CTS CORP
Form 10-Q/A
May 15, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q/A

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended October 1, 2006
OR
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: 1-4639

CTS CORPORATION
(Exact name of registrant as specified in its charter)

Indiana (State or other jurisdiction of incorporation or organization)	35-0225010 (IRS Employer Identification Number)
905 West Boulevard North, Elkhart, IN (Address of principal executive	46514 (Zip Code)

offices)

Registrant's telephone number, including area code: 574-293-7511

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 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 o Accelerated filer x Non-accelerated filer 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of October 30, 2006:
35,804,763

CTS CORPORATION AND SUBSIDIARIES

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EXPLANATORY NOTE

We are filing this Form 10-Q/A to amend our Quarterly Report on Form 10-Q for the quarter ended October 1, 2006 as filed with the Securities and Exchange Commission on November 3, 2006 (the "Original Filing"), to restate our consolidated financial statements and amend the related disclosures for the three- and nine-month periods ended October 1, 2006. This amended Form 10-Q/A also includes the restatement of selected unaudited quarterly financial data for the first three quarters in the year ended December 31, 2006 and a restated condensed consolidated balance sheet for the year ended December 31, 2005. As previously disclosed in our Current Report on Form 8-K filed on February 9, 2007, our financial statements and related financial information contained in our Quarterly Reports on Form 10-Q filed in 2006 should no longer be relied upon. Accordingly, this Form 10-Q/A should be read in conjunction with our filings made with the Securities and Exchange Commission subsequent to the Original Filing.

The restatement of the Original Filing was based on a review initiated by management under the oversight of the Audit Committee, with the assistance of outside counsel and forensic accountants, revealing incorrect entries made by the controller at our Moorpark, California location. The incorrect entries consisted of the movement of costs from income statement accounts, primarily cost of goods sold, to balance sheet accounts primarily accounts payable, beginning in 2005 and continuing throughout 2006.

For more information on these matters, please refer to Note B to the condensed consolidated financial statements, "Restatement of the Condensed Consolidated Financial Statements", Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 4, "Controls and Procedures."

All of the information in this Form10-Q/A is as of October 1, 2006 and does not reflect events occurring after the date of the Original Filing, other than the restatement, or update disclosures affected by subsequent events, including the exhibits to the Original Filing, except for the updated Exhibits 31(a), 31(b), 32(a), and 32(b). This Form 10-Q/A sets forth the Original Filing in its entirety, as amended by and to reflect the restatement, as well as other adjustments described above. The following items in the Form 10-Q/A were amended to reflect the restatement:

Part I Item 1 Unaudited Financial Statements;
Part I Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations;
Part I Item 4 Controls and Procedures;
Part II Item 6 Exhibits

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CTS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS - UNAUDITED
(In thousands of dollars, except per share amounts)

	Three Months Ended		Nine Months Ended	
	October 1, 2006 (as restated)	**October 2, 2005 (as restated)**	**October 1, 2006 (as restated)**	**October 2, 2005 (as restated)**
Net sales	$ 165,676	$ 149,210	$ 482,094	$ 462,886
Costs and expenses:				
Cost of goods sold	136,571	120,957	391,180	374,126
Selling, general and administrative expenses	17,652	16,159	54,056	51,773
Research and development expenses	3,775	3,976	11,937	13,330
Gain on sales of assets - Note M	(1,332)	(353)	(2,124)	(806)
Restructuring charges - Note D	486	—	3,368	—
Operating earnings	8,524	8,471	23,677	24,463
Other (expense) income:				
Interest expense	(803)	(1,254)	(2,948)	(4,553)
Interest income	199	239	522	1,054
Other	231	33	293	(267)
Total other expense	(373)	(982)	(2,133)	(3,766)
Earnings before income taxes	8,151	7,489	21,544	20,696
Income tax expense	1,904	1,557	4,998	7,436
Net earnings	$ 6,247	$ 5,932	$ 16,546	$ 13,261
Net earnings per share — Note L				
Basic	$ 0.17	$ 0.16	$ 0.46	$ 0.36
Diluted	$ 0.16	$ 0.15	$ 0.43	$ 0.34
Cash dividends declared per share	$ 0.03	$ 0.03	$ 0.09	$ 0.09
Average common shares outstanding:				
Basic	35,861	36,284	35,841	36,434
Diluted	40,266	41,013	40,215	41,072

See notes to condensed consolidated financial statements (as restated).

