STARTEK INC
Form 10-Q
May 07, 2010
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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 March 31, 2010

or

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

For the transition period from to

Commission file number 1-12793

StarTek, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**84-1370538**

(State or other jurisdiction of incorporation or organization)	(I.R.S. employer Identification No.)
44 Cook Street, 4th Floor Denver, Colorado (Address of principal executive offices)	**80206** (Zip code)

(303) 399-2400

(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 o

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o 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.

Large accelerated filer o	Accelerated filer x
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 Exchange Act Rule 12b-2). Yes o No x

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

Common Stock, $0.01 Par Value 14,907,940 shares as of April 15, 2010.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including the following:

- certain statements, including possible or assumed future results of operations, in Management s Discussion and Analysis of Financial Condition and Results of Operations ;
- any statements contained herein regarding the prospects for our business or any of our services;
- any statements preceded by, followed by or that include the words may , will , should , seeks , believes , expects, anticipates, continue, estimate, plans, future, targets, predicts, budgeted, projections , outlooks , attempts , is scheduled , or similar expres
- other statements contained herein regarding matters that are not historical facts.

Our business and results of operations are subject to risks and uncertainties, many of which are beyond our ability to control or predict. Because of these risks and uncertainties, actual results may differ materially from those expressed or implied by forward-looking statements, and investors are cautioned not to place undue reliance on such statements, which speak only as of the date thereof. Important factors that could cause actual results to differ materially from our expectations and may adversely affect our business and results of operations, include, but are not limited to those items described herein or set forth in Item 1A. Risk Factors appearing in our Annual Report on Form 10-K for the year ended December 31, 2009.

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Part I. Financial Information

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

STARTEK, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

(Dollars in thousands, except per share data)

(Unaudited)

	Three Months Ended March 31,	
	2010	**2009**
Revenue	$ 67,410	$ 70,711
Cost of services	60,274	59,988
Gross profit	7,136	10,723
Selling, general and administrative expenses	10,890	9,692
Impairment losses and restructuring charges		6,437
Operating loss	(3,754)	(5,406)
Net interest and other income (expense)	3	(75)
Loss from continuing operations before income taxes	(3,751)	(5,481)
Income tax benefit	(635)	(1,493)
Net loss from continuing operations	(3,116)	(3,988)
Income from discontinued operations, net of tax (including gain on disposal of $6,937 during the three months ended March 31, 2009)		4,640
Net (loss) income	$ (3,116)	$ 652
Basic net (loss) income per share from:		
Continuing operations	$ (0.21)	$ (0.27)
Discontinued operations		0.31
Net (loss) income	$ (0.21)	$ 0.04
Diluted net (loss) income per share from:		
Continuing operations	$ (0.21)	$ (0.27)
Discontinued operations		0.31
Net (loss) income	$ (0.21)	$ 0.04
Weighted average shares outstanding		
Basic	14,846	14,753
Diluted	14,846	14,753

See notes to condensed consolidated financial statements.

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STARTEK, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(Dollars in thousands, except share and per share data)

	As of March 31, 2010	As of December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 27,304	$ 19,591
Investments		500
Trade accounts receivable, net	45,553	50,521
Income tax receivable	627	6,292
Deferred income tax assets	1,720	511
Derivative asset	1,553	628
Prepaid expenses	5,389	5,979
Assets held for sale	1,010	
Other current assets	1,065	1,384
Total current assets	84,221	85,406
Property, plant and equipment, net	55,910	58,045
Long-term deferred income tax assets	6,730	4,529
Other assets	1,432	1,088
Total assets	$ 148,293	$ 149,068
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 4,173	$ 4,884
Accrued liabilities:		
Accrued payroll	9,197	9,253
Accrued compensated absences	4,221	4,016
Accrued restructuring costs	837	1,317
Other accrued liabilities	3,270	1,897
Deferred revenue	839	1,019
Deferred income tax liabilities	4,507	1,470
Other current liabilities	641	1,117
Total current liabilities	27,685	24,973
Accrued restructuring charges	2,138	2,663
Deferred rent	2,920	4,144
Other liabilities	526	572
Total liabilities	33,269	32,352
Commitments and contingencies		
Stockholders equity:		
Common stock, 32,000,000 non-convertible shares, $0.01 par value, authorized; 14,906,857 and 14,882,990 shares issued and outstanding at March 31, 2010 and December 31, 2009, respectively	149	149
Additional paid-in capital	67,370	66,699
Accumulated other comprehensive income	3,126	2,373

