TechTarget Inc
Form 10-Q
May 10, 2011

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

(Mark One)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2011

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from __________ to __________
Commission File Number: 1-33472
TECHTARGET, INC.
(Exact name of registrant as specified in its charter)

Delaware	**04-3483216**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

275 Grove Street
Newton, Massachusetts 02466
(Address of principal executive offices) (zip code)
(617) 431-9200
(Registrant s telephone number, including area code)
(Former name, former address and formal fiscal year, if changed since last report): **Not applicable**

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

Indicate by check mark whether the registrant 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 o No o

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

Large Accelerated Filer o	Accelerated Filer þ	Non-Accelerated Filer o (Do not check if a smaller reporting company)	Smaller Reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

The registrant had 37,622,439 shares of Common Stock, $0.001 par value per share, outstanding as of April 29, 2011.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TECHTARGET, INC.
Consolidated Balance Sheets
(In thousands, except share data)

	March 31, 2011 (Unaudited)	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 34,579	$ 32,584
Short-term investments	9,092	17,550
Accounts receivable, net of allowance for doubtful accounts of $1,156 and $1,026 as of March 31, 2011 and December 31, 2010, respectively	25,809	24,678
Prepaid expenses and other current assets	2,794	1,021
Deferred tax assets	853	729
Total current assets	73,127	76,562
Property and equipment, net	6,756	6,235
Long-term investments	6,840	
Goodwill	92,382	92,382
Intangible assets, net of accumulated amortization	9,384	10,469
Deferred tax assets	7,825	7,985
Other assets	193	125
Total assets	$ 196,507	$ 193,758
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	$ 3,888	$ 3,797
Accrued expenses and other current liabilities	2,767	2,181
Accrued compensation expenses	627	1,979
Income taxes payable		226
Deferred revenue	7,208	6,603
Total current liabilities	14,490	14,786
Long-term liabilities:		
Other liabilities	5,492	5,112
Total liabilities	19,982	19,898
Commitments and contingencies (Note 8)		
Stockholders equity:		
Preferred stock, 5,000,000 shares authorized; no shares issued or outstanding		
Common stock, $0.001 par value per share, 100,000,000 shares authorized, 43,365,962 shares issued and 37,508,084 shares outstanding at March 31, 2011 and 42,901,926 shares issued and 37,044,048 shares outstanding at December 31, 2010	44	43
Treasury stock	(35,343)	(35,343)

Additional paid-in capital		248,799		246,080
Accumulated other comprehensive income		25		5
Accumulated deficit		(37,000)		(36,925)
Total stockholders equity		176,525		173,860
Total liabilities and stockholders equity	$	196,507	$	193,758

See accompanying notes.

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TECHTARGET, INC.
Consolidated Statements of Operations
(In thousands, except per share data)

	For the Three Months Ended March 31,	
	2011	2010
	(Unaudited)	
Revenues:		
Online	$ 20,380	$ 18,561
Events	2,186	2,482
Total revenues	22,566	21,043
Cost of revenues:		
Online [(1)]	5,606	4,942
Events [(1)]	877	938
Total cost of revenues	6,483	5,880
Gross profit	16,083	15,163
Operating expenses:		
Selling and marketing [(1)]	8,631	9,411
Product development [(1)]	1,946	2,355
General and administrative [(1)]	3,799	4,347
Depreciation	641	525
Amortization of intangible assets	1,086	1,135
Total operating expenses	16,103	17,773
Operating loss	(20)	(2,610)
Interest income, net	6	107
Loss before provision for (benefit from) income taxes	(14)	(2,503)
Provision for (benefit from) income taxes	61	(163)
Net loss	$ (75)	$ (2,340)

Net loss per common share:				
Basic and Diluted	$	(0.00)	$	(0.06)
Weighted average common shares outstanding:				
Basic and Diluted		37,940		42,480
[1] Amounts include stock-based compensation expense as follows:				
Cost of online revenue	$	70	$	88
Cost of events revenue		22		26
Selling and marketing		1,158		1,929
Product development		106		161
General and administrative		644		1,225

See accompanying notes.