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CTS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS — UNAUDITED
(dollars in thousands)

	October 1, 2006 (as restated)	December 31, 2005* (as restated)
ASSETS		
Current Assets		
Cash and cash equivalents	$ 29,723	$ 12,029
Accounts receivable, less allowances (2006 - $1,787; 2005 - $2,373)	101,653	90,790
Inventories — Note G	66,872	60,629
Other current assets	21,080	16,268
Total current assets	219,328	179,716
Property, plant and equipment, less accumulated depreciation (2006 - $249,142; 2005 - $252,545)	96,227	109,653
Other Assets		
Prepaid pension asset — Note I	156,855	152,483
Goodwill	24,657	24,657
Other intangible assets, net	39,950	42,347
Deferred income taxes	22,893	22,887
Other	1,803	2,086
Total other assets	246,158	244,460
Total Assets	$ 561,713	$ 533,829
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Notes payable	$ 9,458	$ 13,299
Current portion of long-term debt - Note H	176	164
Accounts payable	81,329	68,720
Accrued liabilities	44,243	39,140
Total current liabilities	135,206	121,323
Long-term debt - Note H	60,645	68,293
Other long-term obligations	19,398	16,120
Shareholders' Equity		
Preferred stock - authorized 25,000,000 shares without par value; none issued	—	—
Common stock — authorized 75,000,000 shares without par value; 53,687,419 shares issued at October 1, 2006 and 53,576,243 shares issued at December 31, 2005	276,290	275,211
Additional contributed capital	26,762	24,743
Retained earnings	308,794	295,478
Accumulated other comprehensive earnings (loss)	2,671	(244)
	614,517	595,188
Cost of common stock held in treasury (17,789,331 shares at 2006 and 17,717,657 shares at 2005) - Note N	(268,053)	(267,095)
Total shareholders' equity	346,464	328,093
Total Liabilities and Shareholders' Equity	$ 561,713	$ 533,829

The balance sheet at December 31, 2005, has been derived from the restated audited financial statements at that date

See notes to condensed consolidated financial statements (as restated).

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CTS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED
(In thousands of dollars)

	Nine Months Ended	
	October 1, 2006 (as restated)	**October 2, 2005 (as restated)**
Cash flows from operating activities:		
Net earnings	$ 16,546	$ 13,261
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	19,043	19,826
Prepaid pension asset	(4,697)	(6,579)
Equity-based compensation	2,960	1,842
Restructuring charges	3,368	—
Gain on sales of assets	(2,124)	(806)
Deferred income taxes	—	3,048
Changes in assets and liabilities, net of effects from purchase of SMTEK		
Accounts receivable	(10,863)	6,918
Inventories	(6,243)	(1,366)
Other current assets	(4,860)	(2,927)
Accounts payable and accrued liabilities	13,963	(4,853)
Other	1,397	1,358
Total adjustments	11,944	16,461
Net cash provided by operating activities	28,490	29,722
Cash flows from investing activities:		
Payment for purchase of SMTEK, net of cash acquired	—	(35,561)
Capital expenditures	(11,108)	(12,549)
Proceeds from sales of assets	14,453	1,636
Net cash provided by (used in) investing activities	3,345	(46,474)
Cash flows from financing activities:		
Repayment of debt assumed in connection with purchase of SMTEK	—	(13,013)
Payments of long-term debt	(81,562)	(135,819)
Proceeds from borrowings of long-term debt	73,850	135,144
Decrease in short-term notes payable	(3,841)	(311)
Dividends paid	(3,227)	(3,259)
Purchase of treasury stock	(946)	(7,525)
Other	(149)	(4)
Net cash used in financing activities	(15,875)	(24,787)
Effect of exchange rate on cash and cash equivalents	1,734	(2,381)
Net increase (decrease) in cash and cash equivalents	17,694	(43,920)

