POWERSECURE INTERNATIONAL, INC.
Form 10-Q
August 05, 2015
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2015

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 1-12014

POWERSECURE INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of** **incorporation or organization)**	**84-1169358** **(I.R.S. Employer** **Identification No.)**
1609 Heritage Commerce Court **Wake Forest, North Carolina** **(Address of principal executive offices)**	**27587** **(Zip code)**

(919) 556-3056

(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 x 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 (Section 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 x 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	x
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	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 x

As of July 31, 2015, 22,455,731 shares of the issuer s Common Stock were outstanding.

Table of Contents

POWERSECURE INTERNATIONAL, INC.

FORM 10-Q

For the Quarterly Period Ended June 30, 2015

TABLE OF CONTENTS

Table of Contents

PART I.

FINANCIAL INFORMATION

Item 1. Financial Statements

POWERSECURE INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

(in thousands, except share data)

Assets	**June 30, 2015**	**December 31, 2014**
Current Assets:		
Cash and cash equivalents	$ 20,516	$ 33,775
Trade receivables, net of allowance for doubtful accounts of $609 and $470, respectively	102,761	81,381
Inventories	29,967	35,144
Income taxes receivable		382
Deferred tax asset, net	2,320	2,320
Prepaid expenses and other current assets	3,458	3,478
Total current assets	159,022	156,480
Property, plant and equipment:		
Equipment	67,023	62,231
Furniture and fixtures	685	617
Land, building and improvements	7,836	7,413
Total property, plant and equipment, at cost	75,544	70,261
Less accumulated depreciation and amortization	23,569	20,392
Property, plant and equipment, net	51,975	49,869
Other assets:		
Goodwill	40,210	40,210
Restricted annuity contract	3,137	3,137
Intangible assets and capitalized software costs, net of accumulated amortization of $9,209 and $7,374, respectively	12,890	13,642
Other assets	2,446	1,879

Total other assets	58,683		58,868
Total Assets	$ 269,680	$	265,217

See accompanying notes to condensed consolidated financial statements.

3

Table of Contents

POWERSECURE INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

(in thousands, except share data)

Liabilities and Stockholders Equity	**June 30, 2015**	**December 31, 2014**
Current liabilities:		
Accounts payable	$ 39,963	$ 39,699
Accrued and other liabilities	44,840	41,113
Accrued restructuring liabilities	60	114
Income taxes payable	199	
Current portion of long-term debt	3,731	3,731
Current portion of capital lease obligation	500	986
Total current liabilities	89,293	85,643
Long-term liabilities:		
Revolving line of credit		
Long-term debt, net of current portion	15,966	17,832
Capital lease obligation, net of current portion		
Deferred tax liability, net	1,457	1,460
Other long-term liabilities	4,031	3,913
Total long-term liabilities	21,454	23,205
Commitments and contingencies (Notes 8 and 10)		
Stockholders Equity:		
Preferred stock - undesignated, $.01 par value; 2,000,000 shares authorized; none issued and outstanding		
Preferred stock - Series C, $.01 par value; 500,000 shares authorized; none issued and outstanding		
Common stock, $.01 par value; 50,000,000 shares authorized; 22,455,731 and 22,369,487 shares issued and outstanding, respectively	225	224
Additional paid-in-capital	162,739	161,163
Accumulated deficit	(3,949)	(4,941)
Accumulated other comprehensive income (loss)	(82)	(77)
Total stockholders equity	158,933	156,369
Total Liabilities and Stockholders Equity	$ 269,680	$ 265,217

See accompanying notes to condensed consolidated financial statements.

Table of Contents

POWERSECURE INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues	$ 107,182	$ 57,069	$ 186,691	$ 109,866
Cost of sales (excluding depreciation and amortization)	83,111	42,738	141,291	84,494
Gross profit	24,071	14,331	45,400	25,372
Operating expenses:				
General and administrative	16,705	13,670	32,339	26,714
Selling, marketing and service	2,973	2,466	5,721	4,475
Depreciation and amortization	2,612	2,137	5,089	4,315
Restructuring charges				427
Total operating expenses	22,290	18,273	43,149	35,931
Operating income (loss)	1,781	(3,942)	2,251	(10,559)
Other income and (expenses):				
Interest income and other income	2	5	3	9
Interest expense	(287)	(292)	(556)	(592)
Income (loss) before income taxes	1,496	(4,229)	1,698	(11,142)
Income tax expense (benefit)	625	(1,481)	706	(4,135)
Net income (loss)	$ 871	$ (2,748)	$ 992	$ (7,007)
Earnings (loss) per share:				
Basic	$ 0.04	$ (0.12)	$ 0.04	$ (0.32)
Diluted	$ 0.04	$ (0.12)	$ 0.04	$ (0.32)
Weighted average common shares outstanding during the period:				
Basic	22,450	22,346	22,418	22,164
Diluted	22,592	22,346	22,544	22,164

See accompanying notes to condensed consolidated financial statements.

5

Table of Contents

POWERSECURE INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (unaudited)

(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income (loss)	$ 871	$ (2,748)	$ 992	$ (7,007)
Other comprehensive income (loss), net of tax:				
Cash flow hedge:				
Change in unrealized gain (loss)	8	(74)	(73)	(119)
Reclassification adjustment for net (gains) losses included in net income (loss)	32	46	68	87
Total comprehensive income (loss), net of tax	$ 911	$ (2,776)	$ 987	(7,039)

See accompanying notes to condensed consolidated financial statements.

