

ADVANCED ENERGY INDUSTRIES INC

Form 10-Q

August 10, 2009

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

(Mark One)

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

For the quarterly period ended June 30, 2009.

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: 000-26966

ADVANCED ENERGY INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware

84-0846841

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

1625 Sharp Point Drive, Fort Collins, CO

80525

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: **(970) 221-4670**

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a 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

As of August 6, 2009, there were 42,008,125 shares of the registrant's Common Stock, par value \$0.001 per share, outstanding.

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ADVANCED ENERGY INDUSTRIES, INC. AND SUBSIDIARIES****Condensed Consolidated Balance Sheets *
(In thousands, except per share amounts)**

	June 30, 2009	December 31, 2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 137,416	\$ 116,448
Marketable securities	37,897	33,266
Accounts receivable, net of allowances of \$2,150 and \$971, respectively	32,298	56,549
Inventories, net	39,809	46,659
Deferred income tax assets	11,754	13,253
Other current assets	3,593	5,324
Total current assets	262,767	271,499
PROPERTY AND EQUIPMENT, net	29,385	31,322
OTHER ASSETS:		
Deposits and other	7,539	7,528
Long-term investments		30,401
Goodwill		66,163
Other intangible assets, net	6,055	6,755
Deferred income tax assets	8,993	6,969
Total assets	\$ 314,739	\$ 420,637
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 7,736	\$ 8,005
Accrued warranty expense	5,797	6,189
Accrued restructuring	310	1,825
Other accrued expenses	13,372	14,887
Customer deposits and deferred revenue	867	1,027
Total current liabilities	28,082	31,933
LONG-TERM LIABILITIES:		
Deferred income tax liabilities	2,389	2,660
Uncertain tax position	7,877	7,877
Other long-term liabilities	1,272	1,618
Total liabilities	39,620	44,088
Commitments and contingencies (Note 10)		
STOCKHOLDERS EQUITY:		

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Preferred stock, \$0.001 par value, 1,000 shares authorized, none issued and outstanding		
Common stock, \$0.001 par value, 70,000 shares authorized; 41,980 and 41,849 shares issued and outstanding, respectively	42	42
Additional paid-in capital	226,749	224,139
Retained earnings	24,169	119,966
Other comprehensive income	24,159	32,402
Total stockholders' equity	275,119	376,549
Total liabilities and stockholders' equity	\$ 314,739	\$ 420,637

* Amounts as of June 30, 2009 are unaudited. Amounts as of December 31, 2008 are derived from the December 31, 2008 audited consolidated financial statements

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

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ADVANCED ENERGY INDUSTRIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations (Unaudited)
(In thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
SALES	\$ 35,567	\$ 87,996	\$ 68,194	\$ 176,883
COST OF SALES	27,636	52,720	53,875	105,759
GROSS PROFIT	7,931	35,276	14,319	71,124
OPERATING EXPENSES:				
Research and development	10,742	13,762	21,840	26,847
Selling, general and administrative	10,166	13,955	19,561	28,423
Amortization of intangible assets	120	226	342	466
Impairment of goodwill			63,260	
Restructuring charges	739	393	4,135	1,067
Total operating expenses	21,767	28,336	109,138	56,803
INCOME (LOSS) FROM OPERATIONS	(13,836)	6,940	(94,819)	14,321
OTHER INCOME, NET	627	996	909	1,901
Income (loss) before income taxes	(13,209)	7,936	(93,910)	16,222
PROVISION FOR INCOME TAXES	2,825	2,073	1,887	4,393
NET INCOME (LOSS)	\$ (16,034)	\$ 5,863	\$ (95,797)	\$ 11,829
BASIC EARNINGS (LOSS) PER SHARE:	\$ (0.38)	\$ 0.14	\$ (2.28)	\$ 0.27
DILUTED EARNINGS (LOSS) PER SHARE:	\$ (0.38)	\$ 0.14	\$ (2.28)	\$ 0.27
BASIC WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	41,948	41,869	41,915	43,265
DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	41,948	42,290	41,915	43,686

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

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ADVANCED ENERGY INDUSTRIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows (Unaudited)
(In thousands)

	Six Months Ended June 30,	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$	(95,797)	\$ 11,829
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization		3,936	6,285
Goodwill impairment charge		63,260	
Stock-based compensation expense		2,904	1,672
Benefit for deferred income taxes		(681)	(2,614)
Restructuring charges		4,135	477
Provision for excess and obsolete inventory		1,576	363
Provision for doubtful accounts		1,093	401
Net loss on disposal of assets		165	34
Changes in operating assets and liabilities			
Accounts receivable		21,976	2,889
Inventories		5,052	1,958
Other current assets		162	(163)
Accounts payable		(221)	832
Other current liabilities and accrued expenses		(8,850)	(1,817)
Income taxes		2,277	770
Non-current assets		(1,804)	(1,065)
Non-current liabilities		(235)	(1,278)
Net cash provided by (used in) operating activities		(1,052)	20,573
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of marketable securities		(131)	(10,957)
Proceeds from sale of marketable securities		24,568	51,156
Purchase of property and equipment		(1,402)	(3,945)
Net cash provided by investing activities		23,035	36,254
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payments on senior borrowings and capital lease obligations		(52)	(49)
Purchase and retirement of treasury stock			(49,767)
Proceeds from common stock transactions		100	1,242
Net cash provided by (used in) financing activities		48	(48,574)
EFFECT OF CURRENCY TRANSLATION ON CASH		(1,063)	3,337
INCREASE IN CASH AND CASH EQUIVALENTS		20,968	11,590
CASH AND CASH EQUIVALENTS, beginning of period		116,448	94,588

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CASH AND CASH EQUIVALENTS, end of period	\$ 137,416	\$ 106,178
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	\$ 2	\$ 7
Cash paid for income taxes	\$ 1,551	\$ 2,526
Cash held in banks outside the United States	\$ 69,183	\$ 73,516

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

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ADVANCED ENERGY INDUSTRIES, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 1. BASIS OF PRESENTATION

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting of normal, recurring adjustments, necessary to present fairly the financial position of Advanced Energy Industries, Inc., a Delaware corporation, and its wholly owned subsidiaries (we , us , our , or the Company) at June 30, 2009, and the results of our operations and cash flows for the three and six months ended June 30, 2009 and 2008.

The unaudited condensed consolidated financial statements presented herein have been prepared in accordance with the instructions to Form 10-Q and do not include all the information and note disclosures required by accounting principles generally accepted in the United States. The condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto contained in the Company s Annual Report on Form 10-K for the year ended December 31, 2008.

ESTIMATES AND ASSUMPTIONS The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates are used when establishing allowances for doubtful accounts, determining useful lives for depreciation and amortization, assessing the need for impairment charges, establishing warranty reserves, establishing the fair value of investments, the fair value and forfeiture rate of stock-based compensation, accounting for income taxes, and assessing excess and obsolete inventory. Management evaluates these estimates and judgments on an ongoing basis and bases its estimates on historical experience, current conditions and various other assumptions that are believed to be reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities as well as identifying and assessing the accounting treatment with respect to commitments and contingencies. Actual results may differ from these estimates under different assumptions or conditions.

SUBSEQUENT EVENTS Effective this quarter, we implemented Statement of Financial Accounting Standards (SFAS) No. 165, Subsequent Events. This standard establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued. The adoption of SFAS No. 165 did not impact our financial position or results of operations. We evaluated all events or transactions that occurred after June 30, 2009 through August 10, 2009, the date we issued these financial statements. During this period we did not have any material subsequent events.

NEW ACCOUNTING PRONOUNCEMENTS In March 2008, the Financial Accounting Standards Board (FASB) issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133. This statement requires additional disclosures regarding the effect of hedging activities on a company s results. This statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, which was our first quarter of 2009. This standard will impact disclosures about derivative instruments, including forward currency contracts, into which we may enter.

