

HealthMarkets, Inc.
Form 10-Q
May 14, 2007

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2007.
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 NO. 001-14953**

HealthMarkets, Inc.

(Exact name of registrant as specified in its charter)

Delaware

75-2044750

(State or other jurisdiction of
incorporation or organization)

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

9151 Boulevard 26, North Richland Hills, Texas

76180

(Address of principal executive office)

(Zip Code)

Registrant's telephone number, including area code: (817) 255-5200

Not Applicable

Former name, former address and former fiscal year, if changed since last report.

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):
YES NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. On April 30, 2007 the registrant had 26,900,160 outstanding shares of Class A-1 Common Stock, \$.01 Par Value, and 3,299,773 outstanding shares of Class A-2 Common Stock, \$.01 Par Value.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

HEALTHMARKETS, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	March 31, 2007 (Unaudited)	December 31, 2006
ASSETS		
Investments		
Securities available for sale		
Fixed maturities, at fair value (cost: 2007 \$1,350,401; 2006 \$1,391,275)	\$ 1,335,589	\$ 1,374,403
Equity securities, at fair value (cost: 2007 \$283; 2006 \$283)	317	318
Policy loans	14,482	14,625
Short-term and other investments	500,566	412,498
Total Investments	1,850,954	1,801,844
Cash and cash equivalents	5,226	32,756
Student loans	103,307	105,846
Restricted cash	17,262	16,238
Investment income due and accrued	21,902	22,633
Due premiums	3,517	3,299
Reinsurance receivables	163,398	155,283
Agents and other receivables	38,463	39,232
Deferred acquisition costs	200,407	197,757
Property and equipment, net	63,838	64,436
Goodwill and other intangible assets	86,444	86,871
Recoverable federal income taxes	19,519	23,929
Other assets	47,693	38,205
	\$ 2,621,930	\$ 2,588,329

LIABILITIES AND STOCKHOLDERS EQUITY

Policy liabilities		
Future policy and contract benefits	\$ 456,865	\$ 453,715
Claims	532,227	517,132
Unearned premiums	146,783	151,758
Other policy liabilities	11,586	12,569
Accounts payable and accrued expenses	46,597	48,363
Other liabilities	100,544	128,018
Deferred federal income tax payable	81,029	73,575
Debt	556,070	556,070
Student loan credit facility	116,700	118,950

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Net liabilities of discontinued operations	3,539	3,794
	2,051,940	2,063,944
Commitments and Contingencies (Note E)		
Stockholders' Equity		
Preferred stock, par value \$0.01 per share		
Common stock, par value \$0.01 per share	304	300
Additional paid-in capital	30,899	12,529
Accumulated other comprehensive loss	(11,844)	(12,552)
Retained earnings	550,669	527,978
Treasury stock, at cost	(38)	(3,870)
	569,990	524,385
	\$ 2,621,930	\$ 2,588,329

NOTE: The balance sheet data as of December 31, 2006 has been derived from the audited financial statements at that date.

See Notes to Consolidated Condensed Financial Statements (Unaudited).

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HEALTHMARKETS, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF INCOME (UNAUDITED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Three Months Ended March 31,	
	2007	2006
REVENUE		
Premiums:		
Health	\$ 333,762	\$ 442,550
Life premiums and other considerations	16,381	16,139
	350,143	458,689
Investment income	26,460	27,158
Other income	25,615	25,133
Gains on sales of investments	2,403	2,175
	404,621	513,155
BENEFITS AND EXPENSES		
Benefits, claims, and settlement expenses	215,331	272,725
Underwriting, acquisition, and insurance expenses	121,998	155,407
Variable non-cash stock-based compensation (benefit) expense	(1,551)	240
Other expenses	21,782	24,539
Interest expense	12,996	1,780
	370,556	454,691
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	34,065	58,464
Federal income taxes	11,441	19,618
INCOME FROM CONTINUING OPERATIONS	22,624	38,846
DISCONTINUED OPERATIONS		
Income from discontinued operations (net of income tax expense (benefit) of \$36 and \$(843) in the three months ended March 31, 2007 and 2006, respectively)	67	661
NET INCOME	\$ 22,691	\$ 39,507
Earnings per share:		
Basic		
Income from continuing operations	\$ 0.75	\$ 0.84
Income from discontinued operations		0.01
Net income	\$ 0.75	\$ 0.85
Diluted		
Income from continuing operations	\$ 0.73	\$ 0.83

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Income from discontinued operations			0.01
Net income	\$	0.73	\$ 0.84

See Notes to Consolidated Condensed Financial Statements (Unaudited).