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TECHTARGET, INC.
Consolidated Statements of Cash Flows
(In thousands)

	Three Months Ended March 31,	
	2011	2010
	(Unaudited)	
Operating Activities:		
Net loss	$ (75)	$ (2,340)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	1,727	1,660
Provision for bad debt	130	95
Amortization of investment premiums	117	427
Stock-based compensation expense	2,000	3,429
Deferred tax benefit	(219)	(336)
Excess tax benefit stock options	(403)	107
Changes in operating assets and liabilities, net of businesses acquired:		
Accounts receivable	(1,255)	(1,845)
Prepaid expenses and other current assets	(572)	(237)
Other assets	(68)	(22)
Accounts payable	91	1,392
Income taxes payable	(1,016)	(432)
Accrued expenses and other current liabilities	586	(1,437)
Accrued compensation expenses	(1,351)	383
Deferred revenue	605	780
Other liabilities	381	681
Net cash provided by operating activities	678	2,305
Investing activities:		
Purchases of property and equipment, and other assets	(1,162)	(2,397)
Purchases of investments	(6,829)	(13,375)
Proceeds from sales and maturities of investments	8,345	10,450
Acquisition of businesses		(484)
Net cash provided by (used in) investing activities	354	(5,806)
Financing activities:		
Excess tax benefit stock options	403	(107)
Proceeds from exercise of stock options	560	215
Net cash provided by financing activities	963	108
Net increase (decrease) in cash and cash equivalents	1,995	(3,393)
Cash and cash equivalents at beginning of period	32,584	20,884
Cash and cash equivalents at end of period	$ 34,579	$ 17,491
Supplemental disclosure of cash flow information:		
Cash paid for interest	$	$

Cash paid for taxes	$	1,330	$	487

See accompanying notes.

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TECHTARGET, INC.
Notes to Consolidated Financial Statements
(In thousands, except share and per share data)

1. Organization and Operations

TechTarget, Inc. (the Company) is a leading provider of specialized online content that brings together buyers and sellers of corporate information technology (IT) products. The Company sells customized marketing programs that enable IT vendors to reach corporate IT decision makers who are actively researching specific IT purchases. Online content is specifically defined as those advertising and media offerings being available to users via internet websites as opposed to traditional offline media offerings available in print, radio and television advertising.

The Company s integrated content platform consists of a network of more than 90 websites that are complemented with targeted in-person events. During the critical stages of the purchase decision process, these content offerings meet IT professionals needs for expert, peer and IT vendor information, and provide a platform on which IT vendors can launch targeted marketing campaigns that generate measurable, high return on investment (ROI). As IT professionals have become increasingly specialized, they have come to rely on the Company s sector-specific websites for purchasing decision support. The Company s content enables IT professionals to navigate the complex and rapidly changing IT landscape where purchasing decisions can have significant financial and operational consequences. Based upon the logical clustering of users respective job responsibilities and the marketing focus of the products that the Company s customers are advertising, content offerings are currently categorized across nine distinct media groups: Application Architecture and Development; Channel; CIO/IT Strategy; Data Center and Virtualization Technologies; Business Applications and Analytics; Networking; Security; Storage; and TechnologyGuide.com.

2. Summary of Significant Accounting Policies

The accompanying consolidated financial statements reflect the application of certain significant accounting policies as described below and elsewhere in these notes to the consolidated financial statements.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, which include KnowledgeStorm, Inc., Bitpipe, Inc., TechTarget Securities Corporation, TechTarget Limited and TechTarget (HK) Limited. KnowledgeStorm, Inc. and Bitpipe, Inc. are leading websites providing in-depth vendor generated content targeted toward corporate IT professionals. TechTarget Securities Corporation is a Massachusetts Securities Corporation incorporated in 2004. TechTarget Limited is a subsidiary doing business principally in the United Kingdom. TechTarget (HK) Limited is a subsidiary incorporated in Hong Kong in August 2010 in order to facilitate the Company s activities in Asia-Pac. Additionally, as of October 1, 2010, through its wholly-owned subsidiary, TechTarget (HK) Limited (TTGT HK), the Company effectively controls a variable interest entity (VIE), Keji Wangtuo Information Technology Co., Ltd, (KWIT), which was incorporated under the laws of the People s Republic of China (PRC) on November 27, 2007.