In December 2008, the FASB issued FASB Staff Position No. 132(R)-1, Employers Disclosures about Postretirement Benefit Plan Assets (FSP 132(R)-1). FSP 132(R)-1 amends FASB Statement No. 132 (revised 2003), Employers Disclosures about Pensions and Other Postretirement Benefits, to provide guidance on an employer s disclosures about plan assets of a defined benefit pension or other postretirement plan. The new disclosures are required to be included in financial statements for fiscal years ending after December 15, 2009. We are currently evaluating the impact of the implementation of FSP 132(R)-1 on our consolidated financial statements.

In April 2009, the FASB issued three FASB Staff Positions (FSPs) dealing with fair value measurements, other-than-temporary impairments and interim disclosures of fair value (FSP FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Has Significantly Decreased and Identifying Transactions That Are Not Orderly; FSP FAS 115-2, and FSP FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairment; and FSP FAS 107-1 and FSP APB28-1, Interim Disclosures about Fair Value of

Financial Instruments.) The FSPs were effective for interim and annual periods ending after June 15, 2009 and the impact was limited to our auction rates securities and the associated Put Agreement as described in Note 5. The adoption of these FSPs did not have a material impact on our consolidated financial position, results of operations, or cash flows.

On June 3, 2009, the FASB approved the FASB Accounting Standards Codification , or the Codification, as the single source of authoritative nongovernmental Generally Accepted Accounting Principles, or GAAP, in the United States. The Codification will be effective for interim and annual periods ending after September 15, 2009. Upon the effective date, the Codification will be the single source of authoritative accounting principles to be applied by all nongovernmental United States entities. All other accounting literature not included in the Codification will be non-authoritative. We do not expect the adoption of the Codification to have an impact on our financial position or results of operations.

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From time to time, new accounting pronouncements are issued by the FASB or other standards setting bodies that are adopted by us as of the specified effective date. Unless otherwise discussed, our management believes that the impact of recently issued standards that are not yet effective will not have a material impact on our consolidated financial statements upon adoption.

NOTE 2. STOCK-BASED COMPENSATION

We recognize stock-based compensation expense in accordance with the provisions of SFAS No. 123R, Share-Based Payment. Stock-based compensation was \$1.4 million and \$1.3 million for the three months ended June 30, 2009 and 2008, respectively, and \$2.9 million and \$1.7 million for the six months ended June 30, 2009 and 2008, respectively.

Stock Options

A summary of our stock option activity for the six months ended June 30, 2009 is as follows:

	Shares (in thousands)	Weighted- Average Exercise Price
Options outstanding at December 31, 2008	3,932	\$ 17.42
Options granted	743	7.82
Options exercised	(10)	8.23
Options cancelled	(353)	18.98
Options outstanding at June 30, 2009	4,312	\$ 15.65

The fair value of options granted during the three and six months ended June 30, 2009 is \$4.55 and \$4.57 per share, respectively. The total intrinsic value of options exercised in both the three and six months ended June 30, 2009 was an immaterial amount. The total intrinsic value of options exercised for the three and six months ended June 30, 2008 was approximately \$0.7 million and \$0.8 million, respectively, determined as of the exercise date. As of June 30, 2009, there was \$8.0 million of total unrecognized compensation cost related to stock options granted and outstanding, with a weighted average remaining vesting period of 2.85 years, which is expected to be recognized through fiscal year 2013. During the six months ended June 30, 2009 there was approximately \$0.1 million of cash received from stock option exercises. The fair value of each option is estimated on the date of grant using the Black-Scholes option pricing model and estimated forfeiture rate with the following weighted-average assumptions:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Risk-free interest rates	2.0%	3.1%	1.9%	3.1%
Expected dividend yield rates	0.0%	0.0%	0.0%	0.0%
Expected lives in years	5.6	5.5	5.6	5.5
Expected volatility	62.1%	62.2%	62.8%	62.2%
Expected forfeiture rate	29.1%	30.5%	29.5%	30.5%

Restricted Stock

A summary of our non-vested Restricted Stock Units (RSU) activity for the six months ended June 30, 2009 is as follows:

Shares	Weighted- Average Grant-date Fair Value
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	(in thousands)	
Non-vested RSUs outstanding December 31, 2008	395	\$15.26
RSUs granted	117	8.17
RSUs vested	(127)	8.34
RSUs forfeited	(36)	18.31
Non-vested RSUs outstanding June 30, 2009	349	\$13.13

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The fair value of our RSUs is determined based upon the closing fair market value of our common stock on the grant date. At June 30, 2009, there was \$1.2 million of total unrecognized compensation cost related to non-vested RSUs outstanding that is expected to be recognized over a weighted average period of 2.23 years. During the quarter ended June 30, 2009, the total fair value of RSUs that vested was \$0.4 million, based upon the closing fair market value of our common stock on the date the underlying common stock was released to the recipient.

NOTE 3. INCOME TAXES

At June 30, 2009, we had gross deferred income tax assets of \$50.5 million in the United States and \$2.3 million in foreign jurisdictions, a significant portion of which relates to net operating losses and tax credit carryforwards, for which a valuation allowance of \$34.4 million has been provided. The ultimate realization of deferred income tax assets is dependent on the generation of taxable income in appropriate jurisdictions during the periods in which those temporary differences are deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in determining the amount of the valuation allowance. Based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred income tax assets are deductible, management determines if we will realize the benefits of these deductible differences. As of June 30, 2009, the most significant factors considered in determining the realizability of these deferred tax assets and the amount of the valuation allowance was our profitability over the past three years (excluding the effect of the non-deductible goodwill charge recorded during the quarter ended March 31, 2009), the historical cyclicality of the markets in which we operate and our projected profitability during these cycles. To fully utilize our deferred tax assets, we would need to generate approximately \$95.1 million in pre-tax income in the United States and \$9.2 million in pre-tax income in foreign jurisdictions prior to the expiration of our net operating loss and tax credit carryforwards.

Our effective income tax rate for the three months ended June 30, 2009 was 21.3%, as compared to an effective income tax rate for the three months ended June 30, 2008 of 26.1%. While we incurred losses in the United States in the current period, we have recorded a valuation allowance for the reasons described above and a tax benefit has not been taken. Conversely, we generated taxable income in certain of our foreign jurisdictions in the current period and, as a result, have recorded an expense of \$2.8 million in the three months ended June 30, 2009.

Our tax rate is projected to be 6.2% for the year ended December 31, 2009, which is a reduction from our 2008 tax rate of 111.1%. This reduction is primarily due to an unusually large effective tax rate in 2008 that resulted from the recording of a valuation allowance on net operating losses and tax credits in the United States in 2008. The expected tax rate for the year ended December 31, 2009 is also impacted by an impairment of goodwill incurred in the first quarter of 2009, which is non-deductible for tax purposes, as well as income recognized in the United States from the repatriation of cash from our subsidiary in Japan. The United States net operating losses and tax credits were fully reserved since we determined we would not realize the benefits of the deferred income tax assets described above.

As of December 31, 2008, the balance of our tax contingencies was \$13.5 million. If the \$13.5 million of tax contingencies reverse, \$1.5 million of our tax contingencies would affect our effective tax rate. There have been no significant changes to these amounts during the six months ended June 30, 2009. We do not anticipate a material change to the amount of unrecognized tax positions within the next 12 months.

While we believe we have adequately provided for all tax positions, amounts asserted by taxing authorities could materially differ from our accrued positions as a result of uncertain and complex application of tax regulations. Additionally, the recognition and measurement of certain tax benefits includes estimates and judgment by management and inherently includes subjectivity. Accordingly, additional provisions on federal and foreign tax-related matters could be recorded in the future as revised estimates are made or the underlying matters are settled or otherwise resolved.

