

Reconciliation of FASB Accounting Standards Codification, or ASC, Earnings Per Share to Non-ASC Earnings Per Share

Non-ASC Financial Measure

In addition to disclosing financial results calculated in accordance with accounting principles generally accepted in the United States, this table contains a reconciliation from ASC to non-ASC financial measure for the three and twelve months ended December 31, 2009 and 2008. The Company believes that the non-ASC financial measure included in the table provides meaningful supplemental information to both management and investors that is indicative of the Company's core operating results. The Company believes this non-ASC financial measure facilitates comparison of operating results across reporting periods, and uses this non-ASC financial measure when evaluating its financial results, as well as for internal planning and forecasting purposes. This non-ASC financial measure should not be considered a substitute for, or superior to, financial measures calculated in accordance with ASC.

The Company's effective tax rate for the three and twelve months ended December 31, 2009 increased to 48% and 45%, respectively, from 43% and -5.7% for the comparable periods in 2008. The Company's effective tax rate for the three and twelve months ended December 31, 2009 differs from the statutory rate primarily due to the impact of nondeductible stock-based compensation expense offset by any tax deductions from disqualifying dispositions. In addition, in 2009 California enacted a 2011 corporate tax law change, which reduces the current future tax benefit expected on our deferred tax asset as of December 31, 2009. In comparison, during the three and twelve months ended December 31, 2008, the Company had an effective tax rate of 43% and -5.7%, respectively. During the year ended December 31, 2008, the Company recognized a tax benefit from reversing its valuation allowance of \$14.9 million against deferred tax assets. Previously, the Company concluded it did not meet the "more likely than not" threshold to reverse the valuation allowance required under the income taxes topic of ASC.

Due to the Company's sustained profitability, it estimates its future effective tax rate to be approximately 44% of income before taxes. This rate is subject to the impact of nondeductible stock-based compensation expense offset by any tax deductions from disqualifying dispositions. The following table includes the Company's effective tax rate of 48% and 45% for the three and twelve months ended December 31, 2009, respectively, and assumes for comparison purpose the *same* effective tax rates for the comparable periods in 2008. The following table is a summary of the Company's reconciliation of ASC Earnings Per Share to Non-ASC Earnings Per Share:

	Three Months Ended December 31, 2009	Three Months Ended December 31, 2008		Twelve Months Ended December 31, 2009	Twelve Months Ended December 31, 2008			
	ASC EPS As Reported	ASC EPS As Reported	Assumed 48% Effective Tax Rate ⁽¹⁾	Non-ASC EPS ⁽¹⁾	ASC EPS As Reported	ASC EPS As Reported	Assumed 45% Effective Tax Rate ⁽²⁾	Non-ASC EPS ⁽²⁾
<i>(in thousands, except per share data)</i>								
Numerator:								
Net Income	\$ 7,356	\$ 5,350		\$ 5,350	\$ 30,634	\$ 31,356		\$ 31,356
Adjustment to increase assumed effective tax rate	-	-	(441)	(441)	-	-	(15,040)	(15,040)
Net income	\$ 7,356	\$ 5,350		\$ 4,909	\$ 30,634	\$ 31,356		\$ 16,316
Denominator:								
Weighted average shares of common stock outstanding - basic	17,188	16,587		16,587	16,978	16,399		16,399
Dilutive effect of common equivalent shares	970	1,180		1,180	976	1,254		1,254
Weighted average shares of common stock outstanding - diluted	18,158	17,767		17,767	17,954	17,653		17,653
Net income per share:								
Basic	\$ 0.43	\$ 0.32		\$ 0.30	\$ 1.80	\$ 1.91		\$ 0.99
Diluted	\$ 0.41	\$ 0.30		\$ 0.28	\$ 1.71	\$ 1.78		\$ 0.92

(1) Assumes an effective tax rate of 48% for the three months ended December 31, 2008, as compared to our actual ASC tax rate of 43% for such period

(2) Assumes an effective tax rate of 45% for the twelve months ended December 31, 2008, as compared to our actual ASC tax rate of -5.7% for such period