Retained earnings		44,379		47,495
Total stockholders equity		115,024		116,716
Total liabilities and stockholders equity	$	148,293	$	149,068

See notes to condensed consolidated financial statements.

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STARTEK, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

(Dollars in thousands)

(Unaudited)

	Three Months Ended March 31,	
	2010	2009
Operating Activities		
Net (loss) income	$ (3,116)	$ 652
Income from discontinued operations		4,640
Loss from continuing operations	(3,116)	(3,988)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation	4,236	4,011
Impairment of property, plant and equipment	2,162	1,756
Non-cash compensation cost	556	465
Deferred income taxes	(653)	746
Other, net		(3)
Changes in operating assets and liabilities:		
Trade accounts receivable, net	5,073	2,181
Prepaid expenses and other assets	605	449
Accounts payable	(700)	(2,558)
Income taxes, net	5,369	276
Accrued and other liabilities	(1,691)	3,855
Net cash provided by continuing operating activities	11,841	7,190
Cash used in discontinued operating activities		(2,335)
Net cash provided by operating activities	11,841	4,855
Investing Activities		
Proceeds from disposition of investments available for sale	499	6,530
Purchases of property, plant and equipment	(4,854)	(1,236)
Net cash (used in) provided by continuing investing activities	(4,355)	5,294
Cash provided by discontinued investing activities		7,075
Net cash (used in) provided by investing activities	(4,355)	12,369
Financing Activities		
Principal payments on borrowings		(801)
Principal payments on line of credit		(22,236)
Proceeds from line of credit		22,236
Proceeds from issuance of common stock	112	53
Principal payments on capital lease obligations	(85)	(17)
Net cash provided by (used in) continuing financing activities	27	(765)
Cash provided by discontinued financing activities		
Net cash provided by (used in) financing activities	27	(765)
Effect of exchange rate changes on cash	200	57
Net increase in cash and cash equivalents	7,713	16,516
Cash and cash equivalents at beginning of period	19,591	9,580
Cash and cash equivalents at end of period	$ 27,304	$ 26,096

Supplemental Disclosure of Cash Flow Information

Cash paid for interest	$		$	98
Income taxes paid	$	62	$	269

See notes to condensed consolidated financial statements.

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STARTEK, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except per share data)

1. BASIS OF PRESENTATION

The accompanying Unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. These financial statements reflect all adjustments (consisting only of normal recurring entries, except as noted) which, in the opinion of management, are necessary for fair presentation. Operating results during the three months ended March 31, 2010, are not necessarily indicative of operating results that may be expected during any other interim period of 2010 or the year ending December 31, 2010.

The consolidated balance sheet as of December 31, 2009, was derived from audited financial statements at that date, but does not include all information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the StarTek, Inc. Annual Report on Form 10-K for the year ended December 31, 2009.

Certain reclassifications have been made to 2009 information to conform to the 2010 presentation.

Unless otherwise noted in this report, any description of us refers to StarTek, Inc. and our subsidiaries. The assets and liabilities of our foreign operations that are recorded in foreign currencies are translated into U.S. dollars at exchange rates prevailing at the balance sheet date. Revenues and expenses are translated at the weighted-average exchange rate during the reporting period.

2. SEGMENT INFORMATION

We operate within three business segments, U.S., Canada and Offshore. The business segments align with those regions in which our services are rendered. As of March 31, 2010, our U.S. segment included the operations of our eleven facilities in the U.S.; our Canada segment included the operations of our five facilities in Canada; and our Offshore segment included the operations of one facility in the Philippines and one in Costa Rica. We use gross profit as our measure of profit and loss for each business segment and do not allocate selling, general and administrative expenses to our business segments.