NOTE 4. RESTRUCTURING

Throughout 2008 and again in the first three months of 2009, we implemented cost reduction efforts in response to deteriorating economic conditions and weakening demand from our end markets. Overall, we reduced our global workforce by approximately 446 people or 26.1% of total headcount across all functional areas and geographies since the beginning of 2008. We incurred restructuring costs of \$0.7 million and \$4.1 million for the three and six months ended June 30, 2009, respectively, related to the cost reduction efforts. As of June 30, 2009, \$0.3 million in accrued

severance and benefits were still unpaid because the departure date of certain affected employees is in future quarters. Those payments, which are included in accrued restructuring on the condensed consolidated balance sheets, are expected to be made in the current year.

For the three and six months ended June 30, 2008, we incurred restructuring costs of \$0.4 million and \$1.1 million, respectively, related to the cost reduction efforts described above. All severance and benefits payments related to restructuring activities incurred for the three and six months ended June 30, 2008 have been paid.

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The following table summarizes the components of the restructuring costs, the payments and non-cash charges, and the remaining accrual as of June 30, 2009:

	Severance and Benefits (In thousands)
Restructuring liability balance at December 31, 2008	\$ 1,825
Total charge to operating expense	4,574
Payments	(5,650)
Adjustments	(439)
Restructuring liability balance at June 30, 2009	\$ 310

NOTE 5. MARKETABLE SECURITIES AND LONG-TERM INVESTMENTS

Investment securities with original maturities of more than three months at time of purchase are considered marketable securities. Investment securities that are not liquid within twelve months are considered long-term investments.

The composition of securities classified as current and non-current assets is as follows at June 30, 2009 and December 31, 2008:

	June 30, 2009		December 31, 2008	
	Cost	Fair Value	Cost	Fair Value
	(In thousands)		(In thousands)	
Current:				
Commercial paper	\$ 2,446	\$ 2,445	\$ 1,269	\$ 1,270
Treasury bills	3,544	3,544	2,792	2,797
Certificates of deposit	1,732	1,732	29,199	29,199
Government bonds	749	739		
Auction rate securities	29,050	23,102		
Put agreement		5,440		
Corporate bonds/notes	884	895		
Total Current	38,405	37,897	33,260	33,266
Non-current:				
Common stock			4	4
Auction rate securities			30,850	24,938
Put agreement				5,459
Total Non-current			30,854	30,401
Total securities	\$ 38,405	\$ 37,897	\$ 64,114	\$ 63,667

The value and liquidity of these securities are affected by market conditions as well as the ability of the issuer to make principal and interest payments when due, and the functioning of the markets in which these securities are traded.

We previously classified our auction rate securities (ARS) as long-term investments because of our inability to determine when the investments would settle. However, in November 2008, we executed a non-transferrable Auction Rate Securities Rights Agreement (the Put Agreement) with a financial institution that provides us with the ability to sell our ARS to the financial institution, at our sole discretion, and obligates the financial institution to purchase such ARS at par during the period June 30, 2010 through July 2, 2012. Since the period for which this Put Agreement is effective is now within twelve months, we have reclassified our auction rate securities and the Put Agreement as current assets.

Upon executing the Put Agreement, we determined that an other-than-temporary impairment should be recorded on our ARS in the fourth quarter of 2008, since we did not intend to hold the ARS until the value fully recovered. At that time, we also recorded the Put Agreement in long term investments at its fair value, pursuant to SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115 (SFAS 159). Under SFAS 159, a company may elect to use fair value to measure certain instruments and obligations. Upon election, we recognized a gain equal to fair value of the Put Agreement in other income. The net increase in fair value of the ARS and the Put Agreement during the quarter ended June 30, 2009 was \$0.1 million.

The fair value of our ARS and the Put Agreement were determined using Level 3 inputs. Some of the inputs into the discounted cash flow models we use are unobservable in the market and have a significant effect on valuation. The assumptions used in preparing the models include, but are not limited to, periodic coupon rates, market required rates of return and the expected term of each security. The coupon rate was estimated using implied forward rate data on interest rate swaps and United States treasuries, and limited where necessary by any contractual maximum rate paid under a scenario of continuing auction failures. We believe implied forward rates inherently account for a lack of liquidity. In making assumptions of the required rates of return, we considered risk-free interest rates and credit spreads for investments of similar credit quality. The expected term for the ARS was based on a weighted probability-based estimate of the time the principal will become available to us. The expected term for the Put Agreement was based on the earliest date on which we can exercise our put. Other than via the Put Agreement, the principal could become available under three different scenarios: (1) the ARS is called; (2) auctions have resumed and are successful; and (3) the principal has reached maturity.

As of June 30, 2009, management does not believe that any of the underlying issuers of the ARS, the insurers of the ARS, or the issuer of the Put Agreement are presently at risk or that the underlying credit quality of the assets backing the ARS will affect the Company's ability to realize the value of the investments at June 30, 2010.

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Financial assets carried at fair value as of June 30, 2009 are classified in the table below in one of the three categories described in SFAS No. 157:

	Level 1	Level 2	Level 3	Total
Auction rate securities	\$	\$	\$23,102	\$23,102
Put agreement			5,440	5,440
Commercial paper	2,445			2,445
Certificates of deposit	1,732			1,732
Government bonds	739			739
Corporate bonds	895			895
Treasury bills	3,544			3,544
Total	\$9,355	\$	\$28,542	\$37,897

The following table reconciles the December 31, 2008 beginning and June 30, 2009 ending balances for items measured at fair value on a recurring basis in the table above that used Level 3 inputs:

	ARS	Put Agreement	Total
Balances at December 31, 2008	\$24,938	\$ 5,459	\$30,397
Net realized gain (loss) included in other income	(36)	(19)	

Direct deposit authorization forms will be processed and will become effective as promptly as practicable after receipt by Computershare. You may change your designated bank account for automatic direct deposit or discontinue this feature at any time online or by submitting to Computershare a new direct deposit authorization form or by written instruction to Computershare.

10. How can I make a cash investment?*By Check*

You may make initial cash investments and additional optional cash investments by personal check payable in U.S. dollars to Computershare - ONEOK, Inc. Initial investments by new investors must be at least \$250. Additional optional cash investments by plan participants must be at least \$25. To be effective for a particular Purchase Date, Computershare must receive your optional cash investment at least (a) two business days before that Purchase Date for investments up to \$10,000 or (b) one business day before the commencement of the pricing period for investments in excess of \$10,000. Current plan participants should mail their optional cash investments to Computershare with the transaction form attached to each statement of account sent to them by Computershare.

By One-Time Online Bank Debit

You may make initial cash investments and additional optional cash investments online at Computershare's website, www.computershare.com/investor. In order to purchase shares online, you must authorize the withdrawal of funds from your bank account.

By Recurring Automatic Debits from a U.S. Bank Account

You may make automatic optional cash investments by electronic funds transfer from a pre-designated account at a U.S. bank or financial institution. Automatic investments must be for a specified amount, not less than \$25 and not greater than \$10,000 per investment.

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A new investor may make an initial investment by authorizing automatic deductions of at least \$25 for a minimum of ten consecutive investments.

If automatic deductions are used for optional cash investments, you must either (i) complete and sign the authorization form for automatic deductions and return it to Computershare, with either a voided blank check or a deposit form for the bank account from which funds are to be drawn or (ii) enroll online at www.computershare.com/investor. The automatic deduction forms will be processed and will become effective as promptly as practicable; however, you should allow four to six weeks for the first investment to be initiated using this automatic investment feature.

Once automatic deductions begin, funds will be withdrawn from your bank account on either the 1st day or the 15th day of each month, or both (at your option), or on the next business day if either of those days is not a business day. Funds normally will be invested within five business days.

Automatic deductions will continue indefinitely until you notify Computershare by telephone, online or in writing that the automatic deductions are to be changed or stopped.

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You must complete a new authorization form for automatic deductions when you transfer ownership of shares or otherwise establish a new account on Computershare's records, or close or change your designated bank account or are assigned a new account number by your bank.

To be effective for a particular Purchase Date, Computershare must receive your new instructions at least seven business days before the date you designate for withdrawal.