6

Table of Contents

POWERSECURE INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(in thousands)

	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Cash flows from operating activities:		
Net income (loss)	$ 992	$ (7,007)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	5,089	4,315
Stock compensation expense	1,326	893
(Gain) loss on disposal of miscellaneous assets	(34)	(92)
Changes in operating assets and liabilities:		
Trade receivables, net	(21,380)	7,888
Inventories	5,177	(3,796)
Other current assets and liabilities	600	(5,336)
Other noncurrent assets and liabilities	(456)	(704)
Accounts payable	264	3,740
Accrued and other liabilities	3,727	(3,894)
Accrued restructuring liabilities	(54)	(604)
Net cash used in operating activities	(4,749)	(4,597)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(5,486)	(4,501)
Additions to intangible rights and software development	(1,083)	(318)
Proceeds from sale of property, plant and equipment	159	460
Net cash used in investing activities	(6,410)	(4,359)
Cash flows from financing activities:		
Borrowings (payments) on revolving line of credit		
Principal payments on long-term borrowings	(1,866)	(1,866)
Principal payments on capital lease obligations	(486)	(460)
Repurchases of common stock	(48)	(366)
Proceeds from stock option exercises	300	2,045
Net cash provided by (used in) financing activities	(2,100)	(647)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(13,259)	(9,603)

CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	33,775	50,915
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 20,516	$ 41,312

See accompanying notes to condensed consolidated financial statements.

POWERSECURE INTERNATIONAL, INC. AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements

As of June 30, 2015 and December 31, 2014 and

For the Three and Six Month Periods Ended June 30, 2015 and 2014

(all amounts in thousands unless otherwise designated, except per share data)

1. Description of Business and Basis of Presentation

Description of Business

PowerSecure International, Inc., headquartered in Wake Forest, North Carolina, is a leading provider of products and services to electric utilities, and their large commercial, institutional and industrial customers.

We provide products and services through four operating segments: our Distributed Generation segment, our Solar Energy segment, our Utility Infrastructure segment, and our Energy Efficiency segment. These four operating segments constitute our major product and services offerings, each of which are focused on serving the needs of utilities and their large commercial, institutional and industrial customers to help them generate, deliver, and utilize electricity more reliably and efficiently. Our strategy is focused on growing these four segments, which require unique knowledge and skills that utilize our core competencies, because they address large market opportunities due to their strong customer value propositions. The segments share common or complementary utility relationships and customer types, common sales and overhead resources, and facilities. However, we distinguish our operations among these segments due to their unique products and services, differing cost structures, market needs they are addressing, and the distinct technical disciplines and specific capabilities required for us to deliver their products and services, including personnel, technology, engineering, and intellectual capital. We currently operate primarily out of our Wake Forest, North Carolina headquarters office. Our operations also include several satellite offices and manufacturing facilities, the largest of which are in the Raleigh and Greensboro, North Carolina, Atlanta, Georgia, Bethlehem, Pennsylvania, and Stamford, Connecticut areas. The locations of our sales organization and field employees for our operations are generally in close proximity to the utilities and commercial, industrial, and institutional customers they serve. Our four operating segments are operated through our principal operating wholly-owned subsidiary, PowerSecure, Inc.

Each of our four operating segments also represents a reporting segment. See Note 12 for more information concerning our reportable segments.

Basis of Presentation

Organization The accompanying condensed consolidated financial statements include the accounts of PowerSecure International, Inc. and its subsidiaries, primarily PowerSecure, Inc. and its majority-owned and wholly-owned subsidiaries, UtilityEngineering, Inc., PowerServices, Inc., PowerSecure Lighting, LLC (PowerSecure Lighting), Solais Lighting, Inc. (Solais), EnergyLite, Inc.(EnergyLite), EfficientLights, LLC (EfficientLights), Innovative Electronic Solutions Lighting, LLC (IES), Reid s Trailer, Inc. d/b/a PowerFab (PowerFab), Innovation Energies, LLC, and PowerSecure Solar, LLC (PowerSecure Solar) and PowerPackages, LLC which are collectively referred to as the Company or PowerSecure or we or us or our . On June 30, 2014, EfficientLights and IES were dissolved and me into EnergyLite.

These condensed consolidated financial statements have been prepared pursuant to rules and regulations of the Securities and Exchange Commission. The accompanying condensed consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2014.

In management s opinion, all adjustments (all of which are normal and recurring) have been made which are necessary for a fair presentation of the condensed consolidated financial position of us and our subsidiaries as of June 30, 2015 and the condensed consolidated results of our operations and cash flows for the three and six months ended June 30, 2015 and 2014.

Table of Contents

Principles of Consolidation The condensed consolidated financial statements include the accounts of PowerSecure International, Inc. and its subsidiaries after elimination of intercompany accounts and transactions.

Comprehensive Income or Loss Comprehensive income or loss represents the changes in stockholders equity during a period resulting from transactions and other events and circumstances from non-owner sources. At June 30, 2015 and December 31, 2014, the balance of Accumulated other comprehensive income (loss) (Accumulated OCI) consisted solely of changes in the fair value of our interest rate cash flow hedge contracts, net of taxes.

Use of Estimates The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires that our management make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include, among others, percentage-of-completion estimates for revenue and cost of sales recognition, incentive compensation and commissions, allowance for doubtful accounts receivable, inventory valuation reserves, warranty reserves, deferred tax valuation allowance, purchase price allocations on business acquisitions, fair value estimates of interest rate swap contracts and any impairment charges on long-lived assets and goodwill.

Reclassifications Certain 2014 amounts have been reclassified to conform to current year presentation. Such reclassifications had no effect on net income (loss) or stockholders equity as previously reported.

