Company.

During the 2008 first quarter, the Company updated its estimated Final CMS Settlement payment amounts for 2007 based on its evaluation of additional diagnosis code information reported to CMS in 2008 and updated its estimate again in the 2008 second quarter as a result of receiving notification in July 2008 from CMS of the Final CMS Settlement for 2007. These changes in estimate related to the 2007 plan year resulted in an additional $12.0 million and $17.3 million of premium revenue in the first and second quarters of 2008, respectively. The resulting impact on net income for the nine months ended September 30, 2008, after the expense for risk sharing with providers and income tax expense, was $13.4 million. For the nine months ended September 30, 2007, the impact on premium revenue and net income from the recording of the 2006 Final CMS Settlement was $15.5 million and $7.7 million, respectively. There were no adjustments made in the 2008 third quarter relating to 2007 or 2006 Final CMS Settlements.

Medicare premium receivables at September 30, 2008 include $12.6 million for receivables from CMS related to the accrual of retroactive risk adjustment payments for the Final CMS Settlement for the 2008 plan year which will not be paid until the 2009 third quarter. In July 2008, the Company received retroactive risk payments from CMS of $52.3 million as the Initial CMS Settlement for the 2008 plan year. In August 2008, the Company received an additional $77.0 million from CMS for retroactive risk payments as the Final CMS Settlement for the 2007 plan year. Approximately $8.1 million of the Final CMS Settlement for 2007 was remitted to the former shareholders of Leon Medical Centers Health Plans, Inc. (LMC Health Plans), our Florida health plan, as it related to periods of service prior to the Company s acquisition of LMC Health Plans in October 2007.

Rebates for drug costs represent estimated rebates owed to the Company from prescription drug companies. The Company has entered into contracts with certain drug manufacturers which provide for rebates to the Company based on the utilization of specific prescription drugs by the Company s members. Accounts receivable relating to unpaid health plan enrollee premiums are recorded during the period the Company is obligated to provide services to enrollees and do not bear interest. The Company does not have any off-balance sheet credit exposure related to its health plan enrollees. Other receivables primarily includes management fees receivable as well as amounts owed to the Company from other health plans for the refund of certain medical expenses paid by the Company.

(4) Fair Value Measurements

Effective January 1, 2008, the Company adopted SFAS No. 157 for the Company s financial assets. SFAS No. 157 defines fair value, expands disclosure requirements, and specifies a hierarchy of valuation techniques. The following are the levels of the hierarchy and a brief description of the type of valuation information (inputs) that qualifies a financial asset for each level:

HEALTHSPRING, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Level Input	Input Definition
Level I	Inputs are unadjusted quoted prices for identical assets or liabilities in active markets at the measurement date.
Level II	Inputs other than quoted prices included in Level I that are observable for the asset or liability through corroboration with market data at the measurement date.
Level III	Unobservable inputs that reflect management s best estimate of what market participants would use in pricing the asset or liability at the measurement date.

When quoted prices in active markets for identical assets are available, the Company uses these quoted market prices to determine the fair value of financial assets and classifies these assets as Level 1. In other cases where a quoted market price for identical assets in an active market is either not available or not observable, the Company obtains the fair value from a third party vendor that uses pricing models, such as matrix pricing, to determine fair value. These financial assets would then be classified as Level 2. In the event quoted market prices were not available, the Company would determine fair value using broker quotes or an internal analysis of each investment s financial statements and cash flow projections. In these instances, financial assets would be classified based upon the lowest level of input that is significant to the valuation. Thus, financial assets might be classified in Level 3 even though there could be some significant inputs that may be readily available.

The following table summarizes fair value measurements by level at September 30, 2008 for assets measured at fair value on a recurring basis (in thousands):

	Level 1	Level 2	Level 3	Total
Investment securities: available for sale	$	$ 37,463	$	$ 37,463

All of the Company s available for sale securities were deemed Level 2 securities as a result of there being no quoted market price for the securities, and as such, the Company used fair values as determined by pricing models developed using market data as provided by a third party vendor.