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HEALTHMARKETS, INC. AND SUBSIDIARIES
 CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
 (DOLLARS IN THOUSANDS)

	Three Months Ended	
	March 31,	
	2007	2006
Net income	\$ 22,691	\$ 39,507
Other comprehensive income (loss):		
Unrealized gains (losses) on securities and hedging activities:		
Unrealized holding gains (losses) arising during period	2,026	(22,079)
Reclassification adjustment for interest rate swaps included in net income	(60)	
Reclassification adjustment for investment gains (losses) included in net income	(877)	(12)
Other comprehensive income (loss) before tax	1,089	(22,091)
Income tax provision (benefit) related to items of other comprehensive income (loss)	381	(7,733)
Other comprehensive income (loss) net of tax provision (benefit)	708	(14,358)
Comprehensive income	\$ 23,399	\$ 25,149

See Notes to Consolidated Condensed Financial Statements (Unaudited).

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HEALTHMARKETS, INC. AND SUBSIDIARIES
 CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)
 (DOLLARS IN THOUSANDS)

	Three Months Ended	
	March 31,	
	2007	2006
	(In thousands)	
Operating Activities		
Net income	\$ 22,691	\$ 39,507
Income from discontinued operations	(67)	(661)
Adjustments to reconcile net income to cash provided by operating activities:		
Gains on sales of investments	(2,403)	(2,175)
Change in accrued investment income	(69)	(1,113)
Change in due premiums	(218)	13,942
Change in reinsurance receivables	(8,115)	(1,260)
Change in other receivables	716	1,063
Change in federal income tax payable	11,483	18,513
Change in deferred acquisition costs	(2,650)	1,716
Depreciation and amortization	6,090	6,552
Change in policy liabilities	13,288	5,050
Change in other liabilities and accrued expenses	(7,889)	3,881
Variable non-cash stock-based compensation (benefit) expense	(1,551)	240
Change in prepaid monitoring fees	(9,375)	
Other items, net	1,432	819
Cash Provided by continuing operations	23,363	86,074
Cash (Used in) Provided by discontinued operations	(188)	268
Net cash Provided by operating activities	23,175	86,342
Investing Activities		
Increase in investment assets	(46,800)	(59,658)
Decrease in student loans	3,340	1,548
(Increase) decrease in restricted cash	(1,024)	407
Additions to property and equipment	(3,878)	(2,779)
Distribution from investment in Grapevine Finance LLC	468	
Decrease (increase) in agents receivables	53	(5,593)
Net cash Used in investing activities	(47,841)	(66,075)
Financing Activities		
Increase in investment products	(1,001)	(3,682)
Repayment of student loan credit facility	(2,250)	(1,750)
Exercise of stock options	25	114
Purchase of treasury stock	(38)	
Change in cash overdraft		(3,736)

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Other	400	39
Net Cash Used in financing activities	(2,864)	(9,015)
Net change in Cash and cash equivalents	(27,530)	11,252
Cash and cash equivalents at beginning of period	32,756	
Cash and cash equivalents at end of period in continuing operations	\$ 5,226	\$ 11,252

See Notes to Consolidated Condensed Financial Statements (Unaudited).

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HEALTHMARKETS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2007

NOTE A BASIS OF PRESENTATION

The accompanying unaudited consolidated condensed financial statements for HealthMarkets, Inc. (the Company or HealthMarkets) and its subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, such financial statements do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All such adjustments, except as otherwise described herein, consist of normal recurring accruals. Operating results for the three month period ended March 31, 2007 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2007. For further information, refer to the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

Certain amounts in the 2006 consolidated condensed financial statements have been reclassified to conform to the 2007 consolidated condensed financial statement presentation.

Recently Issued Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement 157, *Fair Value Measurement* (SFAS 157), which defines fair value as the price that would be received to sell an asset or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS 157 establishes a framework for measuring fair value and expands disclosures about fair value measurements. Statement 157 will be effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company believes this statement will not have a material effect upon the financial condition or results of operations of the Company.

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, an interpretation of FASB Statement No. 109 *Accounting for Income Taxes*. The Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of the tax benefits from the tax position taken or expected to be taken in a tax return. Guidance is also provided on derecognition, classification, interest and penalties, interim accounting, and disclosure. The cumulative effect of applying the provisions of this Interpretation, if any, is to be reported as an adjustment to the opening balance of retained earnings. Interest plus applicable penalties, if any, on the difference between the tax benefit recognized on a tax return and the tax benefit recognized in the financial statements are accrued at the applicable statutory interest and penalty rates. The Interpretation applies to all tax positions and became effective for the Company on January 1, 2007. Adoption of this pronouncement did not affect the Company's financial position and no cumulative effect adjustment was required to the January 1, 2007 balance of retained earnings. In addition, the Company elected to report as income taxes the accrued interest and applicable penalties, if any, on uncertain tax positions.