2. Summary of Significant Accounting Policies and Recent Accounting Standards

Revenue Recognition For our turn-key project-based revenues, we recognize revenue and profit as work progresses using the percentage-of-completion method, which relies on various estimates. These turn-key Distributed Generation, Solar Energy, Utility Infrastructure, and Energy Efficiency Services projects are nearly always fixed-price contracts. Revenues from turn-key Mission Critical Data Center Energy Services (formerly referred to as Mission Critical Energy Services) projects, which are integrated in our Distributed Generation segment since our acquisition of those operations in October 2014, are also recognized using the percentage-of-completion method.

In applying the percentage-of-completion method to our Distributed Generation and Solar Energy turn-key projects, we have identified the key output project phases that are standard components of these projects. We have further identified, based on past experience, an estimate of the value of each of these output phases based on a combination of the costs incurred and the value added to the overall project. While the order of these phases varies depending on the project, each of these output phases is necessary to complete each project and each phase is an integral part of the turn-key product solution we deliver to our customers. We use these output phases and percentages to measure our progress toward completion of our construction projects. For each reporting period, the status of each project, by phase, is determined by employees who are managers of or are otherwise directly involved with the project, and this determination is reviewed by our accounting personnel. Utilizing this information, we recognize project revenues and associated project costs and gross profit based on the percentage associated with output phases that are complete or in process on each of our projects.

In applying the percentage-of-completion method to our Mission Critical Data Center Energy Services, Utility Infrastructure turn-key projects and our Energy Efficiency Services projects, revenues and gross profit are recognized as work is performed based on the relationship between actual costs incurred and total estimated costs at completion.

In all cases where we utilize the percentage-of-completion method, revenues and gross profit are adjusted prospectively for revisions in estimated total contract costs and contract values. Estimated losses, if any, are recorded when identified. While a project is in process, amounts billed to customers in excess of revenues recognized to date are classified as current liabilities. Likewise, amounts recognized as revenue in excess of actual billings to date are recorded as unbilled accounts receivable. In the event adjustments are made to the contract price, including, for example, adjustments for additional scope, we adjust the purchase price and related costs for these items when they are identified.

Table of Contents

Because the percentage-of-completion method of accounting relies upon estimates as described above, recognized revenues and profits are subject to revision as a project progresses to completion. Revisions in profit estimates are recorded to income in the period in which the facts that give rise to the revision become known. In the event we are required to adjust any particular project s estimated revenues or costs, the effect on the current period earnings may or may not be significant. If, however, conditions arise that require us to adjust our estimated revenues or costs for a series of similar construction projects, or on very large projects, the effect on current period earnings would more likely be significant. In addition, certain contracts contain cancellation provisions permitting the customer to cancel the contract prior to completion of a project. Such cancellation provisions generally require the customer to pay/reimburse us for costs we incurred on the project, but may result in an adjustment to profit already recognized in a prior period.

We recognize equipment and product revenue when persuasive evidence of a commercial arrangement exists, delivery has occurred and/or services have been rendered, the price is fixed or determinable, and collectability is reasonably assured. Equipment and product sales are generally made directly to end users of the product, who are responsible for payment for the product, although in some instances we can be a subcontractor, which occurs most frequently on larger jobs that involve more scope than our products and services, and in other instances we sell through distributors.

Service revenue includes regulatory consulting and rate design services, power system engineering services, energy conservation services, compliance services, and monitoring and maintenance services. Revenues from these services are recognized when the service is performed and the customer has accepted the work.

Additionally, our utility infrastructure business provides services to utilities involving construction, maintenance, and upgrades to their electrical transmission and distribution systems which is not fixed price turn-key project-based work. These services are delivered by us under contracts which are generally of two types. In the first type, we are paid a fee based on the number of units of work we complete, an example of which could be the number of utility transmission poles we replace. In the second type, we are paid for the time and materials utilized to complete the work, plus a profit margin. In both of these cases, we recognize revenue as these services are delivered.

Revenues for our recurring revenue distributed generation projects are recognized over the term of the contract or when energy savings are realized by the customer at its site. Under these arrangements, we provide utilities and their customers with access to PowerSecure-owned and operated distributed generation systems, for standby power and to deliver peak shaving benefits. These contracts can involve multiple parties, with one party paying us for the value of backup power (usually, but not always, a commercial, industrial, or institutional customer), and one party paying us a fee or credit for the value of the electrical capacity provided by the system during peak power demand (either the customer or a utility).

Sales of certain goods and services sometimes involve the provision of multiple deliverables. Revenues from contracts with multiple deliverables are recognized as each element is earned based on the selling price for each deliverable. The selling price for each deliverable is generally based on our selling price for that deliverable on a stand-alone basis, third-party evidence if we do not sell that deliverable on a stand-alone basis, or an estimated selling price if neither specific selling prices nor third-party evidence exists.

Cash and Cash Equivalents Cash and all highly liquid investments with a maturity of three months or less from the date of purchase, including money market mutual funds, short-term time deposits, and government agency and corporate obligations, are classified as cash and cash equivalents.

Accounts Receivable Our customers include a wide variety of mid-sized and large businesses, utilities and institutions. We perform ongoing credit evaluations of our customers financial condition and generally do not require collateral. We monitor collections and payments from our customers and adjust credit limits of customers based upon payment history and a customer s current credit worthiness, as judged by us. In certain instances, from time to time, we may purchase credit insurance on our accounts receivable in order to minimize our exposure to potential credit loss. We maintain a provision for estimated credit losses.