In the event that your check for a cash investment is returned unpaid for any reason, or an authorized electronic funds transfer cannot be effected, Computershare will consider the request for investment of such funds null and void. Computershare shall immediately remove from your account those shares, if any, purchased upon the prior credit of such funds. Computershare shall thereupon be entitled to sell shares to satisfy any uncollected amount plus any applicable fees. If the net proceeds of the sale of such shares are insufficient to satisfy the balance of such uncollected amounts, Computershare shall be entitled to sell such additional shares from your account as may be necessary to satisfy the uncollected balance.

Other forms of Payment

Optional cash investments in excess of \$10,000 pursuant to a request for waiver that we approve may be made only by wire transfer. Wire transfers made pursuant to a request for waiver must be received by Computershare by 12:00 p.m., Central time, on the business day before the first day of the relevant pricing period (as described below).

11. How do I make optional cash investments up to \$10,000?

If you are a current shareholder, you may make optional cash investments by personal check or one-time online investment, or automatic deduction from your account at a U.S. bank or financial institution in the minimum amount of \$25, up to a maximum amount of \$10,000 per investment.

If you are a new investor, the minimum initial investment is \$250 by personal check or one-time online investment, or \$25 by automatic deduction a U.S. bank with a minimum of ten consecutive investments.

Except when accompanied by an approved Request for Waiver Form (as described below in Question 12), the aggregate of your optional cash investments cannot exceed \$10,000 per month. Optional cash investments up to \$10,000 per month must be received by Computershare two business days prior to a Purchase Date in order to be invested on that Purchase Date. Cash received after that date will be held by Computershare for purchases to be made on the next Purchase Date.

No interest will be paid on payments received and held pending investment by Computershare.

We may adjust all minimum and maximum plan investment amounts at our discretion from time to time after notification to all participants. Amounts representing uninvested optional cash payments will be returned to you promptly following your telephone or written request received by Computershare not less than two business days before a Purchase Date.

Participants should be aware that because investments under the plan are made as of specified dates, one may lose any advantage that otherwise might be available from being able to select the timing of an investment. Neither we nor Computershare can assure a profit or protect against a loss on shares of Common Stock purchased under the plan.

12. Can I make an optional cash investment in excess of \$10,000?

If you wish to make an optional cash investment in excess of \$10,000, you must obtain our prior written approval. To obtain our approval, you must submit a request for waiver. A form of request for waiver can be obtained from our Chief Financial Officer at (918) 588-7917. A completed Request For Waiver Form should be sent to our Chief Financial Officer via facsimile at (918) 588-7971 no later than three business days prior to the commencement of the Pricing Period, as defined in question 13 below, for the applicable Purchase Date. If we have approved your request for waiver, then you must send Computershare a copy of our written waiver approval along with your optional cash investment greater than \$10,000. Computershare must receive your optional cash investment in good funds along with an approved Request For Waiver Form not later than the trading day immediately preceding the commencement of the Pricing Period, otherwise the cash will not be invested until the next Payment Date.

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We have the sole discretion to approve or reject any request to make an optional cash investment in excess of the \$10,000 maximum allowable amount. We may grant those requests for waiver in order of receipt or by any other method that we determine to be appropriate. We also may determine the amount that you may invest pursuant to a waiver. In deciding whether to approve your request for waiver, we may consider, among other things, the following factors:

whether, at the time of such request, Computershare is acquiring shares of Common Stock for the plan directly from us or in the open market or in privately negotiated transactions with third parties;

our need for additional funds;

our desire to obtain additional funds through the sale of Common Stock as compared to other sources of funds;

the purchase price likely to apply to any sale of Common Stock;

the extent and nature of your prior participation in the plan;

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the number of shares of Common Stock you hold of record; and

the total amount of optional cash investments in excess of \$10,000 for which requests for waiver have been submitted.

If you do not receive a response from us in connection with your request for waiver by the commencement of the Pricing Period, you should assume that we have denied your request.

13. What is a Purchase Date and when do Purchase Dates occur?

The Purchase Date is the date or dates on which shares of our Common Stock are deemed to have been purchased with reinvested dividends or optional cash payments and which are used to calculate the Purchase Price of the purchased shares. The Purchase Date under the plan depends on whether you purchase the shares with reinvested dividends or optional cash payments and whether we issue new shares to you or Computershare obtains your shares by purchasing them from parties other than us.

Reinvested Dividends: If shares acquired with reinvested dividends are acquired directly from us, the Purchase Date is the dividend payment date (or if that date is not a trading day, then the first trading day immediately preceding that date). If shares acquired with reinvested dividends are acquired from parties other than us either in open market or privately negotiated purchases, the Purchase Date will be the date or dates on which those purchases occur, which will commence on the applicable dividend payment date and will be completed no later than thirty days following the dividend payment date, except where completion at a later date is necessary or advisable under any applicable federal or state securities laws or regulations. The record date associated with a particular dividend is referred to in this plan as a dividend record date.

Optional Cash Investments up to \$10,000: If shares will be purchased directly from us with optional cash investments up to \$10,000, a Purchase Date will occur at least once every five business days for all such purchases requested by all participants since two business days before the preceding Purchase Date. If Computershare acquires shares from parties other than us either in open market or privately negotiated purchases, such purchases will begin on the day that would be deemed the Purchase Date if the shares were acquired directly from us and will be completed no later than thirty-five days following such date, except where completion at a later date is necessary or advisable under any applicable federal or state securities laws or regulations. Optional cash investments up to \$10,000 must be received by Computershare two business days prior to a Purchase Date in order to be invested on that Purchase Date. Otherwise the cash will not be invested until the next Purchase Date.

Optional Cash Investments in Excess of \$10,000: If shares of Common Stock will be purchased directly from us with an optional cash investment in excess of \$10,000 pursuant to an approved request for waiver, then there will be ten (10) Purchase Dates, each of which will occur on a separate day on which the New York Stock Exchange is open for business in a Pricing Period (as defined in the next paragraph), with one-tenth (1/10 or 10%) of your optional cash investment being invested on each Purchase Date, subject to the qualifications set forth under Minimum Waiver Price in the answer to question 15 below. Computershare must receive your optional cash investment in good funds along with an approved Request For Waiver Form not later than the trading day immediately preceding the commencement of the Pricing Period. Otherwise, the cash will not be invested until the next Pricing Period.

The Pricing Period is the period encompassing the ten consecutive trading days ending on either (1) the dividend payment date during any month in which we pay a cash dividend or (2) the 15th day of any month in which we do not pay a cash dividend (or if either date is not a trading day, then the first trading day immediately preceding such date).

14. What is the source of ONEOK Common Stock purchased through the plan?

Computershare will, at our discretion, purchase shares of Common Stock sold to participants either directly from us as newly issued shares of Common Stock or treasury shares, or from parties other than us either in the open market or in privately negotiated transactions or through a combination of the above.

Full and fractional shares acquired under the plan will be calculated and credited to participants' accounts. The number of shares purchased will be the total amount invested divided by the applicable purchase price per share as described below.

15. What is the Purchase Price for shares purchased through the plan?

The purchase price under the plan depends in part on whether the shares are purchased from us or from parties other than us. The purchase price also depends on whether we are offering discounts on purchases under the plan at that time.

Reinvested Dividends

If shares of Common Stock are purchased directly from us with reinvested dividends, the Purchase Price to you will equal 100% (subject to change as provided below) of the average of the high and low sales prices for a share of Common Stock reported by the New York Stock Exchange on the applicable Purchase Date, or, if no trading occurs in shares of Common Stock on the applicable Purchase Date, the first trading day immediately preceding the Purchase Date for which trades are reported, computed up to six decimal places. The Purchase Price may be reduced by up to 5% if we are offering a discount on purchases with reinvested dividends on the applicable Purchase Date.

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If the shares of Common Stock are purchased in the open market or in privately negotiated transactions, then the Purchase Price to you will equal the weighted average purchase price paid for those shares, computed up to six decimal places. Discounts will not be available when shares are purchased from persons other than us.