Cash and cash equivalents at beginning of year		12,029		61,005
Cash and cash equivalents at end of period	$	29,723	$	17,085
Supplemental cash flow information				
Cash paid during the period for:				
Interest	$	2,249	$	3,347
Income taxes—net	$	3,123	$	4,851
Supplemental schedule of noncash investing and financing activities:				
Refer to Note F, “Supplemental Schedule of Noncash Investing and Financing Activities”				

See notes to condensed consolidated financial statements (as restated).

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CTS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS - UNAUDITED
(In thousands of dollars)

	Three Months Ended		Nine Months Ended	
	October 1, 2006 (as restated)	October 2, 2005 (as restated)	October 1, 2006 (as restated)	October 2, 2005 (as restated)
Net earnings	$ 6,247	$ 5,932	$ 16,546	$ 13,261
Other comprehensive earnings (loss):				
Cumulative translation adjustment	932	(411)	2,915	(2,370)
Comprehensive earnings	$ 7,179	$ 5,521	$ 19,461	$ 10,891

See notes to condensed consolidated financial statements (as restated).

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NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS - UNAUDITED
October 1, 2006

NOTE A—Basis of Presentation

The accompanying condensed consolidated interim financial statements have been prepared by CTS Corporation (CTS or the Company), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations. The unaudited condensed consolidated interim financial statements should be read in conjunction with the financial statements, notes thereto, and other information included in the Company's Annual Report on Form 10-K for the year ended December 31, 2005.

The accompanying unaudited condensed consolidated interim financial statements reflect, in the opinion of management, all adjustments (consisting of normal recurring items) necessary for a fair statement, in all material respects, of the financial position and results of operations for the periods presented. 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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ materially from those estimates. The results of operations for the interim periods are not necessarily indicative of the results for the entire year.

Certain reclassifications have been made for the periods presented in the consolidated financial statements to conform to the classifications adopted in 2006.

NOTE B - Restatement of Condensed Consolidated Financial Statements

In February 2007, management commenced an investigation of accounting entries at CTS' Moorpark and Santa Clara, California manufacturing locations. The investigation was conducted under the oversight of the Audit Committee and with the assistance of outside legal counsel and forensic accountants.

The investigation determined that the Moorpark controller made numerous incorrect accounting entries beginning in 2005 and continuing through 2006. These entries transferred significant costs from income statement accounts, primarily cost of goods sold, to balance sheet accounts, primarily accounts payable.

The net tax adjusted effect of these misstatements on CTS' 2005 earnings was $1.5 million and on the nine-months ended October 1, 2006 earnings was $1.9 million. Management has included restated condensed consolidated financial statements for the three and nine-month periods ending October 2, 2005 and a restated condensed consolidated balance sheet for the year ended December 31, 2005 in this filing. Management determined that the effect of the misstatements on CTS' 2006 consolidated financial statements was material. As a result of the misstatements, CTS has restated its condensed consolidated financial statements for each of the first three quarters of 2006 to record $1.9 million of total costs net of related income tax effects. These misstatements resulted in tax adjusted charges of $1.2 million, $1.0 million and $(0.3) million for each of the quarters ended April 2, 2006, July 2, 2006 and October 1, 2006, respectively. These additional charges are non-cash and have no impact on CTS' reported revenue, cash, cash equivalents or marketable securities for each of the restated periods.

CTS' original filings on Form 10-Q for the quarters ended April 2, 2006, July 2, 2006 and October 1, 2006 are being amended in Quarterly Reports on Form 10-Q/A to reflect restated consolidated financial statements and related disclosures.

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The following table sets forth the impact of the misstatements and related tax effects on CTS' condensed consolidated financial statements for the three- and nine-month periods ended October 1, 2006 and October 2, 2005 and the condensed consolidated balance sheet as of December 31, 2005..