Concentration of Credit Risk We are subject to concentrations of credit risk from our cash and cash equivalents and accounts receivable. We limit our exposure to credit risk associated with cash and cash equivalents by placing them with multiple domestic financial institutions. Nevertheless, our cash in bank deposit accounts at these financial institutions frequently exceeds federally insured limits. We have not experienced any losses in such accounts.

From time to time, we have derived a material portion of our revenues from one or more significant customers. To date, nearly all our revenues have been derived from sales to customers within the United States.

Inventories Inventories are stated at the lower of cost (determined primarily on a specific-identification basis for the majority of our distributed generation inventory and secondarily on a first-in first-out basis for our LED-based lighting product inventory) or market. Our raw materials, equipment and supplies inventory consist primarily of equipment with long lead-times purchased for anticipated customer orders. Our work in progress inventory consists primarily of equipment and parts allocated to specific Distributed Generation, Mission Critical Data Center Energy Services and Solar Energy turn-key projects and our Utility Infrastructure and Energy Efficiency Services project costs accounted for on the percentage-of-completion basis. Our finished goods inventory consists primarily of LED-based lighting products stocked to meet customer order and delivery requirements. Inventory also includes shipping costs incurred on incoming product shipments. We provide a valuation reserve primarily for raw materials, equipment and supplies and certain work in process inventory items that may be in excess of our needs, obsolete or damaged and requiring repair or re-work.

Property, Plant and Equipment Property, plant and equipment are stated at cost and are generally depreciated using the straight-line method over their estimated useful lives, which depending on asset class ranges from 3 to 30 years.

Goodwill and Other Intangible Assets We amortize the cost of specifically identifiable intangible assets that do not have an indefinite life over their estimated useful lives. We do not amortize goodwill and intangible assets with indefinite lives. We perform reviews of goodwill and intangible assets with indefinite lives for impairment annually, as of October 1, or more frequently if impairment indicators arise. We capitalize software development costs integral to our products once technological feasibility of the products and software has been determined. Purchased software and software development costs are amortized over five years, using the straight-line method. Patents and license agreements are amortized using the straight-line method over the lesser of their estimated economic lives or their legal term of existence, currently 3 to 5 years.

Debt Issuance Costs Debt issuance costs are capitalized and included in other current and non-current assets in our condensed consolidated balance sheets. These costs are amortized over the term of the corresponding debt instrument using the straight-line method for debt issuance costs related to the revolving portion of our credit facility and the effective interest method for debt issuance costs on our term loan debt. Amortization of debt issuance costs is included in interest expense in our condensed consolidated statements of operations.

Warranty Reserve We provide a standard one year warranty for our Distributed Generation, switchgear, Utility Infrastructure, and Energy Efficiency Services equipment and a 5 to 10 year warranty for our LED lighting-based products. In certain cases, we offer extended warranty terms for those product lines. In addition, we provide longer warranties for our Solar Energy products and services including a warranty period of generally 1 to 5 years for defects in material and workmanship, a warranty period that can extend to 10 to 20 years for declines in power performance, and a warranty period which can extend to 15 to 25 years on the functionality of solar panels which is generally backed by the panel manufacturer. We reserve for the estimated cost of product warranties when revenue is recognized, and we evaluate our reserve periodically by comparing our warranty repair experience by product. The purchase price for extended warranties or for extended warranties included in the contract terms are deferred as a component of our warranty reserve. The balance of our warranty reserve was $1.6 million and $1.7 million at June 30, 2015 and December 31, 2014, respectively, and is included in accrued and other liabilities in the accompanying condensed consolidated balance sheet.

Share-Based Compensation We measure compensation cost for all stock-based awards at their fair value on date of grant and recognize the compensation expense over the service period for awards expected to vest, net of estimated forfeitures. We measure the fair value of restricted stock awards based on the number of shares granted and the last sale price of our common stock on the date of the grant. We measure the fair value of restricted stock units based on the underlying number of shares included in the units that are granted and the last sale price of our common stock on the date of the grant. We measure the fair value of performance unit awards based on the underlying number of shares included in the performance units and the last sale price of our common stock on the date of the grant. We measure the fair value of stock options using the Black-Scholes valuation model.

Pre-tax share-based compensation expense recognized during the three months ended June 30, 2015 and 2014 was $0.7 million and $0.6 million, respectively. Pre-tax share-based compensation expense during the six months ended June 30, 2015 and 2014 was $1.3 million and $0.9 million, respectively. All share-based compensation expense is included in general and administrative expense in the accompanying condensed consolidated statements of operations.

Impairment or Disposal of Long-Lived Assets We evaluate our long-lived assets whenever significant events or changes in circumstances occur that indicate that the carrying amount of an asset may be impaired. Recoverability of these assets is determined by comparing the forecasted undiscounted future cash flows from the operations to which the assets relate, based on management s best estimates using appropriate assumptions and projections at the time, to the carrying amount of the assets. If the carrying value is determined not to be recoverable from future operating cash flows, the asset is deemed impaired and an impairment loss is recognized equal to the amount by which the carrying amount exceeds the estimated fair value of the asset or assets. We did not record any long-lived asset impairment charges during the three and six months ended June 30, 2015 and 2014.

Income Taxes We recognize deferred income tax assets and liabilities for the estimated future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. We have net operating loss carryforwards available in certain jurisdictions to reduce future taxable income. Future tax benefits for net operating loss carryforwards are recognized to the extent that realization of these benefits is considered more likely than not. To the extent that available evidence raises doubt about the realization of a deferred income tax asset, a valuation allowance is established.