Information about our reportable segments, which correspond to the geographic areas in which we operate, is as follows:

	For the Three Months Ended March 31,			
	2010		2009	
Revenue:				
United States	$	44,703	$	49,364
Canada		18,081		19,181
Offshore		4,626		2,166
Total	$	67,410	$	70,711
Gross profit:				
United States	$	6,780	$	8,797
Canada		1,556		1,746
Offshore		(1,200)		180
Total	$	7,136	$	10,723

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3. NET (LOSS) INCOME PER SHARE

Basic and diluted net (loss) income per common share is computed on the basis of our weighted average number of common shares outstanding, as determined by using the calculations outlined below:

	Three Months Ended March 31,			
		2010		2009
Loss from continuing operations	$	(3,116)	$	(3,988)
Income from discontinued operations, net of tax				4,640
Net (loss) income	$	(3,116)	$	652
Weighted average shares of common stock		14,846		14,753
Dilutive effect of stock options				
Common stock and common stock equivalents		14,846		14,753
Basic net (loss) income per share from:				
Continuing operations	$	(0.21)	$	(0.27)
Discontinued operations				0.31
Net (loss) income	$	(0.21)	$	0.04
Diluted net (loss) income per share from:				
Continuing operations	$	(0.21)	$	(0.27)
Discontinued operations				0.31
Net (loss) income	$	(0.21)	$	0.04

Diluted earnings per share is computed on the basis of our weighted average number of common shares outstanding plus the effect of dilutive outstanding stock options and non-vested restricted stock using the treasury stock method. Anti-dilutive securities totaling 2,192 and 2,165 in the three months ended March 31, 2010 and 2009, respectively, were not included in our calculation due to our net loss from continuing operations during those periods.

4. IMPAIRMENT LOSSES AND RESTRUCTURING CHARGES

Impairment Losses

During the three months ended March 31, 2010, we recorded approximately $2,162 of impairment losses ($2,005 in our U.S. segment and $157 in our Canadian segment), due to the impairment of certain long-lived assets for which the carrying value of those assets is not recoverable. The long-lived assets include computer and telephone equipment, furniture and fixtures, leasehold improvements and software. For assets which were not recoverable through future cash flows or could not be used in another facility, we reduced the carrying value to fair value. During the three months ended March 31, 2009, we incurred $1,756 of impairment losses in our Canadian segment, due to the impairment of certain long-lived assets for which the carrying value of those assets was not recoverable.

Restructuring Charges

We have closed the following facilities, and have recorded restructuring charges related to lease costs and other expenses related to the facility closures. We record expenses in addition to the initially recognized expense when a change in estimate occurs or to accrete a discounted liability to the amount expected to be paid. We recognized the liability when it was incurred, instead of upon commitment to a plan.

- Regina, Saskatchewan, Canada February 2009
- Victoria, Texas January 2010
- Laramie, Wyoming January 2010
- Thunder Bay, Ontario, Canada March 2010

The cumulative amount paid as of March 31, 2010 related to the above closures was $214 in our U.S. segment and $1,652 in our Canadian segment. We expect to incur $330 in our U.S. segment and $3,386 in our Canadian segment (adjusted for the March 31, 2010 Canadian dollar to U.S. dollar exchange rate) relating to the above closures. We expect completion of the Regina, Victoria, Laramie and Thunder Bay restructuring plans no later than 2013, 2014, 2011 and 2013, respectively; however, it may be earlier or

