Mellanox Technologies, Ltd.
Form 10-Q
May 09, 2011
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2011

OR

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

For the transition period to

Commission File No. 001-33299

MELLANOX TECHNOLOGIES, LTD.

(Exact Name of Registrant as Specified in Its Charter)

ISRAEL (State or Other Jurisdiction of Incorporation or Organization)	**98-0233400** (I.R.S. Employer Identification No.)
HERMON BUILDING, YOKNEAM, ISRAEL (Address of Principal Executive Offices)	**20692** (Zip Code)

Registrant s Telephone Number, Including Area Code: **+972-4-909-7200**

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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. (Check one):

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The total number of outstanding shares of the registrant s Ordinary Shares, nominal value of NIS 0.0175 per share, as of April 29, 2011, was 34,773,964.

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PART I. FINANCIAL INFORMATION

ITEM 1 ***UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***

MELLANOX TECHNOLOGIES, LTD.

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	March 31, 2011		December 31, 2010	
	(In thousands)			
ASSETS				
Current assets:				
Cash and cash equivalents	$	54,496	$	107,994
Short-term investments		33,701		141,959
Restricted cash		5,148		3,353
Accounts receivable, net		35,452		19,893
Inventories		15,289		11,717
Deferred taxes and other current assets		8,615		4,487
Total current assets		152,701		289,403
Property and equipment, net		22,057		15,490
Severance assets		9,274		5,792
Intangible assets, net		34,487		290
Goodwill		132,885		
Deferred taxes and other long-term assets		5,623		4,780
Total assets	$	357,027	$	315,755
LIABILITIES AND SHAREHOLDERS EQUITY				
Current liabilities:				
Accounts payable	$	15,893	$	6,526
Other accrued liabilities		24,378		15,885
Deferred revenue		4,088		1,051
Capital lease obligations, current		316		316
Total current liabilities		44,675		23,778
Accrued severance		12,110		7,355
Deferred revenue		2,028		563
Capital lease liabilities		79		158
Other long-term liabilities		3,219		2,211
Total liabilities		62,111		34,065
Commitments and contingencies (Note 7)				
Shareholders equity:				
Ordinary shares		142		141
Additional paid-in capital		279,963		265,481
Accumulated other comprehensive income		1,321		954
Retained earnings		13,490		15,114
Total shareholders equity		294,916		281,690
Total liabilities and shareholders equity	$	357,027	$	315,755

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

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MELLANOX TECHNOLOGIES, LTD.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
	(In thousands, except per share data)	
Total revenues	$ 55,057	$ 36,210
Cost of revenues	19,416	9,023
Gross profit	35,641	27,187
Operating expenses:		
Research and development	20,310	12,277
Sales and marketing	8,555	5,013
General and administrative	8,445	2,636
Total operating expenses	37,310	19,926
Income (loss) from operations	(1,669)	7,261
Other income, net	48	113
Income (loss) before taxes	(1,621)	7,374
Provision for taxes on income	(3)	(2,136)
Net income (loss)	$ (1,624)	$ 5,238
Net income (loss) per share basic	$ (0.05)	$ 0.16
Net income (loss) per share diluted	$ (0.05)	$ 0.15
Shares used in computing income per share:		
Basic	34,490	32,960
Diluted	34,490	34,759

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

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MELLANOX TECHNOLOGIES, LTD.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three Months Ended March 31, 2011	2010
	(In thousands)	
Cash flows from operating activities:		
Net income (loss)	$ (1,624)	$ 5,238
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,918	1,089
Deferred income taxes	450	1,767
Share-based compensation expense	4,278	3,388
Gain on sale of investments	(77)	(153)
Excess tax benefits from share-based compensation		(271)
Changes in assets and liabilities, net of effect of acquisition:		
Accounts receivable, net	(3,136)	(1,704)
Inventories	1,027	(3,228)
Prepaid expenses and other assets	(1,586)	1,092
Accounts payable	6,826	897
Accrued liabilities and other payables	3,545	(21)
Net cash provided by operating activities	13,621	8,094
Cash flows from investing activities:		
Acquisition of Voltaire ltd., net of cash acquired of $3,961	(203,704)	
Purchase of severance-related insurance policies	(201)	(185)
Purchases of short-term investments	(22)	(74,250)
Proceeds from sales of short-term investments	135,196	56,567
Proceeds from maturities of short-term investments		18,687
Purchase of property and equipment	(2,211)	(3,674)
Net cash used in investing activities	(70,942)	(2,855)
Cash flows from financing activities:		
Principal payments on capital lease obligations	(79)	(251)
Proceeds from exercise of share awards	3,902	3,046
Excess tax benefit from share-based compensation		271
Net cash provided by financing activities	3,823	3,066
Net increase (decrease) in cash and cash equivalents	(53,498)	8,305
Cash and cash equivalents at beginning of period	107,994	43,640
Cash and cash equivalents at end of period	$ 54,496	$ 51,945
Non-cash financing activities:		
Vested share awards issued in connection with Voltaire acquisition	$ 6,303	$