Optional Cash Investments up to \$10,000

If shares of Common Stock purchased with optional cash payments up to \$10,000 are purchased directly from us the Purchase Price to you will equal 100% (subject to change as provided below) of the average of the high and low sales prices for a share of Common Stock reported by the New York Stock Exchange on the applicable Purchase Date, or, if no trading occurs in shares of Common Stock on the applicable Purchase Date, the first trading day immediately preceding the Purchase Date for which trades are reported, computed up to six decimal places. The Purchase Price may be reduced by up to 5% if we are offering a discount on purchases with optional cash investments up to \$10,000 on the applicable Purchase Date.

If Computershare purchases shares of Common Stock in the open market or in privately negotiated transactions, then the Purchase Price will be a price equal to the weighted average purchase price paid by Computershare for those shares, computed up to six decimal places. Discounts are not available when shares are purchased from persons other than us.

Optional Cash Investments in Excess of \$10,000

Shares purchased with optional cash payments in excess of \$10,000 pursuant to a granted waiver will be purchased directly from us. The Purchase Price will be a price equal to 100% (subject to change as provided below) of the average of the daily high and low sales prices of our Common Stock reported by the New York Stock Exchange for the trading day relating to each of the ten Purchase Dates during the ten-day Pricing Period (computed up to six decimal places), with one-tenth (1/10 or 10%) of such optional cash investment being invested on each Purchase Date. The Purchase Price may be reduced by any discount that we have provided for optional cash investments in excess of \$10,000 on that Purchase Date.

We may set a minimum purchase price per share (the Minimum Waiver Price) for optional cash investments in excess of \$10,000 made pursuant to a granted waiver for any Pricing Period. We will determine whether to set a Minimum Waiver Price, and, if so, its amount, at least two business days before the first day of the Pricing Period. We will notify Computershare of the Minimum Waiver Price, if any. In deciding whether to set a Minimum Waiver Price, we will consider current market conditions, the level of participation in the plan and our current and projected capital needs, among other things.

We will fix the Minimum Waiver Price for a Pricing Period as a dollar amount that the average of the high and low sale prices reported by the New York Stock Exchange for each trading day of that Pricing Period (not adjusted for discounts, if any) must equal or exceed. We will exclude from the Pricing Period and from the determination of the purchase price any trading day within the Pricing Period that does not meet the Minimum Waiver Price. We also will exclude from the Pricing Period and from the determination of the purchase price any day in which no trades of Common Stock are made on the New York Stock Exchange. Thus, for example, if the Minimum Waiver Price is not met or no sales of our Common Stock are reported for two of the ten trading days in a Pricing Period, then we will base the purchase price upon the remaining eight trading days in which the Minimum Waiver Price was met.

In addition, we will return a portion of each optional cash investment in excess of \$10,000 for each trading day of a Pricing Period for which the Minimum Waiver Price is not met or for each day in which no trades of Common Stock are reported on the New York Stock Exchange. The returned amount will equal one-tenth (1/10 or 10%) of the total amount of that optional cash investment (not just the amount exceeding \$10,000) for each trading day that the Minimum Waiver Price is not met or for each trading day in which sales are not reported. Thus, for example, if the Minimum Waiver Price is not met or no sales of our Common Stock are reported for two of the ten trading days in a Pricing Period, then we will return two-tenths (2/10 or 20%) of the optional cash investment to you without interest after conclusion of the Pricing Period.

The establishment of the Minimum Waiver Price and the possible return of a portion of the investment applies only to optional cash investments in excess of \$10,000 made pursuant to a granted waiver. Setting a Minimum Waiver Price for a Pricing Period will not affect the setting of a Minimum Waiver Price for any other Pricing Period. We may waive our right to set a Minimum Waiver Price for any particular month. Neither we nor Computershare is required to give you notice of the Minimum Waiver Price for any Pricing Period.

Discount

A discount of up to 5% may be offered, in the Company's sole discretion, with respect to a particular Purchase Date to participants on purchases of our Common Stock directly from us through dividend reinvestment, optional cash investments up to \$10,000, and optional cash investments in excess of \$10,000. Information regarding any such offer of a discount may be obtained by contacting the Company or by visiting our website at www.oneok.com. We will announce the discount rate, if any, by the third business day before the Purchase Date with respect to dividend reinvestments and optional cash investments up to \$10,000. The discount rate, if any, on optional cash purchases in excess of \$10,000 will be announced at least two business days before the first day of the Pricing Period. As of the date of this prospectus, there is no discount for purchases.

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16. May I add my certificate shares of ONEOK, Inc. Common Stock to my plan account for safekeeping?

Yes. You may use the plan's share safekeeping service to deposit any Common Stock certificates in your possession with Computershare. Shares deposited will be recorded in book-entry form and credited to your account. By using the plan's share safekeeping service, you no longer bear the risks associated with loss, theft or destruction of stock certificates.

Computershare will promptly send you a statement confirming each certificate deposit. Shares deposited and credited to your account with Computershare may be transferred or sold in a convenient and efficient manner. See the answer to Question 18 regarding certificates for shares and the answer to Question 19 regarding sale of shares below.

17. How do I send my certificates to Computershare for safekeeping?

Stock certificates sent to Computershare for safekeeping should not be endorsed. You should send certificates to the address listed above (in question 3) by registered mail, return receipt requested, and properly insured. You should insure the certificate(s) because you bear the risk of loss in transit.

18. Can I have a certificate issued for shares credited to my account?

Yes. Common Stock purchased under the plan, and any certificated shares you may deposit for safekeeping, will be recorded in electronic registration form (book-entry) and credited to your account. Computershare will report the number of shares (including fractional shares) credited to your account as promptly as practicable after each purchase. You may obtain a certificate for all or any portion of the whole shares credited to your account at any time by an online, telephone or written request to Computershare. Any remaining whole or fractional shares will continue to be credited to your account. If you request a certificate for all shares credited to your account, a certificate will be issued for the whole shares and a cash payment will be made for any remaining fractional share. That cash payment will be based upon the then-current market price of the Common Stock, less any service fee, any applicable processing fee and any other costs of sale. Withdrawal of shares in the form of a certificate in no way affects dividend reinvestment or payment of cash dividends on those shares.

19. How do I sell shares credited to my account?

You may direct Computershare to sell some or all of the shares of credited to your account by contacting Computershare. You have two choices when making a sale, depending on how you submit your sale request, as follows:

Market Order: A market order is a request to sell shares promptly at the current market price. Market order sales are only available at www.computershare.com/investor through Investor Centre or by calling Computershare directly at 1-866-235-0232. Market order sale requests received at www.computershare.com/investor through Investor Centre or by telephone will be placed promptly upon receipt during market hours (normally 9:30 a.m. to 4:00 p.m. Eastern time). Any orders received after 4:00 p.m. Eastern time will be placed promptly on the next day the market is open. The price shall be the market price of the sale obtained by Computershare's broker, less a service fee of \$25 and any applicable processing fees, which are \$0.05 per share on the date of this prospectus, but which may change at any time without notice to you.

Batch Order: A batch order is an accumulation of all sale requests for a security submitted together as a collective request. Batch orders are submitted on each market day, assuming there are sale requests to be processed. Sale instructions for batch orders received by Computershare will be processed no later than five business days after the date on which the order is received (except where deferral is required under applicable federal or state laws or regulations), assuming the applicable market is open for trading and sufficient market liquidity exists. Batch order sales are available at www.computershare.com/investor through Investor Centre or by calling Computershare directly at 1-866-235-0232. All sales requests received in writing will be submitted as batch order sales. Computershare will cause your shares to be sold on the open market within five business days of receipt of your request. To maximize cost savings for batch order sale requests, Computershare will seek to sell shares in round lot transactions. For this purpose Computershare may combine each selling plan participant's shares with those of other selling plan participants. In every case of a batch order sale, the price to each selling plan participant shall be the weighted average sale price obtained by Computershare's broker for each aggregate order placed by Computershare and executed by the broker, less a service fee of \$15 and any applicable processing fees, which are \$0.05 per share on the date of this prospectus, but which may change at any time, without notice to you.