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later depending on our ability to sublease the facility or buy-out the lease. We have made certain assumptions related to our ability to sublease these facilities. Refer to Note 8, Fair Value Measurements, of this Form 10-Q, for additional information on the fair value measurements for all assets and liabilities, including restructuring charges, that are measured at fair value in the Condensed Consolidated Financial Statements. During the three months ended March 31, 2010, we recorded a reduction of restructuring charges in the Condensed Consolidated Statements of Operations of $2,047 to adjust the estimated restructuring liability for our Regina, Saskatchewan facility due to a sublease proposal in the first quarter of 2010. We had previously assumed that we would not be able to sublease the facility. In addition, we recorded a reduction of restructuring charges of $445 for the reversal of certain deferred rent liabilities for our Thunder Bay closure. These reductions were offset by $330 for additional restructuring charges related to the Victoria and Laramie location closures. On April 30, 2010, we entered into a sublease agreement for our Thunder Bay, Ontario, Canada facility. The sublease is effective from July 1, 2010 through the remainder of the lease term. We assumed a sublease in our estimated restructuring liability for this facility and do not expect to incur material changes to the restructuring liability in future periods as a result of the sublease.

A summary of the activity under the restructuring plans as of March 31, 2010, and changes during the three months ended March 31, 2010, is presented below:

	Facility-Related Costs						
	Regina	Thunder Bay	Canada Total	Victoria	Laramie	U.S. Total	Company Total
Balance as of January 1, 2010	$ 3,980	$	$ 3,980	$	$	$	$ 3,980
Expense	(2,047)	(445)	(2,492)	243	87	330	(2,162)
Payments	(358)		(358)	(162)	(52)	(214)	(572)
Reclassification of long-term liability		701	701	936	3	939	1,640
Foreign currency translation adjustment	46	43	89				89
Balance as of March 31, 2010	$ 1,621	$ 299	$ 1,920	$ 1,017	$ 38	$ 1,055	$ 2,975

Assets Held for Sale

We own our facility in Laramie, Wyoming. We have committed to a plan to sell the assets in this location. Although we anticipate selling the facility in excess of its book value, no assurance can be given as to how much the facility and its assets will be sold for.

We reclassified these long-lived assets as a current asset held for sale on our Condensed Consolidated Balance Sheet. In order for an asset to be held for sale, management must determine that the asset is to be held for sale in its current condition, an active plan to complete the sale of the asset has been initiated and the sale of the asset is probable within one year. We evaluated the facility during the first quarter of 2010 and determined these assets meet all the criteria for an asset held for sale. Long-lived assets held for sale are reported at the lower of cost or fair value less costs to sell. As of March 31, 2010, the assets are recorded at their net book value of approximately $1,010, as we believe that fair value less the cost to sell the asset is above net book value.

5. DISCONTINUED OPERATIONS

During the three months ended March 31, 2009, we recorded income from discontinued operations, net of tax, of $4,640 due to the sale of the assets of Domain.com, our then-wholly owned subsidiary, to A. Emmet Stephenson, Jr., Inc. (Mr. Stephenson). Mr. Stephenson is one of our co-founders, managed the Domain.com subsidiary since 2006 and owns approximately 20% of our common shares outstanding. Because the transaction involved a related party, the Audit Committee of our Board of Directors considered and approved the transaction. The assets were sold in exchange for cash of $7,075, which resulted in a gain on the sale of $6,937. Operating income from Domain.com prior to the sale was $27 and tax expense totaled $2,324, which resulted in $4,640 in income from discontinued operations, net of tax. The results of operations and cash flows of Domain.com have been reported in the Condensed Consolidated Statements of Operations as discontinued operations.

6. PRINCIPAL CLIENTS

The following table represents revenue concentration of our principal clients.

	Three Months Ended March 31,	
	2010	**2009**
AT&T Services, Inc. and AT&T Mobility, LLC, subsidiaries of AT&T, Inc.	66.9%	64.7%
T-Mobile USA, Inc., a subsidiary of Deutsche Telekom	18.2%	20.8%

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The loss of a principal client and/or changes in timing or termination of a principal client s product launch, volume delivery or service offering would have a material adverse effect on our business, revenue, operating results, and financial condition. To limit our credit risk, management from time to time will perform credit evaluations of our clients. Although we are directly impacted by the economic conditions in which our clients operate, management does not believe substantial credit risk existed as of March 31, 2010.