Income Statement

	Three months ended October 1, 2006			Nine months ended October 1, 2006		
	As Reported	**Adjustments**	**As Restated**	**As Reported**	**Adjustments**	**As Restated**
Cost of Goods Sold	$ 136,830	$ (259)	$ 136,571	$ 387,194	$ 3,986	$ 391,180
Selling, general and administrative expenses	17,725	(73)	17,652	55,168	(1,112)	54,056
Operating Earnings	8,192	332	8,524	26,541	(2,864)	23,677
Earnings before income taxes	7,819	332	8,151	24,408	(2,864)	21,544
Income tax expense	1,907	(3)	1,904	5,955	(957)	4,998
Net earnings	$ 5,912	$ 335	$ 6,247	$ 18,453	$ (1,907)	$ 16,546
Net earnings per share						
Basic	$ 0.16	$ 0.01	$ 0.17	$ 0.51	$ (0.05)	$ 0.46
Diluted	0.15	0.01	0.16	0.48	(0.05)	0.43

Balance Sheet

	October 1, 2006		
	As Reported	**Adjustments**	**As Restated**
Account receivable	$ 101,747	$ (94)	$ 101,653
Inventories	67,229	(357)	66,872
Other current assets	21,212	(132)	21,080
Total current assets	219,911	(583)	219,328
Property, plant and equipment	96,292	(65)	96,227
Deferred income taxes	22,017	876	22,893
Total Assets	$ 561,485	$ 228	$ 561,713
Accounts payable	75,641	5,688	81,329
Accrued liabilities	46,319	(2,076)	44,243
Total current liabilities	131,594	3,612	135,206
Retained earnings	312,178	(3,384)	308,794
Total shareholders’ equity	349,848	(3,384)	346,464
Total Liabilities and Shareholders’ Equity	$ 561,485	$ 228	$ 561,713

Income Statement

	Three months ended October 2, 2005			Nine months ended October 2, 2005		
	As Reported	**Adjustments**	**As Restated**	**As Reported**	**Adjustments**	**As Restated**
Cost of Goods Sold	$ 120,224	$ 733	$ 120,957	$ 373,393	$ 733	$374,126
Operating Earnings	9,204	(733)	8,471	25,196	(733)	24,463
Earnings before income taxes	8,222	(733)	7,489	21,430	(733)	20,697
Income tax expense	1,892	(335)	1,557	7,771	(335)	7,436

Net earnings	$ 6,330	$ (398)	$ 5,932	$ 13,659	$ (398)	$ 13,261
Net earnings per share						
Basic	0.17	(0.01)	0.16	0.37	(0.01)	0.36
Diluted	$ 0.16	$ (0.01)	$ 0.15	$ 0.35	$ (0.01)	$ 0.34

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Balance Sheet

	December 31, 2005		
	As Reported	Adjustments	As Restated
Account receivable	$ 91,265	$ (475)	$ 90,790
Inventories	60,564	65	60,629
Other current assets	16,816	(548)	16,268
Total current assets	180,674	(958)	179,716
Deferred income taxes	22,011	876	22,887
Property, plant and equipment	109,676	(23)	109,653
Other assets	2,088	(2)	2,086
Total Assets	$ 533,936	$ (107)	$ 533,829
Accounts payable	67,196	1,524	68,720
Accrued liabilities	39,274	(134)	39,140
Total current liabilities	119,933	1,390	121,323
Other long-term obligations	16,139	(19)	16,120
Retained earnings	296,956	(1,478)	295,478
Total shareholders' equity	329,571	(1,478)	328,093
Total Liabilities and Shareholders' Equity	$ 533,936	$ (107)	$ 533,829

NOTE C—Share-Based Compensation

Effective January 1, 2006, CTS adopted the provisions of the Financial Accounting Standards Board's (FASB) Financial Accounting Standard (FAS) No. 123(R), "Share-Based Payment." FAS No. 123(R) requires that CTS recognize expense related to the fair value of stock-based compensation awards in the Unaudited Condensed Consolidated Statement of Earnings.