PRC laws and regulations prohibit or restrict foreign ownership of Internet-related services and advertising businesses. To comply with these foreign ownership restrictions, the Company operates its websites and provides online advertising services in the PRC through this VIE. The Company has entered into certain exclusive agreements with the VIE and its shareholders through TTGT HK, which obligate TTGT HK to absorb a majority of the risk of loss from the VIE s activities and entitles TTGT HK to receive a majority of their residual returns. In addition, the Company has entered into certain agreements with the authorized parties through TTGT HK, including Management and Consulting Services, Voting Proxy, Equity Pledge and Option Agreements.

Based on these contractual arrangements, the Company consolidates the VIE as required by Accounting Standards Codification (ASC) subtopic 810-10 (ASC 810-10), *Consolidation: Overall* (Pre-Codification: Financial Accounting Standards Board (FASB) Interpretation No. 46R, *Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51*), because the Company holds all the variable interests of the VIE through TTGT HK, which is the primary beneficiary of the VIE. Despite the lack of technical majority ownership, there exists a parent-subsidiary relationship between the Company and the VIE through the aforementioned agreements, whereby the equity holders of the VIEs effectively assigned all of their voting rights underlying their equity interest in the VIE to TTGT HK. In addition, through the other aforementioned agreements, the Company demonstrates its ability and intention to continue to

exercise the ability to obtain substantially all of the profits and absorb all of the expected losses of the VIE. All significant intercompany accounts and transactions between the Company, its subsidiaries, and the VIE have been eliminated in consolidation.

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Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (generally accepted accounting principles, or GAAP) for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. All adjustments, which, in the opinion of management, are considered necessary for a fair presentation of the results of operations for the periods shown, are of a normal recurring nature and have been reflected in the consolidated financial statements. The results of operations for the periods presented are not necessarily indicative of results to be expected for any other interim periods or for the full year. The information included in these consolidated financial statements should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations contained in this report and the consolidated financial statements and accompanying notes included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010.

Reclassifications

In 2011, the Company changed the manner in which it allocates real estate facilities costs to align with actual departmental headcount. Previously, these costs were all included as a part of general and administrative expenses. Amounts in the prior years financial statements have been reclassified to conform to the current year presentation. In Q1 2010 this resulted in additional online cost of sales, events cost of sales, sales and marketing and product development expense of $406, $73, $498 and $170, respectively, offset by a decrease in general and administrative expense of $1.1 million.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The Company generates substantially all of its revenue from the sale of targeted advertising campaigns that are delivered via its network of websites and events. Revenue is recognized only when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service is performed and collectability of the resulting receivable is reasonably assured.

Although each of the Company s online media offerings can be sold separately, the majority of the Company s online media sales involve multiple online offerings, which are described in more detail below. During fiscal 2010 and prior, because objective evidence of fair value did not exist for all elements in the Company s bundled advertising campaigns, no allocation could be made among the various elements, so the Company recognized revenue on all units of accounting ratably over the term of the arrangement. In September 2009, the FASB ratified Accounting Standards Update (ASU) 2009-13, *Revenue Arrangements with Multiple Deliverables*, which updates the existing multiple-element revenue arrangements guidance included in ASC 605-25. ASU 2009-13 requires companies to allocate the overall consideration to each deliverable by using a best estimate of selling price of individual deliverables in the arrangement in the absence of vendor-specific objective evidence or other third party evidence of selling price. The Company adopted the new standard, beginning on January 1, 2011, on a prospective basis. Because neither vendor-specific objective evidence of fair value nor third party evidence of selling price exists for all elements in the Company s bundled advertising campaigns, the Company uses an estimated selling price which represents management s best estimate of the stand-alone selling price of deliverables for each deliverable in an arrangement. The Company uses the relative selling price method to allocate consideration at the inception of the arrangement to each deliverable in a multiple element arrangement. The relative selling price method allocates any discount in the arrangement proportionately to each deliverable on the basis of the deliverable s selling price. Revenue is then recognized as delivery occurs. For content assets posted on websites, revenue recognition is generally over the period the content asset is available.