In 2005, the American Institute of Certified Public Accountants issued Statement of Position (SOP) 05-1, *Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection With Modifications or Exchanges of Insurance Contracts*, for implementation in the first quarter of 2007. The SOP requires that deferred acquisition costs be expensed in full when the original contract is substantially changed by election or amendment of an existing contract feature or by replacement with a new contract. The Company implemented the SOP for contract changes beginning in the first quarter of 2007 with no material effects to the financial statements at implementation.

NOTE B DEBT

In connection with the Merger completed on April 5, 2006, HealthMarkets, LLC entered into a credit agreement, providing for a \$500.0 million term loan facility and a \$75.0 million revolving credit facility (which includes a \$35.0 million letter of credit sub-facility). The full amount of the term loan was drawn at closing, and the proceeds thereof were used to fund a portion of the consideration paid in the Merger. At March 31, 2007, the Company had an

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aggregate of \$437.5 million of indebtedness outstanding under the term loan facility, which indebtedness bore interest at the London inter-bank offered rate (LIBOR) plus a borrowing margin (1.00%). The Company has not drawn on the \$75.0 million revolving credit facility.

The revolving credit facility will mature on April 5, 2011, and the term loan facility will mature on April 5, 2012. The term loan required nominal quarterly installments (not exceeding 0.25% of the aggregate principal amount at the date of issuance) until the maturity date at which time the remaining principal amount is due. As a result of a \$60.0 million prepayment in 2006, the Company is not obligated to make future nominal quarterly installments as previously required by the credit agreement. Borrowings under the credit agreement may be subject to certain mandatory prepayments. At HealthMarkets, LLC's election, the interest rates per annum applicable to borrowings under the credit agreement will be based on a fluctuating rate of interest measured by reference to either (a) LIBOR plus a borrowing margin, or (b) a base rate plus a borrowing margin. HealthMarkets, LLC will pay (a) fees on the unused loan commitments of the lenders, (b) letter of credit participation fees for all letters of credit issued, plus fronting fees for the letter of credit issuing bank, and (c) other customary fees in respect of the credit facility. Borrowings and other obligations under the credit agreement are secured by a pledge of HealthMarkets, LLC's interest in substantially all of its subsidiaries, including the capital stock of The MEGA Life and Health Insurance Company (MEGA), Mid-West National Life Insurance Company of Tennessee (Mid-West) and The Chesapeake Life Insurance Company (Chesapeake).

On April 5, 2006, HealthMarkets Capital Trust I and HealthMarkets Capital Trust II (two newly formed Delaware statutory business trusts) (collectively the Trusts) issued \$100.0 million of floating rate trust preferred securities (the Trust Securities) and \$3.1 million of floating rate common securities. The Trusts invested the proceeds from the sale of the Trust Securities, together with the proceeds from the issuance to HealthMarkets, LLC by the Trusts of the common securities, in \$100.0 million principal amount of HealthMarkets, LLC's Floating Rate Junior Subordinated Notes due June 15, 2036 (the Notes), of which \$50.0 million principal amount accrue interest at a floating rate equal to three-month LIBOR plus 3.05% and \$50.0 million principal amount accrue interest at a fixed rate of 8.367% through but excluding June 15, 2011 and thereafter at a floating rate equal to three-month LIBOR plus 3.05%. Distributions on the Trust Securities will be paid at the same interest rates paid on the Notes.

The Notes, which constitute the sole assets of the Trusts, are subordinate and junior in right of payment to all senior indebtedness (as defined in the Indentures) of HealthMarkets, LLC. The Company has fully and unconditionally guaranteed the payment by the Trusts of distributions and other amounts payable under the Trust Securities. The guarantee is subordinated to the same extent as the Notes.

The Trusts are obligated to redeem the Trust Securities when the Notes are paid at maturity or upon any earlier prepayment of the Notes. Prior to June 15, 2011, the Notes may be redeemed only upon the occurrence of certain tax or investment company events at 105.0% of the principal amount thereof in the first year reducing by 1.25% per year until it reaches 100.0%. On and after June 15, 2011 the Notes are redeemable, in whole or in part, at the option of the Company at 100.0% of the principal amount thereof.