Proceeds are normally paid by check mailed within two business days after your sale transaction has settled.

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Computershare reserves the right to decline to process a sale if it determines, in its sole discretion, that supporting legal documentation is required. In addition, no one will have any authority or power to direct the time or price at which shares for the plan are sold, and no one, other than Computershare, will select the broker(s) or dealer(s) through or from whom sales are to be made.

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You should be aware that the price of our Common Stock may rise or fall during the period between a request for sale, its receipt by Computershare and the ultimate sale on the open market. Instructions sent to Computershare to sell shares are binding and may not be rescinded. If you prefer to have complete control as to the exact timing and sales prices, you can transfer the shares to a broker of your own choosing and sell them through that broker.

20. Can I transfer shares that are credited to my account?

Yes. You may transfer the ownership of all or part of the shares credited to your account to an account for another person without requiring the issuance of stock certificates. This could include a gift or private sale. Transfers of less than all of the shares credited to your account must be made in whole share amounts. No fractional share may be transferred unless your entire account balance is transferred. Requests for these transfers must meet the same requirements as are applicable to the transfer of Common Stock certificates, including the requirement of a Medallion Signature Guarantee. Simply call Computershare to obtain the proper instructions, requirements and documents necessary to complete your transfer. Transfer instructions may also be obtained online at www.computershare.com/investor. Shares that are transferred will be credited in book-entry form to the transferee's account. An account will be opened in the name of the transferee if the transferee is not already a registered shareholder, and the transferee's account will be enrolled in the plan under the same dividend reinvestment option as the transferor unless the transferor specifies differently. After the transfer has been made, the transferee may change the dividend reinvestment option as described in Question 7 above. After the transfer, the transferee will receive an account statement showing the number of shares transferred to and held in the transferee's account.

21. Can I establish an IRA account through the plan?

Yes. A participant may establish an IRA which invests in ONEOK Common Stock through the plan. You can also roll over an existing IRA into your Computershare IRA Plan account. For complete information about the Computershare IRA Plan, fees and application forms, go to www.computershare.com/investor or call Computershare's IRA Plan Administrator at 1-800-597-7736.

A participant should consult with a tax advisor concerning all the rules governing contributions and transfers to an IRA and the timing and tax consequences of withdrawals and distributions from an IRA.

22. What if ONEOK issues a stock dividend or declares a stock split? What happens in the event of a rights offering?

Any dividends in Common Stock or split shares of Common Stock distributed by us on shares credited to your account or held by you in the form of stock certificates will be credited to your account. In a rights offering by us, you will receive rights based upon the total number of whole shares registered in your name, including shares held by you in stock certificate form and shares credited in book-entry form to your account.

23. What reports will I receive?

Whenever you purchase, sell or deposit shares through the plan, you will promptly receive from Computershare a statement with the details of the transaction, unless you are participating in the plan through your broker, bank or nominee. All shares you hold or purchase through the plan are recorded in the same account. After each dividend reinvestment or optional investment, you will receive from Computershare a detailed statement showing the amount of the latest dividend reinvested or optional investment, the purchase price per share, the number of shares purchased and the total shares credited to your account. The statement also will show year-to-date account information. You should retain these statements to establish the cost basis of shares of Common Stock purchased under the plan for income tax purposes. You may also obtain information about your account by accessing it through the Investor Centre section of Computershare's website, www.computershare.com/investor.

In addition, you will receive copies of the same communications sent to all other holders of record of our Common Stock. This includes our annual report to shareholders, quarterly reports to shareholders, the notice of annual meeting and proxy statement. You will also be furnished with Internal Revenue Service information for reporting dividends paid and proceeds derived from any sale of shares credited to your account in the form and manner as the Internal Revenue Service may require. All notices, statements and reports from Computershare to you will be addressed to your latest address of record with Computershare.

In order to insure receipt of plan reports and information, you must promptly notify Computershare of any change of address.

24. Are there costs associated with participation?

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All costs for the purchase of shares and administration of the plan will be paid by us with the exception of:

Costs associated with automatic investments that may be assessed by your financial institution (as described under Question 10 above).

Any costs resulting from your having insufficient funds to effect payment for initial and/or optional cash investments.

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Those costs associated with your direction to Computershare to sell all or a portion of your shares (as described under Question 19 above).

Those costs related to a sale of a fractional share (as described under Questions 18 and 19 above and Question 29 below). Additionally, ONEOK may require waiver participants to pay reasonable costs associated with purchases made under a waiver.

25. Can I pledge or assign shares credited to my account?

No. Except as described under Question 20 above regarding transfers of shares, Common Stock credited to your account may not be pledged or assigned. If you wish to pledge shares of Common Stock credited to your account, you must request that certificates for those shares be issued in your name as described under Question 18 above.

26. How do I vote shares credited to my account at shareholders meetings?

If you participate in the plan, you, as a holder of our Common Stock, will have the same rights as every other holder of our Common Stock. You will be provided with all required documentation to vote whole shares of Common Stock credited to your account. Fractional shares may not be voted. You will receive a proxy card for signing, that provides voting instructions to us, which will indicate the number of whole shares directly credited to your account. A properly signed proxy will be voted according to your instructions.

27. Can the plan be terminated, suspended or modified?

Yes. We reserve the right to terminate, suspend or modify the plan at any time, in whole or in part, in respect to participants in one or more jurisdictions. All affected participants will receive notice of any termination, suspension or modification of the plan.

28. What are the responsibilities of ONEOK and Computershare under the plan?

Neither we nor Computershare (nor any of our agents, representatives, employees, officers, directors or subcontractors) will be liable for any act done in good faith or for any good faith omission to act, including any claim arising out of a failure to cease reinvesting dividends for your account upon your death prior to receipt of notice in writing of such death, the prices at which shares are purchased or sold for your account, the times when purchases or sales are made or fluctuations in the market value of the Common Stock. You must recognize that neither we nor Computershare can assure a profit or protect against a loss on shares purchased under the plan. The prices of shares purchased and sold under the plan will be determined by market conditions. Participants cannot waive federal securities law liability.

We are authorized to take any actions to carry out the plan as may be consistent with the terms and conditions of the plan. We reserve the right to interpret and regulate the plan as we deem desirable or necessary in connection with the plan's operations.

THE ESTABLISHMENT AND MAINTENANCE OF THE PLAN DOES NOT CONSTITUTE ASSURANCES WITH RESPECT TO EITHER THE VALUE OF OUR COMMON STOCK, WHETHER OR NOT WE WILL CONTINUE TO PAY DIVIDENDS ON OUR COMMON STOCK OR AT WHAT RATE ANY DIVIDENDS WILL BE PAID.

29. Can my participation in the plan be terminated?

If you do not own at least one whole share registered in your name in stock certificate form or credited in book-entry form to your account, your participation in the plan may be terminated. In that event, you would receive a cash payment for the fractional share remaining in your account based on the then-current market price of Common Stock, less any service fee, any applicable processing fee and any other costs of sale.

30. What law governs the plan?

The plan and its operations are governed by the laws of the State of Oklahoma and federal securities laws, if applicable.

FEDERAL INCOME TAX CONSEQUENCES

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The following is believed by us to be an accurate summary of the U. S. federal income tax consequences of participation in the plan as of the date of this prospectus.

This summary of U. S. federal income tax consequences is for general information, is not legal advice and does not reflect tax consequences of every possible situation that could result from participation in the plan. This summary is based in part on rulings and information published by the Internal Revenue Service. The tax consequences discussed below are subject to change. You should consult your own tax advisor with respect to the tax consequences (including federal, state, local and other tax laws, and U. S. withholding tax laws) to you in light of your own particular circumstances.