The Company has concluded that adoption of this standard did not materially affect results in the first quarter of 2011, nor is it expected to materially affect future periods.

Event Sponsorships. Revenue from vendor-sponsored events, whether sponsored exclusively by a single vendor or in a multi-vendor sponsored event, is recognized upon completion of the event in the period the event occurs. The majority of the Company s events are free to qualified attendees; however, certain events are based on a paid attendee model. The Company recognizes revenue for paid attendee events upon completion of the event and receipt of payment from the attendee. Amounts collected or billed prior to satisfying the above revenue recognition criteria are recorded as deferred revenue.

Online Media. Revenue for online media offerings is recognized for specific online media offerings as follows when these items are sold separately:

White Papers. White paper revenue is recognized ratably over the period in which the white paper is available on the Company s websites.

Webcasts, Podcasts, Videocasts and Virtual Trade Shows. Webcast, podcast, videocast, virtual trade show and similar content revenue is recognized ratably over the period in which the webcast, podcast, videocast or virtual trade show is available on the Company s websites.

Custom Media. Custom media revenue is recognized ratably over the period in which the custom media asset is available on the Company s websites.

Promotional E-mails and E-newsletters. Promotional e-mail revenue is recognized ratably over the period in which the related content asset is available on its websites because promotional e-mails do not have standalone value from the related content asset. E-newsletter revenue is recognized in the period in which the e-newsletter is sent.

List Rentals. List rental revenue is recognized in the period in which the e-mail is sent to the list of registered members.

Banners. Banner revenue is recognized in the period in which the banner impressions occur.

Third Party Revenue Sharing Arrangements. Revenue from third party revenue sharing arrangements is recognized on a net basis in the period in which the services are performed.

Amounts collected or billed prior to satisfying the above revenue recognition criteria are recorded as deferred revenue.

Fair Value of Financial Instruments

Financial instruments consist of cash and cash equivalents, short and long-term investments, accounts receivable and accounts payable. The carrying value of these instruments approximates their estimated fair values.

Long-lived Assets

Long-lived assets consist primarily of property and equipment, goodwill and other intangible assets. A specifically identified intangible asset must be recorded as a separate asset from goodwill if either of the following two criteria is met: (1) the intangible asset acquired arises from contractual or other legal rights; or (2) the intangible asset is separable. Accordingly, intangible assets consist of specifically identified intangible assets. Goodwill is the excess of any purchase price over the estimated fair market value of net tangible assets acquired not allocated to specific intangible assets.

Goodwill and indefinite-lived intangible assets are not amortized, but are reviewed annually for impairment or more frequently if impairment indicators arise. Separable intangible assets that are not deemed to have an indefinite life are amortized over their estimated useful lives, which range from one to nine years, using methods of amortization that are expected to reflect the estimated pattern of economic use, and are reviewed for impairment when events or changes in circumstances suggest that the assets may not be recoverable. The Company performs its annual test of impairment of goodwill on December 31st of each year, and whenever events or changes in circumstances suggest that the carrying amount may not be recoverable. Based on this evaluation, the Company believes that, as of each of the balance sheet dates presented, none of the Company s goodwill or other long-lived assets was impaired.