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

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MELLANOX TECHNOLOGIES, LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Company

Mellanox Technologies, Ltd. (the Company or Mellanox) was incorporated in Israel and commenced operations in March 1999. Mellanox is a leading supplier of end-to-end connectivity solutions for data center servers and storage.

Principles of presentation

The unaudited condensed consolidated financial statements included in this quarterly report on Form 10-Q have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). The year-end unaudited condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States. Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) have been condensed or omitted pursuant to such rules and regulations. However, the Company believes that the disclosures contained in this quarterly report comply with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended, for a quarterly report on Form 10-Q and are adequate to make the information presented not misleading. The unaudited condensed consolidated financial statements included herein reflect all adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of the financial position, results of operations and cash flows for the interim periods presented. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2010, filed with the SEC on March 7, 2011. The results of operations for the three months ended March 31, 2011 are not necessarily indicative of the results to be anticipated for the entire year ending December 31, 2011 or thereafter.

Risks and uncertainties

The Company is subject to all of the risks inherent in a company which operates in the dynamic and competitive semiconductor industry. Significant changes in any of the following areas could have a material adverse impact on the Company s financial position and results of operations: unpredictable volume or timing of customer orders; ordered product mix; the sales outlook and purchasing patterns of the Company s customers, based on consumer demands and general economic conditions; loss of one or more of the Company s customers; decreases in the average selling prices of products or increases in the average cost of finished goods; the availability, pricing and timeliness of delivery of components used in the Company s products; reliance on a limited number of subcontractors to manufacture, assemble, package and production test the Company s products; the Company s ability to successfully develop, introduce and sell new or enhanced products in a timely manner; product obsolescence and the Company s ability to manage product transitions; and the timing of announcements or introductions of new

products by the Company s competitors.

Additionally, the Company has a significant presence in Israel, including research and development activities, corporate facilities and sales support operations. Uncertainty surrounding the political, economic and military conditions in Israel may directly impact the Company s financial results.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of net revenues and expenses in the reporting period. The Company regularly evaluates estimates and assumptions related to revenue recognition, allowances for doubtful accounts, sales returns and allowances, warranty reserves, inventory reserves, share-based compensation expense, long-term asset valuations, investments, deferred income tax asset valuation allowances, uncertain tax positions, litigation and other loss contingencies. These estimates and assumptions are based on current facts, historical experience and various other factors that the Company believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of revenue, costs and expenses that are not readily apparent from other sources. The actual results the Company experiences may differ materially and adversely from its original estimates. To the extent there are material differences between the estimates and actual results, the Company s future results of operations will be affected.

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Significant accounting policies

There have been no changes in the Company s significant accounting policies that were disclosed in its Annual Report on Form 10-K for the fiscal year ended December 31, 2010, except for the following:

Business combinations

The Company accounts for business combinations using the acquisition method of accounting. The Company determines the recognition of intangible assets based on the following criteria: (i) the intangible asset arises from contractual or other rights; or (ii) the intangible asset is separable or divisible from the acquired entity and capable of being sold, transferred, licensed, returned or exchanged. The Company allocates the purchase price of business combinations to the tangible assets, liabilities and intangible assets acquired, including in-process research and development (IPR&D), based on their estimated fair values. The excess purchase price over those fair values is recorded as goodwill. The process of estimating the fair values requires significant estimates, especially with respect to intangible assets. Critical estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows from customer contracts, customer lists and distribution agreements and acquired developed technologies, expected costs to develop IPR&D into commercially viable products, estimated cash flows from projects when completed and discount rates. The Company estimates fair value based upon assumptions that are believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. Other estimates associated with the accounting for acquisitions may change as additional information becomes available regarding the assets acquired and liabilities assumed.