We recognize a liability and income tax expense, including potential penalties and interest, for uncertain income tax positions taken or expected to be taken. The liability is adjusted for positions taken when the applicable statute of limitations expires or when the uncertainty of a particular position is resolved.

Derivative Financial Instruments Our derivative financial instruments consist solely of two interest rate swap contracts that are used to hedge our interest rate risk on a portion of our variable rate debt. These interest rate swap contracts are designated as cash flow hedges. It is our policy to execute such interest rate swaps with creditworthy banks and we do not enter into derivative financial instruments for speculative purposes.

Fair Value Measurements We measure our derivative instruments at fair value on a recurring basis. The fair value measurements standard establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the standard are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include:

- Quoted market prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;

Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset s or liability s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

See Note 7 for more information concerning the fair value of our derivative instruments.

Subsequent Events Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued or are available to be issued and are classified as either recognized subsequent events or non-recognized subsequent events . We recognize and include in our financial statements the effects of subsequent events that provide additional evidence about conditions that existed at the balance sheet date. We disclose non-recognized subsequent events that provide evidence about conditions that arise after the balance sheet date but are not yet reflected in our financial statements when such disclosure is required to prevent the financial statements from being misleading.

Recent Accounting Pronouncements

Inventory Measurement In July 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory (ASU 2015-11), which requires entities to measure inventory at the lower of cost and net realizable value (NRV). ASU 2015-11 defines NRV as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The ASU will not apply to inventories that are measured by using either the last-in, first-out method or the retail inventory method. The guidance in ASU 2015-11 is effective prospectively for fiscal years beginning after December 15, 2016, and interim periods therein. Early adoption is permitted. Upon transition, entities must disclose the nature of and reason for the accounting change. We do not expect that the adoption of this standard will have a material effect on our consolidated financial statements.

Presentation of Debt Issuance Costs In April 2015, the FASB issued ASU No. 2015-03: Simplifying the Presentation of Debt Issuance Costs (ASU 2015-03). ASU 2015-03 specifies that debt issuance costs shall be reported in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs shall be reported as interest expense. The guidance in ASU 2015-03 is effective for fiscal years beginning after December 15, 2015. Early adoption is allowed. Application of the guidance in ASU 2015-03 is applicable retrospectively to all periods presented. We do not expect that the adoption of this standard will have a material effect on our consolidated financial statements.

Going Concern Disclosures In August 2014, the FASB issued ASU No. 2014-15: Disclosure of Uncertainties About an Entity s Ability to Continue as a Going Concern (ASU 2014-15). ASU 2014-15 requires management to perform interim and annual assessments of an entity s ability to continue as a going concern within one year of the date the financial statements are issued and provides guidance on determining when and how to disclose going concern uncertainties in the financial statements. Certain disclosures will be required if conditions give rise to substantial doubt about an entity s ability to continue as a going concern. ASU 2014-15 is effective for annual and interim reporting periods ending after December 15, 2016, with early adoption permitted. We do not expect that the adoption of this standard will have a material effect on our consolidated financial statements.

Stock Compensation In June 2014, the FASB issued ASU No. 2014-12, Compensation Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (ASU 2014-12). ASU 2014-12 requires that a performance target that affects vesting, and that could be achieved after the requisite service period, be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant date fair value of the award. This standard further clarifies that compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the periods for which the requisite service has already been rendered. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015 and can be applied either prospectively or retrospectively to all awards outstanding as of the beginning of the earliest annual period presented as an adjustment to opening retained earnings. Early adoption is permitted. We are evaluating the impact, if any, this new standard will have on our consolidated financial statements.

Revenue Recognition In May 2014, the FASB issued ASU No. 2014-09: Revenue from Contracts with Customers (ASU 2014-09). This standard replaces existing accounting literature relating to how and when a company recognizes revenue. Under ASU 2014-09, a company will recognize revenue when it transfers goods or services to

Table of Contents

customers in an amount equal to the amount that it expects to be entitled to receive in exchange for those goods and services. This standard also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. ASU 2014-09 will be effective for annual and interim periods beginning after December 15, 2017, and will be effective for us for our fiscal year that begins January 1, 2018, and permits the use of either the retrospective or cumulative effect transition method. Early adoption is not permitted. We are in the process of determining the method of adoption and evaluating the impact, if any, the adoption of this standard will have on our consolidated financial statements and related disclosures.

Reporting Discontinued Operations In April 2014, the FASB issued ASU No. 2014-08: Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity (ASU 2014-08). ASU 2014-08 changes the definition of a discontinued operation to include only those disposals of components of an entity that represent a strategic shift that has (or will have) a major effect on an entity s operations and financial results, and changes the criteria and enhances disclosures for reporting discontinued operations. This standard is to be applied prospectively, and is effective for our fiscal year that begins January 1, 2015. The adoption of this standard had no effect on our consolidated financial statements.

3. Earnings (Loss) per Share

Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is computed using the weighted average number of common shares outstanding and, when dilutive, potential common shares from stock options using the treasury stock method. Diluted earnings per share excludes the impact of potential common shares related to stock options in periods in which we reported a loss from continuing operations or in which the option exercise price is greater than the average market price of our common stock during the period because the effect would be antidilutive. A total of 449 thousand common shares issuable upon the potential exercise of outstanding stock options were excluded from the calculation of diluted weighted average number of shares outstanding for the three and six months ended June 30, 2014, because their effect was antidilutive to our net loss for that period.