Internal-Use Software and Website Development Costs

The Company capitalizes costs incurred during the development of its website applications and infrastructure as well as certain costs relating to internal-use software. The estimated useful life of costs capitalized is evaluated for each specific project. Capitalized internal-use software and website development costs are reviewed for recoverability whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss shall be recognized only if the carrying amount of the asset is not recoverable and exceeds its fair

value. The Company capitalized internal-use software and website development costs of $0.8 million and $0.5 million for the three months ended March 31, 2011 and 2010, respectively.

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Income Taxes

The Company s deferred tax assets and liabilities are recognized based on temporary differences between the financial reporting and income tax bases of assets and liabilities using statutory rates. If required, a valuation allowance is established against net deferred tax assets if, based upon available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The Company recognizes any interest and penalties related to uncertain tax positions in income tax expense.

Stock-Based Compensation

At March 31, 2011, the Company had two stock-based employee compensation plans which are more fully described in Note 10. Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized in the Statement of Operations using the straight-line method over the vesting period of the award or using the accelerated method if the award is contingent upon performance goals. The Company uses the Black-Scholes option-pricing model to determine the fair value of stock option awards.

Net Income (Loss) Per Share

Basic earnings per share is computed based on the weighted average number of common shares and vested restricted stock awards outstanding during the period. Because the holders of unvested restricted stock awards do not have nonforfeitable rights to dividends or dividend equivalents, the Company does not consider these awards to be participating securities that should be included in its computation of earnings per share under the two-class method. Diluted earnings per share is computed using the weighted average number of common shares and vested restricted stock awards outstanding during the period, plus the dilutive effect of potential future issuances of common stock relating to stock option programs and other potentially dilutive securities using the treasury stock method. In calculating diluted earnings per share, the dilutive effect of stock options is computed using the average market price for the respective period. In addition, the assumed proceeds under the treasury stock method include the average unrecognized compensation expense and assumed tax benefit of stock options that are in-the-money. This results in the assumed buyback of additional shares, thereby reducing the dilutive impact of stock options.

Recent Accounting Pronouncements

In September 2009, the Financial Accounting Standards Board (FASB) ratified Accounting Standards Update (ASU) 2009-13 (ASU 2009-13) (previously Emerging Issues Task Force (EITF) Issue No. 08-1, *Revenue Arrangements with Multiple Deliverables* (EITF 08-1)), which updates the existing multiple-element revenue arrangements guidance currently included in Accounting Standards Codification (ASC) 605-25. ASU 2009-13 requires companies to allocate the overall consideration to each deliverable by using a best estimate of the selling price of individual deliverables in the arrangement in the absence of vendor-specific objective evidence or other third-party evidence of the selling price. ASU 2009-13 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010 and early adoption is permitted. The Company has adopted the new standard on January 1, 2011 and has concluded that adoption of this standard did not have a material impact on its consolidated results of operations and financial condition.

In October 2009, the FASB issued Accounting Standards Update 2009-14, *Certain Revenue Arrangements That Include Software Elements* (ASU 2009-14). ASU 2009-14 amends guidance included within ASC Topic 985-605 to exclude tangible products containing software components and non-software components that function together to deliver the product s essential functionality. Entities that sell joint hardware and software products that meet this scope exception will be required to follow the guidance of ASU 2009-13. ASU 2009-14 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption and retrospective application are also permitted. The Company determined that adopting the provisions of ASU 2009-14 did not impact its consolidated financial statements.

In December 2009, the FASB issued Accounting Standards Update 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities* (ASU 2009-17). ASU 2009-17 changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a reporting entity is required to consolidate another entity is based on, among other things, the other entity s purpose and design and the reporting entity s ability to direct the activities of the other entity that most significantly impact the other entity s economic performance. The new standard

requires a number of new disclosures, including additional disclosures about the reporting entity s involvement with variable interest entities and any significant changes in risk exposure due to that involvement. A reporting entity is required to disclose how its involvement with a variable interest entity affects the reporting entity s financial statements. ASU 2009-17 is effective at the start of a reporting entity s first fiscal year beginning after November 15, 2009, or January 1, 2010, for a calendar year-end entity. The adoption of the new standard did not have an overall impact to the Company s financial statements.