Our work for AT&T is covered by several contracts for a variety of different lines of AT&T business. Some of these contracts expire in 2010 and others in 2011. The initial term of our master services agreement covering all AT&T work expired in January 2010. After the initial term, the agreement automatically renews month-to-month. We are currently negotiating a new master services agreement. Until the new agreement is signed, our services provided to AT&T are covered under the existing master services agreement.

Our call center services agreement with T-Mobile became effective as of October 1, 2007 and has an initial term of two years. After the initial term, the contract automatically renews for one-year periods thereafter, unless either party provides written notice of termination at least 60 days prior to the expiration of the then-current term. Although the initial term of the contract ended on September 30, 2009, the contract automatically renewed for a one-year term which would expire on September 30, 2010. We are currently negotiating a new contract with T-Mobile. Until the new agreement is signed, our services provided to T-Mobile are covered under the existing agreement effective October 1, 2007.

We are working diligently to complete negotiation of the new agreements. However, if we fail to do so, it would have a material adverse effect on our business, results of operations, and financial condition.

7. DERIVATIVE INSTRUMENTS

We use derivatives to partially offset our business exposure to foreign currency exchange risk. We enter into foreign currency exchange contracts to hedge our anticipated operating commitments that are denominated in foreign currencies. The contracts cover periods commensurate with expected exposure, generally three to nine months, and are principally unsecured foreign exchange contracts. The market risk exposure is essentially limited to risk related to currency rate movements. We operate in Canada, the Philippines and Costa Rica. Our Canadian and Philippine subsidiaries functional currencies are the Canadian dollar and the Philippine peso, respectively, which are used to pay labor and other operating costs in those countries. However, our client contracts primarily generate revenues which are paid to us in U.S. dollars. In Costa Rica, our functional currency is the U.S. dollar and the majority of our costs are denominated in U.S. dollars. We have elected to follow cash flow hedge accounting in order to associate the results of the hedges with forecasted future expenses. The current mark-to-market gain or loss is recorded in accumulated other comprehensive income (AOCI) as a component of stockholders equity and will be re-classified to operations as the forecasted expenses are incurred, typically within one year. During the three months ended March 31, 2010 and 2009, our cash flow hedges were highly effective and there were no amounts charged to the Condensed Consolidated Statements of Operations for hedge ineffectiveness.

During the three months ended March 31, 2010, we entered into Canadian dollar forward contracts with UMB Bank for a notional amount of 15,800 Canadian dollars to hedge our foreign currency risk with respect to labor costs in Canada. As of March 31, 2010, we have not entered into any arrangements to hedge our exposure to fluctuations in the Philippine peso or Costa Rican colon relative to the U.S. dollar.

The following table shows the notional principal of our derivative instruments as of March 31, 2010:

	Currency		Notional Principal
Instruments qualifying as accounting hedges:			
Foreign exchange contracts	Canadian dollar	CDN	31,400

The above foreign exchange contracts are to be delivered periodically through December 2010 at a purchase price of approximately $29,376, and as such we expect unrealized gains and losses reported in accumulated other comprehensive income will be reclassified to earnings during the next twelve months. The estimates of fair value are based on applicable and commonly used pricing models and prevailing financial market information as of March 31, 2010. Refer to Note 8, Fair Value Measurements, of this Form 10-Q, for additional information on the fair value measurements for all assets and liabilities, including derivative assets and derivative liabilities, that are measured at fair value in the Condensed Consolidated Financial Statements.