The following table sets forth the calculation of basic and diluted earnings (loss) per share:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2015	**2014**	**2015**	**2014**
Net income (loss)	$ 871	$ (2,748)	$ 992	$ (7,007)
Basic weighted-average common shares outstanding in period	22,450	22,346	22,418	22,164
Dilutive effect of stock options	142		126	
Diluted weighted-average common shares outstanding in period	22,592	22,346	22,544	22,164

Basic earnings (loss) per common share	$	0.04	$	(0.12)	$	0.04	$	(0.32)
Diluted earnings (loss) per common share	$	0.04	$	(0.12)	$	0.04	$	(0.32)

4. Contingent Consideration Payment on 2014 Acquisition

On October 14, 2014, we acquired the mission critical data center energy services business and certain related assets of Power Design, Inc., a Florida corporation (PDI), pursuant to an Asset Purchase and Sale Agreement (the Purchase Agreement), between PDI, as seller, and PowerSecure, Inc., as purchaser. We refer to the acquired operations as our Mission Critical Data Center Energy Services operations and have integrated these operations within our Distributed Generation segment.

Table of Contents

The purchase price paid for the Mission Critical Data Center Energy Services operations was $13.0 million in cash and $0.1 million cash for a working capital adjustment plus a potential additional contingent cash payment in the amount of $1.0 million if PowerSecure, Inc. obtains firm backlog after the closing in the amount of at least $5.0 million from the acquired business, or in the amount of $2.0 million if the firm backlog amount obtained after closing is at least $15.0 million. We paid $1.0 million of contingent cash consideration to PDI on April 3, 2015. We expect to pay an additional $1.0 million in full settlement of the contingent consideration during the remainder of 2015 as the result of additional backlog that the acquired business is expected to generate. The balance of our contingent consideration liability at June 30, 2015 and December 31, 2014 was $1.0 million and $1.9 million, respectively.

5. Restructuring Charges

From time to time and most recently in 2013, we have engaged in restructuring programs designed to reduce our cost structure and improve productivity. These initiatives typically consist of realigning operations, reducing employee counts, rationalizing facilities, changing manufacturing sourcing, eliminating certain products, inventory writedowns and long term asset disposals, and other actions designed to reduce our cost structure and improve productivity.

The following table summarizes the balance of our accrued restructuring liabilities at and for the six months ended June 30, 2015:

	Employee Termination Costs	Inventory Writedowns and Long Term Asset Disposals	Leasehold Termination and Other Facility Exit Costs	Total
Accrued restructuring liabilities, December 31, 2014	$ 114	$	$	$ 114
Costs paid or otherwise settled	(54)			(54)
Accrued restructuring liabilities, June 30, 2015	$ 60	$	$	$ 60

The balances of our accrued restructuring liabilities at June 30, 2015 and December 31, 2014 are included in current liabilities in our condensed consolidated balance sheet. We expect the majority of the balance of our accrued restructuring charges at June 30, 2015 will be paid or otherwise settled during the remainder of 2015.

6. Debt and Interest Rate Swap Contracts

We have a long-term credit facility with Citibank, N.A. (Citibank), as administrative agent and lender, and other lenders under a credit agreement that we first entered into with our lenders in August 2007 and have amended and restated from time-to-time. At June 30, 2015 and December 31, 2014, our credit agreement with Citibank along with Branch Banking and Trust Company (BB&T) as additional lender, consisted of a $20.0 million senior, first-priority secured revolving line of credit maturing on November 12, 2016, a $2.6 million term loan maturing on November 12, 2016, and a $25.0 million, 7 year amortizing term loan maturing on June 30, 2020. The credit agreement is guaranteed by all our active subsidiaries and is secured by the assets of us and those subsidiaries.

The credit facility contains three basic financial covenants. First, under the credit agreement, if cash on hand does not exceed funded indebtedness by at least $5.0 million, then our minimum fixed charge coverage ratio must be in excess of 1.25, where the fixed charge coverage ratio is defined as the ratio of the aggregate of our consolidated Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) plus our lease expense minus our taxes based on income and payable in cash, divided by the sum of our consolidated interest charges plus our lease expenses plus our scheduled principal payments and dividends, computed over the previous period. Prior to the fiscal quarter ended June 30, 2015, the fixed charge coverage ratio was based on our financial results for the third quarter 2014 and subsequent fiscal quarters.

Table of Contents

Commencing with the most recent fiscal quarter ended June 30, 2015 and continuing thereafter, the fixed charge coverage ratio is now based on our financial results for the previous four fiscal quarters on a rolling basis. Second, we are required to maintain a minimum consolidated net worth, computed on a quarterly basis, of not less than the sum of $142.1 million, plus an amount equal to 50% of our net income each fiscal year commencing with the 2014 fiscal year, with no reduction for any net loss in any fiscal year, plus 90% of any equity we raise through the sale of equity interests, less the amount of any non-cash charges or losses. Under our third financial covenant, the ratio of our funded indebtedness to our capitalization, computed as funded indebtedness divided by the sum of funded indebtedness plus stockholders equity, cannot exceed 30%. As of June 30, 2015, we were in compliance with these financial covenants.

The following table summarizes the balances outstanding on our long-term debt, including our revolving line of credit, with Citibank and BB&T at June 30, 2015 and December 31, 2014:

	June 30, 2015	December 31, 2014
Revolving line of credit, maturing November 12, 2016	$	$
Term loan, principal of $0.04 million plus interest payable quarterly at variable rates, maturing November 12, 2016	1,840	1,920
Term loan, principal of $0.9 million plus interest payable quarterly at variable rates, maturing June 30, 2020	17,857	19,643
Total debt	19,697	21,563
Less: Current portion	(3,731)	(3,731)
Long-term debt, net of current portion	$ 15,966	$ 17,832

We have used, and intend to continue to use, the proceeds available under the credit facility to support our growth and future investments in working capital, additional Utility Infrastructure equipment, Company-owned distributed generation projects, other capital expenditures, acquisitions and general corporate purposes.