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Accounting Standards Update 2009-05, *Fair Value Measurements and Disclosures (Topic 820) Measuring Liabilities at Fair Value* allows entities determining the fair value of a liability to use the perspective of an investor that holds the related obligation as an asset. The ASU is effective for interim and annual periods beginning after August 27, 2009, and applies to all fair value measurements of liabilities required by GAAP. Additionally, effective January 1, 2010, the Company adopted ASU 2010-06, *Improving Disclosures about Fair Value Measurements*, which requires additional disclosures regarding assets and liabilities measured at fair value. The adoption of these requirements did not have a material impact on the Company s consolidated financial statements.

In February 2010, the FASB issued ASU 2010-09, which amends the Subsequent Events Topic of the ASC to eliminate the requirement for public companies to disclose the date through which subsequent events have been evaluated. The Company will continue to evaluate subsequent events through the date of the issuance of the financial statements; however, consistent with the guidance, this date will no longer be disclosed. This change did not affect the Company s consolidated financial statements.

In December 2010, the FASB issued ASU 2010-29, *Disclosure of Supplementary Pro Forma Information for Business Combinations* (Topic 805), which specifies that if a public entity presents financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the year occurred as of the beginning of the comparable prior annual reporting period only. This ASU also expands the supplemental pro forma disclosure. The ASU is effective for business combinations for which the acquisition date is on or after the annual reporting period beginning on or after December 15, 2010.

3. Fair Value Measurements

The Company measures certain financial assets at fair value on a recurring basis, including cash equivalents, and short and long-term investments. The fair value of these financial assets was determined based on three levels of input as follows:

Level 1. Quoted prices in active markets for identical assets and liabilities;
Level 2. Observable inputs other than quoted prices in active markets; and
Level 3. Unobservable inputs.

The fair value hierarchy of the Company s financial assets and liabilities carried at fair value and measured on a recurring basis is as follows:

		Fair Value Measurements at Reporting Date Using		
	March 31, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(Unaudited)		
Money market funds(1)	$ 25,095	$ 25,095	$	$
Short-term investments(2)	9,092		9,092	
Long-term investments(2)	6,840		6,840	
Total	$ 41,027	$ 25,095	$ 15,932	$

Fair Value Measurements at Reporting Date Using

Quoted Prices

	December 31, 2010	in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds(1)	$ 23,375	$ 23,375	$	$
Short-term investments(2)	17,550		17,550	
Long-term investments(2)				
Total	$ 40,925	$ 23,375	$ 17,550	$

(1) Included in cash and cash equivalents on the accompanying consolidated balance sheets; valued at quoted market prices in active markets.

(2) Our short and long-term investments consist of government agency and municipal bonds; their fair value is calculated using an interest rate yield curve for similar instruments.

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4. Cash, Cash Equivalents and Investments

Cash and cash equivalents consist of highly liquid investments with maturities of three months or less at date of purchase. Cash equivalents are carried at cost, which approximates their fair market value. Cash and cash equivalents consisted of the following:

	March 31, 2011 (Unaudited)	December 31, 2010
Cash	$ 9,484	$ 9,209
Money market funds	25,095	23,375
Total cash and cash equivalents	$ 34,579	$ 32,584

The Company s short and long-term investments are accounted for as available for sale securities. These investments are recorded at fair value with the related unrealized gains and losses included in accumulated other comprehensive (loss) income, a component of stockholders equity, net of tax. The unrealized (loss) gain, net of taxes, was $(1) and $(5) as of March 31, 2011 and December 31, 2010, respectively. Realized gains and losses on the sale of these investments are determined using the specific identification method. There were no realized gains during the three months ended March 31, 2011 or 2010.

Short and long-term investments consisted of the following:

	March 31, 2011 (Unaudited)			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Short and long-term investments:				