Goodwill and intangible assets

Goodwill is recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the acquired net tangible and intangible assets. Intangible assets primarily represent acquired intangible assets including developed technology, customer relationships and IPR&D. The Company amortizes its intangible assets over their useful lives using a method that reflects the pattern in which the economic benefits of the intangible asset are consumed or otherwise used or, if that pattern cannot be reliably determined, using a straight-line amortization method. The Company capitalizes IPR&D projects acquired as part of a business combination. On completion of each project, IPR&D assets are reclassified to developed technology and amortized over their estimated useful lives. If any of the IPR&D projects are abandoned, the Company would be required to impair the related IPR&D asset.

Goodwill is measured and tested on an annual basis or more frequently if the Company believes indicators of impairment exist. The performance of the test involves a two-step process. The first step requires comparing the fair value of the reporting unit to its net book value, including goodwill. The Company has one reporting unit, the fair value of which is determined to equal the market capitalization of the Company as determined through quoted market prices, adjusted for a reasonable control premium. A potential impairment exists if the fair value of the reporting unit is lower than its net book value. The second step of the process is only performed if a potential impairment exists, and it involves determining the difference between the fair value of the reporting unit s net assets other than goodwill to the fair value of the reporting unit. If the difference is less than the net book value of goodwill, an impairment exists and is recorded. The Company has not been required to perform this second step of the process because the fair value of the reporting unit has exceeded the net book value at every measurement date.

Intangible assets are tested for impairment when indicators of impairment, such as reductions in demand, the abandonment of IPR&D projects or significant economic slowdowns in the semiconductor industry, are present. Reviews are performed to determine whether the carrying value of an asset is impaired, based on comparisons to undiscounted expected future cash flows. If this comparison indicates that there is impairment, the impaired asset is written down to fair value, which is typically calculated using: (i) quoted market prices or (ii) discounted expected future cash flows utilizing an appropriate discount rate. Impairment is based on the excess of the carrying amount over the fair value of those assets.

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Concentration of credit risk

The following table summarizes the revenues from customers (including original equipment manufacturers) in excess of 10% of the total revenues:

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Hewlett Packard	24%	16%
Voltaire	**	12%
IBM	14%	*
Oracle	13%	*

* Less than 10%

** Less than 10% on revenues for the current period prior to the Company s acquisition of Voltaire on February 7, 2011.

At March 31, 2011, IBM and Hewlett-Packard accounted for 21% and 19%, respectively, of the Company s total accounts receivable. At December 31, 2010, IBM, Dell and Hewlett-Packard accounted for 15%, 11% and 10%, respectively, of the Company s total accounts receivable.

At March 31, 2011, Oracle held approximately 3.4 million shares of Mellanox common stock. Sales to Oracle and / or its contract manufacturers in the three months ended March 31, 2011 were $7.2 million, and were conducted at arm s-length. At March 31, 2011, accounts receivable from Oracle totaled $24,840.

Product warranty

Changes in the Company s liability for product warranty during the three months ended March 31, 2011 and 2010 are included in Other accrued liabilities and are as follows:

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
	(In thousands)	
Balance, beginning of the period	$ 807	$ 902
Warranties issued during the period	280	139
Reversal of warranty reserves	(90)	(91)
Settlements during the period	(100)	(74)

Balance, end of the period	$ 897	$ 876

Net income per share

The following table sets forth the computation of basic and diluted net income per share for the periods indicated:

	Three Months Ended March 31, 2011	2010
Net income (loss)	$ (1,624)	$ 5,238
Basic and diluted shares:		
Weighted average ordinary shares outstanding used to compute basic net income per share	34,490	32,960
Dilutive effect of employee stock option plans		1,799
Shares used to compute diluted net income per share	34,490	34,759
Net income (loss) per share basic	$ (0.05)	$ 0.16
Net income (loss) per share diluted	$ (0.05)	$ 0.15

The Company excluded 372,375 outstanding options for the three months ended March 31, 2010, from the computation of diluted net income (loss) per ordinary share, because including these outstanding options would have had an anti-dilutive effect. The Company excluded 1,199 restricted shares for the three months ended March 31, 2010, from the computation of diluted net income (loss) per ordinary share because including these restricted shares would have had an anti-dilutive effect.