Outstanding balances under the credit facility bear interest, at our discretion, at either the London Interbank Offered Rate (LIBOR) for the corresponding deposits of U. S. Dollars plus an applicable margin, which is on a sliding scale ranging from 2.00% to 3.25% based upon our leverage ratio, or at Citibank s alternate base rate plus an applicable margin, on a sliding scale ranging from 0.25% to 1.50% based upon our leverage ratio. Our leverage ratio is the ratio of our funded indebtedness as of a given date, net of our cash on hand in excess of $5.0 million, to our consolidated EBITDA for the four consecutive fiscal quarters ending on such date. Citibank s alternate base rate is equal to the higher of the Federal Funds Rate as published by the Federal Reserve of New York plus 0.50%, Citibank s prime commercial lending rate and 30 day LIBOR plus 1.00%.

Scheduled remaining principal payments on our outstanding debt obligations at June 30, 2015, are as follows:

Scheduled Principal Payments for the Year Ending December 31:

	Revolving Line of Credit	$25.0 Million Term Loan	$2.6 Million Term Loan	Total Principal Payments
Remainder of 2015	$	$ 1,785	$ 80	$ 1,865
2016		3,571	1,760	5,331
2017		3,572		3,572
2018		3,572		3,572
2019 and thereafter		5,357		5,357
Total scheduled principal payments	$	$ 17,857	$ 1,840	$ 19,697

In July 2013, we entered into two forward-starting interest rate swap contracts based on three-month LIBOR that effectively converted 80% of the outstanding balance of our $25 million Term Loan to fixed rate debt. As discussed further in Note 7, we have designated the interest rate swaps as a cash flow hedge of the interest payments due on our

16

floating rate debt. Accordingly, at June 30, 2015, $14.3 million of our outstanding debt bears interest at a fixed rate of 3.73% and $5.4 million of our outstanding debt bears interest at floating rates as described above. The termination dates of the swap contracts and the maturity date of the $25 million Term Loan are both June 30, 2020.

The credit facility contains customary terms and conditions for credit facilities of this type, including restrictions or limits on our ability to incur additional indebtedness, create liens, enter into transactions with affiliates, pay dividends on our capital stock, repurchase stock, and consolidate or merge with other entities. In addition, the credit agreement contains customary events of default, including payment defaults, breach of representations and warranties, covenant defaults, cross-defaults, certain bankruptcy or insolvency events, judgment defaults and certain ERISA-related events.

Our obligations under the credit facility are secured by guarantees and security agreements by each of our active subsidiaries, including PowerSecure, Inc. The guarantees guaranty all of our obligations under the credit facility, and the security agreements grant to the lenders a first priority security interest in virtually all of the assets of each guarantor.

There was an aggregate balance of $19.7 million outstanding under the two term loans under our credit facility as of June 30, 2015. There were no balances outstanding on the revolving portion of the credit facility at, or during the three months ended, June 30, 2015 or at December 31, 2014 or at August 5, 2015. In addition, there were no outstanding letters of credit reducing the amount available to borrow under the revolving portion of the credit facility at June 30 or August 5, 2015. Accordingly, we currently have $20.0 million available to borrow under the revolving portion of the credit facility. The availability this capital under our credit facility includes restrictions on the use of proceeds, and is dependent upon our ability to satisfy certain financial and operating covenants, as described above.

7. Derivative Instruments and Hedging Activities

In July 2013, we entered into two forward-starting interest rate swap contracts to manage interest rate risk associated with a portion of our $25 million Term Loan floating rate debt (see Note 6). The interest rate swaps effectively converted 80% of the outstanding balance of our $25.0 million floating rate term loan to a fixed rate term loan bearing interest at the rate of 3.73%. The notional amount of the interest rate swaps at June 30, 2015 was $14.3 million. The termination dates of the swap contracts and the maturity date of the $25 million Term Loan are both June 30, 2020.

In accordance with ASC 815, *Derivatives and Hedging*, we have designated both of our interest rate swaps as cash flow hedges of the interest payments due on our floating rate debt. To qualify for designation as a cash flow hedge, specific criteria must be met and the appropriate documentation maintained. Hedging relationships are established pursuant to our risk management policies and are initially and regularly evaluated to determine whether they are expected to be, and have been, highly effective hedges. For our interest rate swap contracts designated as a cash flow hedge of interest on our floating rate debt, the effective portion of the change in fair value of the derivative is reported in other comprehensive income and reclassified into earnings in the period in which the hedged item affects earnings. Any amounts excluded from the effectiveness calculation and any ineffective portion of the change in fair value of the derivative are recognized currently in earnings.