On April 29, 2004, UICI Capital Trust I (a newly formed Delaware statutory business trust) (the 2004 Trust) completed the private placement of \$15.0 million aggregate issuance amount of floating rate trust preferred securities with an aggregate liquidation value of \$15.0 million (the 2004 Trust Preferred Securities). The 2004 Trust invested the \$15.0 million proceeds from the sale of the 2004 Trust Preferred Securities, together with the proceeds from the issuance to the Company by the 2004 Trust of its floating rate common securities in the amount of \$470,000 (the Common Securities) and, collectively with the 2004 Trust Preferred Securities, the 2004 Trust Securities), in an equivalent face amount of the Company's Floating Rate Junior Subordinated Notes due 2034 (the 2004 Notes). The 2004 Notes will mature on April 29, 2034, which date may be accelerated to a date not earlier than April 29, 2009. The 2004 Notes may be prepaid prior to April 29, 2009, at 107.5% of the principal amount thereof, upon the occurrence of certain events, and thereafter at 100.0% of the principal amount thereof. The 2004 Notes, which constitute the sole assets of the 2004 Trust, are subordinate and junior in right of payment to all senior indebtedness (as defined in the Indenture, dated April 29, 2004, governing the terms of the 2004 Notes) of the Company. The 2004 Notes accrue interest at a floating rate equal to three-month LIBOR plus 3.50%, payable quarterly on February 15, May 15, August 15, and November 15 of each year. At March 31, 2007, the 2004 Notes bore interest at an annual rate

of 8.86%. The quarterly distributions on the 2004 Trust Securities are paid at the same interest rate paid on the 2004 Notes.

The following table sets forth detail of the Company's debt and interest expense (dollars in thousands):

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	Principal Amount	Interest rate at	Interest Expense Three Months Ended
	at March 31, 2007	at March 31, 2007	2007
<i>2006 credit agreement:</i>			
Term loan	\$ 437,500	6.36%	\$ 6,680
\$75 Million revolver (non-use fee)			41
<i>Trust preferred securities:</i>			
UICI Capital Trust I	15,470	8.86%	343
HealthMarkets Capital Trust I	51,550	8.40%	1,084
HealthMarkets Capital Trust II	51,550	8.37%	1,078
<i>Other:</i>			
Interest on Deferred Tax			1,042
Student loan credit facility	116,700	5.30%	1,541
Amortization of financing fees			1,187
Total	\$ 672,770		\$ 12,996

Set forth below is the supplemental calculation of the amortization of financing fees included in interest expense associated with the Company's non-student loan debt (dollars in thousands):

	Remaining capitalized amount	Life (years)	Amortization Expense Three months ended March 31, 2007
UICI Capital Trust I	\$ 176	5	\$ 21
Term loan credit facility	17,563	6	753
HealthMarkets Capital Trust I	2,496	5	128
HealthMarkets Capital Trust II	2,499	5	127
\$75 Million Revolver (Non-Use Fee)	2,529	5	158
Total	\$ 25,263		\$ 1,187

Principal payments required for the Company's non-student loan debt for the remainder of 2007 and each of the next five years and thereafter are as follows (in thousands):

Remainder of 2007	\$ 0
2008	0
2009	0
2010	0
2011	0
2012	437,500
2013 and thereafter	118,570

Management uses derivative instruments to protect against the risk of changes in prevailing interest rates adversely affecting future cash flows associated with the term loan credit facility discussed above. The derivative instrument used by the Company to protect against such risk is the interest rate swap. The Company accounts for its interest rate swaps in accordance with SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*.

As with any financial instrument, derivative instruments have inherent risks, primarily market and credit risk. Market risk associated with changes in interest rates is managed as part of the Company's overall market risk monitoring process by establishing and monitoring limits as to the degree of risk that may be undertaken. Credit risk occurs when a counterparty to a derivative contract in which the Company has an unrealized gain fails to perform according to the terms of the agreement. The Company minimizes its credit risk by entering into transactions with counterparties that maintain high credit ratings.

For a derivative instrument designated as a cash flow hedge, the effective portion of changes in the fair value of the derivative instrument is recorded under the caption "Unrealized gains (losses) on securities and hedging activities" in the Company's Consolidated Condensed Statement of Comprehensive Income and is recognized in the

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income statement when the hedged item affects results of operations. If it is determined that (i) an interest rate swap is not highly effective in offsetting changes in the cash flows of a hedged item, (ii) the derivative expires or is sold, terminated or exercised, or (iii) the derivative is undesignated as a hedge instrument because it is unlikely that a forecasted transaction will occur, the Company discontinues hedge accounting prospectively.