Recent accounting pronouncements

Effective January 1, 2011, the Company adopted the authoritative guidance, issued by the FASB in December 2010, on the application of goodwill impairment model when a reporting unit has a zero or negative carrying amount. When a reporting unit has a zero or negative carrying value, Step 2 of the goodwill impairment test should be performed if qualitative factors indicate that it is more likely than not that a goodwill impairment exists. The adoption of this guidance had no impact on the Company s unaudited consolidated financial statements.

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Effective January 1, 2011, the Company adopted the authoritative guidance, issued by the FASB in December 2010, related to the disclosure of supplementary pro forma information for business combinations. The updated guidance requires that if comparative financial statements are presented, the pro forma revenue and earnings of the combined entity for the comparable prior reporting period should be reported as though the acquisition date for all business combinations that occurred during the current year had been as of the beginning of the comparable prior annual reporting period only.

NOTE 2 BALANCE SHEET COMPONENTS:

		March 31, 2011		December 31, 2010
		(In thousands)		
Accounts receivable, net:				
Accounts receivable	$	35,854	$	20,295
Less: Allowance for doubtful accounts		(402)		(402)
	$	35,452	$	19,893
Inventories:				
Raw materials	$	4,204	$	2,043
Work-in-process		2,006		1,728
Finished goods		9,079		7,946
	$	15,289	$	11,717
Deferred taxes and other current assets				
Prepaid expenses	$	3,227	$	1,754
Forward contracts		1,433		860
Income tax and VAT receivables		1,402		729
Deferred taxes		810		616
Other receivables		1,585		413
Other		158		115
	$	8,615	$	4,487
Property and equipment, net:				
Computer equipment and software	$	43,686	$	38,179
Furniture and fixtures		2,390		1,980
Leasehold improvements		6,039		3,320
		52,115		43,479
Less: Accumulated depreciation and amortization		(30,058)		(27,989)
	$	22,057	$	15,490
Deferred taxes and other long-term assets:				
Equity investments in private companies	$	3,000	$	3,000
Deferred taxes		954		1,422
Restricted cash long term		1,193		
Other assets		476		358
	$	5,623	$	4,780
Other accrued liabilities:				
Payroll and related expenses	$	13,290	$	9,512
Professional services		7,575		3,472
Other		3,513		2,901
	$	24,378	$	15,885
Other long-term obligations:				
Federal income tax payable	$	2,797	$	1,754
Other		422		457
	$	3,219	$	2,211

NOTE 3 BUSINESS COMBINATIONS:

On February 7, 2011, the Company completed its acquisition of Voltaire Ltd. (Voltaire), an Israeli-based public company, pursuant to an Agreement of Merger (the Merger Agreement) dated November 29, 2010. Under the Merger Agreement, the Company s wholly owned subsidiary merged with and into Voltaire (the Merger) with Voltaire continuing after the Merger as a surviving corporation and a wholly owned subsidiary of the Company.

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Voltaire s results of operations and estimated fair value of assets acquired and liabilities assumed were included in the Company s consolidated financial statements beginning February 7, 2011. Acquisition costs related to the merger of Voltaire of $4.4 million were expensed as incurred in general and administrative expenses in the unaudited consolidated statement of operations for the three months ended March 31, 2011.

Under the terms of the Merger Agreement, the Company paid $207.7 million in cash ($203.7 million net of cash received) and issued to Voltaire employees options to purchase 564,878 shares of the Company s ordinary shares and 84,736 restricted stock units (RSUs) of the Company s ordinary shares with an aggregate value of $13.6 million, in exchange for their options to purchase shares and restricted stock units of Voltaire. The Company recorded $6.3 million as part of the purchase price, which represents options and RSUs that were vested at the acquisition date. The remaining unvested options and RSUs will result in compensation expense of $7.3 million. This amount will be recognized over the remaining vesting period of these equity awards, which ranges from one day to four years.

Based on Voltaire equity awards outstanding on February 7, 2011, the purchase price is as follows (in thousands):

Purchase price:		
Cash	$	207,665
Fair value of equity awards attributable to pre-acquisition services		6,303
Total purchase price	$	213,968

The fair value of the exchanged options was determined based on the closing price of the Company s ordinary shares on February 7, 2011 of $27.72 using a Black-Scholes valuation model with the following weighted-average assumptions: expected life of 3.98 years, volatility of 66.2%, risk-free interest rate of 1.83%, and dividend yield of zero. The fair value of the exchanged RSUs was determined based on the per share value of the underlying Company ordinary shares of $27.72 per share at February 7, 2011.