The interest rate swaps are measured at Level 2 fair value on a recurring basis, using standard pricing models and market-based assumptions for all significant inputs, such as LIBOR yield curves. The fair value of the interest rate swap contracts included within our consolidated balance sheets as of June 30, 2015 and December 31, 2014, are as follows:

Derivative designated as hedging instrument:	**Balance Sheet Location**	**June 30, 2015**	**December 31, 2014**	**Balance Sheet Location**	**June 30, 2015**	**December 31, 2014**
Interest rate swaps	Other assets	$	$	Other long-term liabilities	$ 154	$ 146

17

Table of Contents

The following tables present the effects of derivative instruments designated as cash flow hedges on our consolidated statements of operations and accumulated other comprehensive income (loss) (AOCI):

AOCI Component	Amounts Reclassified from AOCI into income – Three Months Ended June 30, 2015	2014	Six Months Ended June 30, 2015	2014	Affected Line Item in the Consolidated Statements of Operations
Gain (loss) on cash flow hedges:					
Interest rate swaps	$ 55	$ 68	$ 113	$ 137	Interest expense
	(23)	(22)	(45)	(50)	Tax expense (benefit)
	$ 32	$ 46	$ 68	$ 87	Net of tax

AOCI Component	Amount of gain (loss) recognized in AOCI – Three Months Ended June 30, 2015	2014	Six Months Ended June 30, 2015	2014
Gain (loss) on cash flow hedges:				
Unrealized gain (loss) -				
Interest rate swaps	$ 9	$ (112)	$ (121)	$ (187)
Tax effect	(1)	38	48	68
Gain (loss) - net of tax	$ 8	$ (74)	$ (73)	$ (119)

We did not realize any ineffectiveness related to our cash flow hedges during the three or six months ended June 30, 2015 and 2014.

8. Capital Lease Obligations

We have a capital lease with SunTrust Equipment Finance and Leasing (as Lessor) from the sale and leaseback of distributed generation equipment placed in service at customer locations. We received $5.9 million from the sale of the equipment in December 2008 which we are repaying under the terms of the lease with monthly principal and interest payments of $0.1 million over a period of 84 months. At the expiration of the term of the lease in December 2015, we have the option to purchase the equipment for $1 dollar, assuming no default under the lease by us has occurred and is then continuing. The lease is guaranteed by us under an equipment lease guaranty. The lease and the lease guaranty constitute permitted indebtedness under our current credit agreement.

Proceeds of the lease financing were used to finance capital investments in equipment for our recurring revenue distributed generation projects. We account for the lease financing as a capital lease in our condensed consolidated financial statements.

The lease provides us with limited rights, subject to the lessor s approval which will not be unreasonably withheld, to relocate and substitute equipment during its term. The lease contains representations and warranties and covenants relating to the use and maintenance of the equipment, indemnification and events of default customary for leases of this nature. The lease also grants to the lessor certain remedies upon a default, including the right to cancel the lease, to accelerate all rent payments for the remainder of the term of the lease, to recover liquidated damages, or to repossess and re-lease, sell or otherwise dispose of the equipment.

The balances of our capital lease obligations shown in the accompanying condensed consolidated balance sheet at June 30, 2015 and December 31, 2014 consists entirely of our obligations under the equipment lease described above.

Table of Contents

9. Share-Based Compensation

We recognize compensation expense for all share-based awards made to employees and directors based on estimated fair values on the date of grant.

Stock Plans Historically, we have granted stock options, restricted stock awards, restricted stock units and performance unit awards to employees and directors under various stock plans. We currently maintain two stock plans. Under our 1998 Stock Incentive Plan, as amended (the 1998 Stock Plan), we granted incentive stock options, non-qualified stock options, restricted stock, performance awards and other stock-based awards to our officers, directors, employees, consultants and advisors for shares of our common stock. Stock options granted under the 1998 Stock Plan contained exercise prices not less than the fair market value of our common stock on the date of grant, and had a term of 10 years from the date of grant. Nonqualified stock option grants to our directors under the 1998 Stock Plan generally vested over periods up to two years. Qualified stock option grants to our employees under the 1998 Stock Plan generally vested over periods up to five years. The 1998 Stock Plan expired on June 12, 2008, and no additional awards may be made under the 1998 Stock Plan, although awards granted prior to such date will remain outstanding and subject to the terms and conditions of those awards.

In March 2008, our board of directors adopted the PowerSecure International, Inc. 2008 Stock Incentive Plan (the 2008 Stock Plan), which was approved by our stockholders at the Annual Meeting of Stockholders held on June 9, 2008. The 2008 Stock Plan authorizes our board of directors to grant incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, performance awards and other stock-based awards to our officers, directors, employees, consultants and advisors for up to an aggregate of 0.6 million shares of our common stock. Stock options granted under the 2008 Stock Plan must contain exercise prices not less than the fair market value of our common stock on the date of grant, and must contain a term not in excess of 10 years from the date of grant. On June 19, 2012, at our 2012 Annual Meeting of Stockholders, our stockholders adopted and approved an amendment and restatement of the 2008 Stock Incentive Plan, including an amendment to increase the number of shares of our common stock authorized thereunder by 1.4 million shares to a total of 2.0 million shares. The 2008 Stock Plan replaced our 1998 Stock Plan.

Stock Options Net income (loss) for the three months ended June 30, 2015 and 2014 includes $59 thousand and $43 thousand, respectively, of pre-tax compensation costs related to outstanding stock options. Net income (loss) for the six months ended June 30, 2015 and 2014 includes $145 thousand and $87 thousand, respectively, of pre-tax compensation costs related to outstanding stock options. All of the stock option compensation expense is included in general and administrative expenses in the accompanying condensed consolidated statements of operations.

A summary of option activity for the six months ended June 30, 2015 is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Balance, December 31, 2014	519	$ 9.12		
Granted	21	11.88		
Exercised	(60)	5.03		
Expired				
Forfeited	(8)	7.32		

Balance, June 30, 2015	472	$	9.79	5.60	$ 4.97
Exercisable, June 30, 2015	275	$	9.03	3.50	$ 5.73

A summary of option activity for the six months ended June 30, 2014 is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Balance, December 31, 2013	669	$ 8.59		
Granted	20	15.77		
Exercised	(232)	8.80		
Expired				