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The following table shows our derivative instruments measured at gross fair value as reflected in the Condensed Consolidated Balance Sheet as of March 31, 2010 and December 31, 2009:

	As of	
	March 31, 2010	**December 31, 2009**
Derivative assets:		
Foreign exchange contracts	$ 1,553	$ 628

The following table shows the effect of our derivative instruments designated as cash flow hedges in the Condensed Consolidated Statement of Operations for the three months ended March 31, 2010 and 2009:

	Three Months Ended				
	March 31, 2010		**March 31, 2009**		**Location of Gain (Loss)**
	Gain Recognized in AOCI, net of tax	**Gain Reclassified from AOCI into Income**	**Gain Recognized in AOCI, net of tax**	**Loss Reclassified from AOCI into Income**	**Reclassified from AOCI into Income**
Cash flow hedges:					
Foreign exchange contracts	$ 327	$ 391	$ 1,327	$ (1,652)	Cost of services

8. FAIR VALUE MEASUREMENTS

Derivative Instruments and Hedging Activities

Our derivative instruments are valued using third-party broker or counterparty statements, derived from pricing models using inputs based upon market information, including contractual terms, market prices and yield curves. The inputs to the valuation pricing models are observable in the market, and as such are generally classified as Level 2 in the fair value hierarchy.

Restructuring Charges

As described in Note 4, Impairment Losses and Restructuring Charges, during the three months ended March 31, 2010, we recorded a gain in the Condensed Consolidated Statements of Operations of $2,047 to adjust the estimated restructuring liability for our Regina, Saskatchewan facility due to a sublease proposal that was received by us. We had previously assumed that we would not be able to sublease the facility. In addition, during the quarter we closed facilities in Thunder Bay, Ontario, Victoria, Texas and Laramie, Wyoming, which resulted in restructuring (reductions) charges of ($445), $260 and $70, respectively. The costs were valued using a discounted cash flow model. The cash flows consist of the future lease payment obligations required under the lease agreements. Future cash flows also include estimated property taxes through the remainder of the lease terms, which are valued based upon historical tax payments. The future cash flows were discounted using a rate of 3%. In each of the restructuring plans, we made an assumption that we would be able to sublease the facilities prior to the lease expiration based on a third-party broker s assessment of our ability to successfully negotiate early termination agreements with landlords and/or to sublease the facility. Given that the restructuring charges were valued using our internal estimates using a discounted cash flow model, we have classified

the accrued restructuring costs as Level 3 in the fair value hierarchy.

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Long-Lived Assets

As described in Note 4, Impairment Losses and Restructuring Charges, during the three months ended March 31, 2010, we recorded approximately $2,162 of impairment losses ($2,005 in our U.S. segment and $157 in our Canadian segment), due to the impairment of certain long-lived assets for which the carrying value of those assets is not recoverable. The long-lived assets include computer and telephone equipment, furniture and fixtures, leasehold improvements and software. For assets which were not recoverable through future cash flows or could not be used in another facility, we reduced the carrying value to fair value. The fair value of these long-lived assets after the impairment charge was $2,912. Given that the impairment losses were valued using internal estimates, we have classified the remaining fair value of long-lived assets as Level 3 in the fair value hierarchy.

During the three months ended March 31, 2010, we committed to a plan to sell the assets in our closed Laramie, Wyoming location. Long-lived assets held for sale are reported at the lower of cost or fair value less costs to sell. As of March 31, 2010, the assets are recorded at their net book value, as the net book value was less than the estimated fair value less costs to sell. The measurement of the fair value of assets held for sale was based upon our third-party real estate broker s estimate of fair value using the sale prices of comparable assets. As these inputs to the determination of fair value are based upon non-identical assets and use significant unobservable inputs, we have classified the assets as Level 3 in the fair value hierarchy.

Fair Value Hierarchy

The following tables set forth our assets and liabilities measured at fair value on a recurring basis and a non-recurring basis by level within the fair value hierarchy. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Assets Measured at Fair Value on a Recurring Basis as of March 31, 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Foreign exchange contracts		1,553		1,553
Total fair value of assets measured on a recurring basis	$	$ 1,553	$	$ 1,553

	Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis During the Three Months ended March 31, 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Assets held for sale	$	$	$ 1,010	$ 1,010
Property, plant and equipment, net			2,912	2,912
Total fair value of assets measured on a non-recurring basis	$	$	$ 3,922	$ 3,922
Liabilities:				
Accrued restructuring costs	$	$	$ 1,818	$ 1,818