If hedge accounting is discontinued, the derivative instrument will continue to be carried at fair value, with changes in the fair value of the derivative instrument recognized in the current period's results of operations. When hedge accounting is discontinued because it is probable that a forecasted transaction will not occur, the accumulated gains and losses included in accumulated other comprehensive income will be recognized immediately in results of operations. When hedge accounting is discontinued because the derivative instrument has not been or will not continue to be highly effective as a hedge, hedge accounting is discontinued and the remaining amount in accumulated other comprehensive income is amortized into earnings over the remaining life of the derivative.

At the effective date of the Merger, an affiliate of The Blackstone Group assigned to the Company three interest rate swap agreements with an aggregate notional amount of \$300.0 million. The terms of the swaps are 3, 4 and 5 years beginning on April 11, 2006. The Company presents the fair value of the interest rate swap agreements at the end of the period in either Other assets or Other liabilities, as applicable, on its consolidated condensed balance sheet. At March 31, 2007, the interest rate swaps had an aggregate fair value of approximately \$912,000, which is reflected under the caption Other liabilities. The Company redesignated the hedging relationship in February 2007 to hedge the risk of changes in the Company's cash flow attributable to changes in the LIBOR rate applicable to its variable-rate term loan. The Company assesses, on a quarterly basis, the ineffectiveness of the hedging relationship and any gains or losses related to the ineffectiveness are recorded in Other investment income on its consolidated condensed statement of income. During the quarter ended March 31, 2007, the Company incurred a loss of \$57,000 related to the ineffectiveness of the interest rate swap. The Company does not expect the ineffectiveness related to its hedging activity to be material to the Company's financial results in the future. There were no components of the derivative instruments that were excluded from the assessment of hedge effectiveness. At March 31, 2007, accumulated other comprehensive income included a deferred after-tax net loss of \$2.2 million related to the interest rate swaps. During the quarter ended March 31, 2007, pretax income of \$278,000 (\$181,000 net of tax) was reclassified into interest expense as adjustments to interest payments on variable rate debt. In addition, an amount of \$161,000 (\$105,000 net of tax) was reclassified into earnings from accumulated other comprehensive income associated with the previous termination of the hedging relationship in the fourth quarter of 2006, and the then remaining amount of \$1.6 million accumulated other comprehensive income is expected to be reclassified into earnings in conjunction with the interest payments on the variable rate debt through April 2011.

The Company uses regression analysis to assess the hedge effectiveness in achieving the offsetting cash flows attributable to the risk being hedged. In addition, the Company utilizes the hypothetical derivative methodology for the measurement of ineffectiveness. Derivative gains and losses not effective in hedging the expected cash flows will be recognized immediately in earnings.

NOTE C FEDERAL INCOME TAXES

The Company adopted the Financial Accounting Standards Board's Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), effective January 1, 2007. Adoption of this pronouncement did not effect the Company's financial position and no cumulative effect adjustment was required to the January 1, 2007 balance of retained earnings.

As of January 1, 2007, the Company maintained a liability for uncertain tax positions in the amount of \$1.1 million which consists solely of accrued interest related to a tax position that involves the uncertain timing of a deduction claimed on a tax return. Accrued interest and applicable penalties, if any, on uncertain tax positions are recorded as a component of income taxes but is not significant for the quarter ended March 31, 2007. The uncertain tax position is currently under examination and, if resolved favorably, may decrease the Company's effective tax rate within the next 12 months. The years that remain subject to federal tax examination are all years after 2002.

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NOTE D EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended March 31,	
	2007	2006
	(In thousands, except per share amounts)	
<i>Income available to common shareholders:</i>		
Income from continuing operations	\$ 22,624	\$ 38,846
Income from discontinued operations	67	661
Net income for basic and diluted earnings per share	\$ 22,691	\$ 39,507
Weighted average shares outstanding ³ / ₄ basic earnings per share	30,242	46,453
Effect of dilutive securities:		
Employee stock options and other shares	763	811
Weighted average shares outstanding ³ / ₄ dilutive earnings per share	31,005	47,264
<i>Basic earnings per share:</i>		
From continuing operations	\$ 0.75	\$ 0.84
From discontinued operations		0.01
Net income	\$ 0.75	\$ 0.85
<i>Diluted earnings per share:</i>		
From continuing operations	\$ 0.73	\$ 0.83
From discontinued operations		0.01