Prior to January 1, 2006, CTS accounted for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and its related Interpretations. Accordingly, stock-based compensation expense was not recognized in the Unaudited Condensed Consolidated Statement of Earnings for stock options granted with an exercise price equal to the market value of the common stock on the grant date. However, prior years' financial statements did include pro forma disclosures for equity-based awards as if the fair-value approach had been followed. The following table presents the pro forma net earnings and net earnings per share for the three and nine-month periods ending October 2, 2005, as if CTS had applied the provisions of FAS No. 123(R) during those periods:

($ in thousands, except per share amounts)	Three Months Ended October 2, 2005	Nine Months Ended October 2, 2005
Net earnings, as reported	$ 6,330	$ 13,659
Deduct: Stock-based employee compensation cost, net of tax, as if fair value based method were used	(192)	(472)
Pro forma net earnings	$ 6,138	$ 13,187
Net earnings per share - basic, as reported	$ 0.17	$ 0.37
Pro forma net earnings per share - basic	0.17	0.36

Net earnings per share - diluted, as reported		0.16		0.35
Pro forma net earnings per share - diluted	$	0.16	$	0.34

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CTS has elected to follow the modified prospective transition method allowed by FAS No. 123(R), and therefore, will apply the provisions of FAS No. 123(R) to awards modified or granted after January 1, 2006. In addition, for awards which were unvested as of January 1, 2006, CTS will recognize compensation expense in the Unaudited Condensed Consolidated Statement of Earnings over the remaining vesting period. The compensation expense for these awards will be based on the grant-date fair value as calculated for the prior years' pro forma disclosures. As allowed under the modified prospective transition method, the financial results for prior periods have not been restated. The cumulative effect of the change in accounting principle from APB No. 25 was not material.

As a result of adopting FAS No. 123(R), CTS has included additional compensation expense relating to stock option awards to employees in its operating earnings, earnings before income taxes, net income, and earnings per share. The impact of this incremental expense, for the three and nine-month periods ending October 1, 2006 is shown in the following table:

($ in thousands, except per share amounts)	**Three Months Ended October 1, 2006**	**Nine Months Ended October 1, 2006**
Impact of adopting FAS No. 123(R) on:		
Operating earnings	$ 157	$ 903
Earnings before income taxes	157	903
Net earnings	94	542
Net earnings per share:		
Basic	$ —	$ 0.02
Diluted	$ —	$ 0.01

Prior to the adoption of FAS No. 123(R), CTS presented tax benefits in excess of recognized cumulative compensation costs as operating cash flows in the Unaudited Condensed Consolidated Statement of Cash Flows. FAS No. 123(R) requires these cash flows be classified as financing cash flows. CTS has classified $157,000 and $35,000 of these excess tax benefits as financing cash flows for the nine-month periods ending October 1, 2006 and October 2, 2005, respectively.

At October 1, 2006, CTS had five equity-based compensation plans: the 1988 Restricted Stock and Cash Bonus Plan (1988 Plan), the 1996 Stock Option Plan (1996 Plan), the 2001 Stock Option Plan (2001 Plan), the Nonemployee Directors' Stock Retirement Plan (Directors' Plan), and the 2004 Omnibus Long-Term Incentive Plan (2004 Plan). As of December 2004, additional grants can only be made under the 2004 Plan. CTS believes that equity-based awards align the interest of employees with those of its shareholders.

The 2004 Plan, and previously the 1996 Plan and 2001 Plan, provides for grants of incentive stock options or nonqualified stock options to officers, key employees, and nonemployee members of CTS' board of directors. In addition, the 2004 Plan allows for grants of stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units, and other stock awards.