The Company accounted for the transaction using the acquisition method, and accordingly, the consideration has been allocated to the tangible and intangible assets acquired and liabilities assumed on the basis of their respective estimated fair values on the acquisition date. The Company s preliminary allocation of the total purchase price is summarized below (in thousands):

Preliminary purchase price allocation:		
Current assets	$	52,131
Other long-term assets		10,875
Intangible assets		36,052
Goodwill		132,885
Total assets		231,943
Current liabilities		(11,369)
Long-term liabilities		(6,606)
Total liabilities		(17,975)
Total preliminary purchase price allocation	$	213,968

The preliminary estimates of the fair value of identifiable assets acquired and liabilities assumed are subject to revisions, which may result in adjustments to the preliminary values presented above, when appraisals are finalized. We expect to finalize these amounts as soon as possible but no later than by the end of 2011.

Intangible assets acquired, and their respective estimated remaining useful lives over which each asset will be amortized are:

Purchased intangible assets:

	Fair value (in thousands)	Weighted Average Useful life (in years)
Developed technology	$ 20,378	2-3
In process research and development	2,754	
Customer relationship	10,956	4-5
Customer contract	1,529	2
Backlog	435	Less than 1
Total purchased intangible assets	$ 36,052	

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Identifiable intangible assets

Developed technology represents completed technology that has passed technological feasibility and/or is currently offered for sale to customers. The Company used the income approach to value the developed technology. Under the income approach, the expected future cash flows from each technology are estimated and discounted to their net present values at an appropriate risk-adjusted rate of return. Significant factors considered in the calculation of the rate of return are the weighted average cost of capital and the return on assets. The Company applied a discount rate of 14% to value the developed technology assets taking into consideration market rates of return on debt and equity capital and the risk associated with achieving forecasted revenues related to these assets.

Customer relationships represent the fair value of future projected revenues that will be derived from the sale of products to existing customers of the acquired company. The Company used the comparative method (with/without) of the income approach to determine the fair value of this intangible asset and utilized a discount rate of 14%.

Customer contract relates to an ongoing licensing and professional services arrangement. To determine the fair value of this intangible asset the Company used the income approach, taking into consideration amounts remaining to be billed under the contract, estimated costs to complete the contract, and the profit that a market participant would require to complete the contract.

Backlog represents the fair value of sales order backlog as of the valuation date. The Company used the income approach to determine the fair value of this intangible asset.

In-process research and development

In-process research and development represents projects that have not yet reached technological feasibility. Technological feasibility is defined as being equivalent to completion of a beta-phase working prototype in which there is no remaining risk relating to the development.

As of the acquisition date, Voltaire was involved in research and development projects related to its Unified Fabric Manager, or UFM , acceleration software and Ethernet product families. Each of these projects is focused on integrating new technologies, improving product performance and broadening features and functionalities. There is a risk that these development efforts and enhancements will not be competitive with other products using alternative technologies that offer comparable functionality.

The following table summarizes the significant assumptions underlying the valuations of IPR&D at acquisition:

Product family:

	Average time to complete (in months)	Estimated cost to complete (in thousands)	Fair value (in thousands)
UFM	12	$ 1,700	$ 1,069
Acceleration software	7	1,100	975
Ethernet	2	100	710
Total IPR&D		$ 2,900	$ 2,754

The Company used the income approach to determine the fair value of in-process research and development and utilized a discount rate of 14.5%. This intangible asset will be capitalized on the balance sheet and evaluated periodically for impairment until the project is completed, at which time it will become subject to amortization over its useful life.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the underlying net tangible and intangible assets. The Company s primary reasons for the Voltaire acquisition were to enhance its position in providing end-to-end connectivity solutions and to expand its software and hardware offerings. The acquisition also enhanced the Company s engineering team and sales force through the addition of Voltaire employees. These significant factors were the basis for the recognition of goodwill. Goodwill will not be amortized but instead will be tested for impairment annually or more frequently if certain indicators are present. Goodwill is not expected to be tax deductible for tax purposes.

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Supplemental pro forma data (unaudited)

The unaudited financial information in the table below summarizes the combined results of operations of the Company and Voltaire, on a pro forma basis, as though the companies had been combined as of the beginning of the period presented. The pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisitions had taken place at the beginning of each of the periods presented.

The following unaudited pro forma financial information combines the results for the Company and Voltaire for the three months ended March 31, 2011 (in thousands, except per share amounts):

	Three Months Ended	
	March 31, 2011	**March 31, 2010**