(5) Medical Liabilities

The Company s medical liabilities at September 30, 2008 and December 31, 2007 consisted of the following (in thousands):

	September 30, 2008	December 31, 2007
Medicare medical liabilities	$ 125,680	$ 116,048
Commercial medical liabilities	993	3,415
Pharmacy accounts payable	57,407	35,047
Total	$ 184,080	$ 154,510

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HEALTHSPRING, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

(6) Medicare Part D

Total Part D related liabilities (excluding medical claims payable) of $104,594 at December 31, 2007 all related to the 2007 CMS plan year. The Company s Part D related assets and liabilities (excluding medical claims payable) at September 30, 2008 were as follows (in thousands):

	Related to the 2007 plan year	Related to the 2008 plan year	Total
Non-current assets:			
Risk corridor receivable from CMS	$	$ 12,986	$ 12,986
Current liabilities:			
Funds held for the benefit of members	$ 84,910	$ 1,714	$ 86,624
Risk corridor payable to CMS	26,554		26,554
Total Part D liabilities (excluding medical claims payable)	$ 111,464	$ 1,714	$ 113,178

Balances associated with risk corridor amounts are expected to be settled in the fourth quarter of the year following the year to which they relate. In October 2008, the Company received notification from CMS that the Company s obligation to CMS to reconcile all Part D activity for the 2007 plan year totaled $111.5 million. Risk corridor receivable amounts at September 30, 2008 are included in other non-current assets on the Company s balance sheet. As a result of the Part D program design, the Company expects that risk corridor receivable amounts from CMS as of September 30, 2008 will be significantly less at December 31, 2008. Current year Part D amounts are routinely updated in subsequent years as a result of retroactivity.

(7) Stock-Based Compensation

Stock Options

The Company granted options to purchase 565,064 shares of common stock pursuant to the 2006 Equity Incentive Plan during the nine months ended September 30, 2008. During the three months ended September 30, 2008, 147,500 options were granted. Options for the purchase of 3,607,781 shares of common stock were outstanding under this plan at September 30, 2008. The outstanding options vest and become exercisable based on time, generally over a four-year period, and expire ten years from their grant dates. Upon exercise, options are settled with authorized but unissued Company common stock or treasury shares.

The fair value for all options granted during the three and nine months ended September 30, 2008 and 2007 was determined on the date of grant and was estimated using the Black-Scholes option-pricing model with the following assumptions:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Expected dividend yield	0.0%	0.0%	0.0%	0.0%
Expected volatility	39.5%	34.7%	36.2-39.5%	34.7%-45.0%
Expected term	5 years	5 years	5 years	5 years
Risk-free interest rates	3.23%	4.52%	2.93-3.23%	4.48-4.84%

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HEALTHSPRING, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

The weighted average fair values of stock options granted during the nine months ended September 30, 2008 and 2007 were $7.28 and $9.92, respectively. The cash proceeds to the Company from stock options exercised were $0.9 million and $1.2 million, respectively, for the three and nine months ended September 30, 2008.

Total compensation expense related to unvested options not yet recognized was $14.6 million at September 30, 2008. The Company expects to recognize this compensation expense over a weighted average period of 2.2 years.

Restricted Stock

During the three and nine months ended September 30, 2008, the Company granted -0- and 108,895 shares, respectively, of restricted stock to employees pursuant to the 2006 Equity Incentive Plan, 105,987 of which were outstanding at September 30, 2008. The restrictions relating to the restricted stock awards made in 2008 lapse with respect to 50% of the shares on the second anniversary of the grant date and with respect to 25% of the shares on each of the third and fourth anniversaries of the grant date.

During the three and nine months ended September 30, 2008, the Company granted -0- and 29,130 shares of restricted stock, respectively, to non-employee directors pursuant to the 2006 Equity Incentive Plan, all of which were outstanding at September 30, 2008. The restrictions relating to the restricted stock awarded in 2008 lapse one year from the grant date. In the event a director resigns or is removed prior to the lapsing of the restriction, or if the director fails to attend 75% of the board and applicable committee meetings during the one-year period, shares would be forfeited. For purposes of stock compensation expense calculations, the Company assumes vesting of 100% of the restricted stock awards to non-employee directors over the one-year period.

Total compensation expense related to unvested restricted stock awards not yet recognized, including awards made in previous periods, was $2.4 million at September 30, 2008. The Company expects to recognize this compensation expense over a weighted average period of approximately 2.5 years. Unvested restricted stock at September 30, 2008 totaled 545,662 shares.

Stock-based Compensation

Stock-based compensation is included in selling, general and administrative expense. Stock-based compensation for the three and nine months ended September 30, 2008 and 2007 consisted of the following (in thousands):

	Compensation Expense Related To:		Total Compensation
	Restricted Stock	**Stock Options**	**Expense**
Three months ended September 30, 2008	$ 391	$ 1,844	$ 2,235
Three months ended September 30, 2007	275	1,711	1,986
Nine months ended September 30, 2008	1,096	5,626	6,722