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Dividend Reinvestment

If shares of ONEOK Common Stock are purchased by Computershare directly from us with reinvested dividends, you must include in gross income a taxable dividend equal to the number of shares purchased with the reinvested dividends multiplied by the fair market value of a share of Common Stock on the applicable Purchase Date. The shares of Common Stock acquired directly from us by dividend reinvestment should have a tax basis for determining gain or loss equal to the fair market value of the shares on the applicable Purchase Date. The tax basis for any shares of Common Stock purchased in open market transactions with reinvested dividends should be equal to the weighted average purchase price of all shares purchased for the applicable Purchase Date. See Question 15. In addition, you will also realize a taxable dividend to the extent of an allocated portion of any processing fees paid by us with respect to shares purchased for your account.

Optional Cash Investments

If you make optional cash investments to purchase shares of our Common Stock under the plan, any discount provided by the plan for such investment will be treated as a distribution taxable to you as a dividend. The taxable amount will be the excess of the fair market value of the shares acquired on the applicable Purchase Date over the purchase price paid by you for the shares purchased.

The amount of any discount provided by the plan on a purchase of shares of Common Stock will be treated and accounted for as a distribution taxable to you as a dividend, irrespective of whether you are participating in dividend reinvestment under the plan. You should consult your own tax advisor to determine the appropriate tax treatment of any optional cash investment to acquire shares of Common Stock under the plan in which a discount is provided to you.

Shares of Common Stock acquired with optional cash investments should have a tax basis equal to the amount paid for the shares. If shares of Common Stock acquired by optional cash investments are purchased at a discount, the tax basis of the shares should be the fair market value of the shares purchased with an optional payment.

If shares of Common Stock are purchased in open market transactions with optional cash investments you make under the plan, you should also realize a taxable dividend to the extent of an allocated portion of processing fees, if any, paid by us with respect to shares purchased.

Withholding

The dividends reinvested and the proceeds of the sale of shares under the plan may be subject to federal backup withholding in certain circumstances. Computershare will furnish necessary forms and instructions concerning the application of backup withholding rules. Any amounts required to be withheld under these rules will be deducted from the dividends reinvested and/or proceeds of any sale of shares, and the remaining amount reinvested or paid.

In the case of foreign participants who are subject to U.S. tax withholding, Computershare will reinvest dividends less the amount of tax required to be withheld, and make other withholdings required by applicable rules. The filing of any documentation required to obtain a reduction in U.S. withholding tax is the responsibility of the participant.

Acquisition and Sale of Shares

You should not realize income merely by receiving a certificate for shares that have been purchased for your account under the plan. If you receive a cash payment for the sale of shares credited to your account, there may be gain or loss measured by the difference between the amount of cash received and your tax basis in the shares sold. Such gain or loss will be a capital gain or loss for federal income tax purposes if the shares are a capital asset in your hands. The holding period for shares of Common Stock purchased under the plan will begin the day after the date the shares are acquired. The holding period can determine the rate of tax on any gain, and treatment of any loss from the sale of shares. If the holding period exceeds one year and Common Stock is held as a capital asset, the rate of tax imposed on any gain will generally be lower than the highest rates applicable to other taxable income. You should consult with your own tax advisor to determine the specific tax consequences of any particular sale of shares to be made.

Tax Information Reporting

The dividends paid to you as a shareholder, and any processing fees paid by us on your behalf, as described above, will be reported on the appropriate IRS forms, which will be mailed to you and the Internal Revenue Service by January 31 following the end of the year of payment. Shares of Common Stock sold through Computershare will be reported on IRS Form 1099-B, which will be mailed to you and the Internal Revenue Service by January 31 following the end of the year of the sale. Form 1099-B will state the amount of the sale proceeds. You and your

tax advisor must determine the basis of shares sold and any gain or loss on such a sale.

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PLAN OF DISTRIBUTION AND UNDERWRITERS

Pursuant to the plan, we may be requested to approve optional cash investments in excess of the allowable maximum amounts pursuant to requests for waiver on behalf of participants that may be engaged in the securities business. In deciding whether to approve such a request, we will consider relevant factors including, but not limited to, whether the plan is then acquiring newly issued shares of Common Stock or acquiring shares through open market purchases or privately negotiated transactions, our need for additional funds, the attractiveness of obtaining those funds by the sale of Common Stock under the plan in comparison to other sources of funds, the purchase price likely to apply to any sale of Common Stock, the participant submitting the request, including the extent and nature of the participant's prior participation in the plan and the number of shares of Common Stock held of record by the participant, the aggregate number of requests for waiver that have been submitted by all participants and federal and state securities laws.

Persons who acquire shares of Common Stock through the plan and resell them shortly after acquiring them, including coverage of short positions, under certain circumstances, may be participating in a distribution of securities that would require compliance with Regulation M under the Securities Exchange Act of 1934 and may be considered to be underwriters within the meaning of the Securities Act. We will not extend to any person any rights or privileges other than those to which it would be entitled as a participant, nor will we enter into any agreement with any person regarding their purchase of shares or any resale or distribution of shares. We may, however, approve requests for optional cash investments by them in excess of allowable maximum limitations. If requests are submitted for an aggregate amount in excess of the amount we are willing to accept, we may honor requests in order of receipt, pro rata or by any other method which we determine to be appropriate.

We will be responsible for all fees, commissions or expenses in connection with the plan, except that, if you direct Computershare to sell shares of Common Stock credited to your account, Computershare will deduct from the sales proceeds any applicable service fee (currently \$25 per sale transaction for market orders and \$15.00 per sale transaction for batch orders), any applicable processing fee (currently \$0.05 per share sold) and any other costs of sale. These fees may change at any time without notice to you. You will also be responsible for any fees, commissions and expenses associated with sales of any fractional shares you own.

USE OF PROCEEDS

The plan will raise additional capital for us to the extent that newly-issued shares of Common Stock or treasury shares are purchased from us (rather than acquiring shares in the open market or in privately negotiated transactions). We do not know the number of shares of Common Stock that will ultimately be purchased pursuant to the plan, or the prices at which the shares will be purchased. We currently intend to issue newly-issued or treasury shares to satisfy demand for shares under the plan; therefore, the plan is expected to raise additional capital for us. We intend to use the net proceeds from the sale of newly-issued shares of Common Stock or treasury stock for one or more of the following, depending upon circumstances at the time of such sales: repayment of indebtedness, investments in assets, working capital, and general corporate purposes. Pending those uses, we may temporarily invest the net proceeds in short-term investments consistent with our investment policies.

LEGAL MATTERS

The validity of the securities and all legal matters in connection with the Direct Stock Purchase and Dividend Reinvestment Plan will be passed upon for ONEOK by GableGotwals, Tulsa, Oklahoma.

EXPERTS

The consolidated financial statements of ONEOK, Inc. as of December 31, 2006 and for each of the years in the two-year period ended December 31, 2006 have been incorporated by reference herein in reliance upon the reports of KPMG LLP, an independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing. The audit report refers to a change in the method of accounting for defined benefit pension and other postretirement plans, the consolidation of limited partnerships or similar entities when limited partners have certain rights, and stock based compensation expense.

The consolidated financial statements as of December 31, 2007 and for the year ended December 31, 2007 incorporated in this Form S-3 by reference to the Annual Report on Form 10-K for the year ended December 31, 2007, have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

Plan Administrator:

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Computershare Trust Company, N.A.

Shareholder inquiries:

1-866-235-0232 (toll free) or 781-575-4709

Computershare customer service representatives are available from 8:00 a.m. to 5:00 p.m. U.S., Central time, each business day.

You may also contact Computershare by email at web.queries@computershare.com.

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IRA Administrator - 1-800-597-7736

New investors requesting plan material: 1-866-235-0232

You may write to Computershare at the following address:

ONEOK, Inc. Direct Stock Purchase and

Dividend Reinvestment Plan

c/o Computershare Trust Company, N.A.