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The following table summarizes the compensation expense included in the Unaudited Condensed Consolidated Statement of Earnings for the three and nine-month periods ending October 1, 2006 and October 2, 2005 relating to equity-based compensation plans:

	Three Months Ended		Nine Months Ended	
($ in thousands)	October 1, 2006	October 2, 2005	October 1, 2006	October 2, 2005
Stock options [1]	$ 167	$ 25	$ 938	$ 71
Restricted stock units	680	584	1,856	1,546
Restricted stock	48	74	166	225
Total	$ 895	$ 683	$ 2,960	$ 1,842

[1] *Stock option expense includes $10 and $25 in the quarters ending October 1, 2006 and October 2, 2005, respectively, and $35 and $71 for the nine-month periods ending October 1, 2006 and October 2, 2005, respectively, related to non-employee director stock options.*

The following table summarizes plan status as of October 1, 2006:

	2004 Plan	2001 Plan	1996 Plan
Awards originally available	6,500,000	2,000,000	1,200,000
Stock options outstanding	332,000	916,225	313,550
Restricted stock units outstanding	639,918	—	—
Awards exercisable	85,350	834,675	300,250
Awards available for grant	5,390,101	—	—

Stock Options

Stock options are exercisable in cumulative annual installments over a maximum 10-year period, commencing at least one year from the date of grant. Stock options are generally granted with an exercise price equal to the market price of the Company's stock on the date of grant. The stock options generally vest over four years and have a 10-year contractual life. The awards generally contain provisions to either accelerate vesting or allow vesting to continue on schedule upon retirement if certain service and age requirements are met. The awards also provide for accelerated vesting if there is a change in control event.

The Company estimates the fair value of the stock option on the grant date using the Black-Scholes option-pricing model and assumptions for expected price volatility, option term, risk-free interest rate, and dividend yield. Expected price volatilities are based on historical volatilities of the Company's stock. The expected option term is derived from historical data on exercise behavior. The range of option terms shown below results from certain groups of employees exhibiting different behavior. The dividend yield is based on historical dividend payments. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

	Nine Months Ended	
	October 1, 2006	October 2, 2005
Expected volatility	53.3% - 58.2%	52.4%
Weighted-average expected volatility	54.1%	52.4%

Expected dividends	0.9%	1.1%
Expected term	4.0 -10.0 years	10.0 years
Weighted-average risk-free rate	5.1%	4.1%

A summary of the status of stock options as of October 1, 2006 and October 2, 2005, and changes during the nine-month periods then ended, is presented below:

	October 1, 2006		**October 2, 2005**	
	Options	**Weighted-Average Exercise Price**	**Options**	**Weighted-Average Exercise Price**
Outstanding at beginning of year	1,567,499	$ 15.93	1,636,900	$ 16.80
Granted	93,000	13.68	136,600	11.11
Exercised	(37,624)	8.53	(24,950)	8.60
Expired	(52,150)	23.07	(118,750)	24.86
Forfeited	(8,950)	9.43	(36,800)	9.14
Outstanding at end of period	1,561,775	$ 15.76	1,593,000	$ 15.98
Exercisable at end of period	1,220,275	$ 16.94	996,007	$ 19.07

The total intrinsic value of stock options exercised during the nine-month periods ended October 1, 2006 and October 2, 2005 was $183,000 and $86,000 respectively. The exercise price of options granted during the nine-month periods ending October 1, 2006 and October 2, 2005 equaled the trading price of the company’s stock on the grant date.

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A summary of the weighted-average remaining contractual term and aggregate intrinsic value of options outstanding and exercisable at October 1, 2006 is presented below:

	Weighted-average Remaining Contractual Life	Aggregate Intrinsic Value
Options outstanding	6.1 years	—
Options exercisable	5.5 years	—

A summary of the nonvested stock options as of October 1, 2006 and October 2, 2005, and changes during the nine-month periods then ended, is presented below:

	October 1, 2006		October 2, 2005	
	Options	Weighted-average Grant-Date Fair Value	Options	Weighted-average Grant-Date Fair Value
Nonvested at beginning of year	488,943	$ 5.35	813,400	$ 5.87
Granted	93,000	6.53	136,600	6.51
Vested	(231,493)	4.74	(316,207)	7.24
Forfeited	(8,950)	4.52	(36,800	