Attn: ONEOK, Inc. Direct Stock Purchase and Dividend Reinvestment Plan

For standard U.S. postal mail: P.O. Box 43078
Providence, RI 02940-3078

For overnight/express deliveries: ATTN: Priority Processing
250 Royall Street
Canton, MA 02021

Internet: [http:// www.computershare.com/investor](http://www.computershare.com/investor)

Table of Contents**PART II.****INFORMATION NOT REQUIRED IN PROSPECTUS****Item 14. Other Expenses of Issuance and Distribution (Estimated).**

The following table sets forth the expenses in connection with the issuance and distribution of the securities being registered, other than underwriting discounts and commissions. All of the amounts shown are estimated, except the SEC registration fee.

SEC registration fee	\$ 8,618*
Legal fees and expenses	50,000
Printing and engraving	9,400
Accounting fees and expenses	12,500
	\$ 80,518

* Actual

Item 15. Indemnification of Directors and Officers.

ONEOK, Inc. (the Company), as an Oklahoma corporation, is empowered by Section 1031 of the Oklahoma General Corporation Act, subject to the procedures and limitations stated therein, to indemnify any person against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with any threatened, pending or completed action, suit or proceeding in which such person is made or threatened to be made a party by reason of his being or having been a director, officer, employee or agent of the Company. The statute provides that indemnification pursuant to its provisions is not exclusive of other rights of indemnification to which a person may be entitled under any bylaw, agreement, vote of shareholders, or disinterested directors, or otherwise. Article VIII of the bylaws of the Company provides that directors and officers of the Company shall be indemnified by the Company to the fullest extent permitted by Oklahoma law as now or hereafter enforced, including the advance of related expenses. In addition, indemnification agreements, the form of which has been previously approved by the shareholders of the Company, have been entered into between the Company and each of its directors and executive officers.

The certificate of incorporation of the Company provides that a director of the corporation shall not be personally liable to the corporation or its shareholders for monetary damages for breach of fiduciary duty as a director, except for liability for (i) any breach of the director's duty of loyalty to the corporation or its shareholders, (ii) acts or omissions not in good faith or which would involve intentional misconduct or a knowing violation of law, (iii) payment of unlawful dividends or unlawful stock purchases or redemptions or (iv) any transaction from which the director derived an improper personal benefit.

Pursuant to Article VIII of the bylaws of the Company, upon authorization and determination (i) by the board of directors (by a majority of a quorum consisting of directors who were not parties to the action, suit, or proceeding involved); (ii) if such a quorum is not obtainable, or even if obtainable and a quorum of disinterested directors so directs, by independent counsel in a written opinion; or (iii) by the shareholders, the Company is obligated to indemnify any person who incurs liability by reason of the fact that he is or was a director, officer, employee or agent of the Company, or is or was serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or as a member of any committee or similar body, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company, and with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. However, in an action by or in the right of the Company, no indemnification will be made if such person shall be adjudged to be liable to the Company, unless such indemnification is allowed by a court of competent jurisdiction.

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The indemnification agreements referred to above provide that the Company is obligated to indemnify the specified director or executive officer to the fullest extent permitted by law. The agreements provide that, upon request by a director or executive officer, the Company is obligated to advance expenses for defense of a claim made against the director or executive officer. The obligation of the Company to indemnify the director or executive officer is subject to applicable law and the determination by a reviewing party selected by the board of directors that the director or executive officer is entitled to indemnification. In addition, the agreements obligate the Company to indemnify the specified executive officer or director to the extent of the Company's recoveries under insurance policies regardless of whether the director or executive officer is ultimately determined to be entitled to indemnification. The agreements also provide for partial indemnification if a portion of a claim for indemnification is not allowed by the reviewing party appointed by the board of directors.

The Company provides liability insurance for its directors and officers which provides for coverage against loss from claims made against officers and directors in their capacity as such, including, subject to certain exceptions, liabilities under the federal securities laws.

It is recognized that the above-summarized provisions of the Company's bylaws, the indemnification agreements and the applicable provisions of the Oklahoma General Corporation Act may be sufficiently broad to indemnify officers, directors and controlling persons of the Company against liabilities arising under such act.

Item 16. Exhibits.

Exhibit Number	Description
4.1	Amended and Restated Certificate of Incorporation of the Company, filed May 15, 2008 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated May 19, 2008).
4.2	Certificate of Correction to the Amended and Restated Certificate of Incorporation of the Company.
4.3	Amended and Restated Bylaws of the Company, (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated May 19, 2008).
4.4	Certificate of Designation for Convertible Preferred Stock of the Company filed November 26, 1997 (incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form S-4, as amended (Commission File No. 333-27467) which was included as Appendix C to the Proxy Statement/Prospectus portion of the Form S-4).
4.5	Certificate of Designation for Series C Participating Preferred Stock of the Company, filed November 26, 1998 (incorporated by reference to Exhibit A to Exhibit 1 of the Company's current report on Form 8-A filed with the SEC on November 28, 1997).
4.6	Form of Common Stock Certificate (incorporated by reference to Exhibit 1 to the Company's Registration Statement on Form 8-A filed with the SEC on November 21, 1997).
4.7	Amended and Restated Rights Agreement dated February 5, 2003 between the Company and UMB Bank, N.A. as Rights Agent (incorporated by reference to Exhibit 1 to the Company's Registration Statement on Form 8-A/A filed with the SEC on February 6, 2003).
5.1	Opinion of GableGotwals
23.1	Consent of KPMG LLP
23.2	Consent of GableGotwals (contained in Exhibit 5.1)
23.3	Consent of PricewaterhouseCoopers LLP
24.1	Powers of Attorney (included on the signature page of this registration statement)

Filed herewith.

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Item 17. Undertakings.

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act;

(ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the SEC pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement; and

(iii) to include any material information with respect to the plan of distribution not previously disclosed in this registration statement or any material change to such information in this registration statement;

provided, however, that paragraphs (a)(1)(i), (a)(1)(ii) and (a)(1)(iii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the SEC by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in this registration statement or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities, the undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

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- (ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by such undersigned registrant;
 - (iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and
 - (iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.
- (b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.
- (c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that

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in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

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SIGNATURE

Pursuant to the requirements of the Securities Act, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Tulsa, State of Oklahoma, on the 21st day of November, 2008.

ONEOK, INC.

By: */s/ Curt Dinan*
Curtis L. Dinan

Senior Vice President,

Chief Financial Officer and Treasurer

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KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears immediately below constitutes and appoints Curtis L. Dinan, Caron A. Lawhorn and John R. Barker, and each of them, his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement, and registration statements filed pursuant to Rule 462 under the Securities Act, and to file the same with all exhibits thereto and other documents in connection therewith, with the SEC, granting unto said attorney-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

SIGNATURES

Pursuant to the requirements of the Securities Act, this registration statement has been signed by the following persons in the capacities indicated and on the 16th day of October, 2008.

Signature	Title
/s/ David L. Kyle	Director and Chairman of the Board
David L. Kyle	
/s/ James C. Day	Director
James C. Day	
/s/ Julie H. Edwards	Director
Julie H. Edwards	
/s/ William L. Ford	Director
William L. Ford	
/s/ John W. Gibson	Director and Chief Executive Officer
John W. Gibson	
/s/ Caron A. Lawhorn	Senior Vice President and Chief Accounting Officer
Caron A. Lawhorn	
/s/ Bert H. Mackie	Director
Bert H. Mackie	

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/s/ Jim W. Mogg	Director
Jim W. Mogg	
/s/ Pattye L. Moore	Director
Pattye L. Moore	
/s/ Gary D. Parker	Director
Gary D. Parker	
/s/ Eduardo A. Rodriguez	Director
Eduardo A. Rodriguez	
/s/ David J. Tippeconnic	Director
David J. Tippeconnic	
/s/ Mollie B. Williford	Director
Mollie B. Williford	
/s/ Curt Dinan	Senior Vice President Chief Financial Officer and Treasurer
Curtis L. Dinan	

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EXHIBIT INDEX

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Filed herewith.

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