In accordance with SFAS No. 144, long-lived assets, such as fixed assets and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet.

Prior to the adoption of SFAS No. 144, the Company accounted for long-lived assets in accordance with SFAS No. 121, "Accounting for Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of."

Stock Options

As of April 1, 2002, the Company adopted the fair value method of accounting for stock options as contained in SFAS No. 123,"Accounting for Stock-Based Compensation," which is considered the preferable method of accounting for stock-based employee compensation. During the transition period, the Company will be utilizing the prospective method under SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosures." All employee stock options granted after January 1, 2002 are being expensed over the stock option vesting period based on fair value, determined using the Black-Scholes option-pricing method, at the date the options were granted. This resulted in a $197,000 and $10,000 charge to operations for the years ended December 31, 2003 and 2002, respectively, relating to options for 396,500 and 20,000 shares granted in the fourth quarter of 2003 and 2002, respectively.

Historically, the Company had applied the "disclosure only" option of SFAS No. 123. Accordingly, no compensation cost has been recognized for stock options granted prior to January 1, 2002, but for disclosure purposes the fair value of each option grant is estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2003	2002	2001
Risk-free interest rate	**3.30%**	3.14%	4.90%
Expected volatility	**32.5%**	37.5%	33.0%
Expected life	**4.8 years**	5.0 years	5.9 years
Contractual life	**6.0 years**	6.0 years	5.9 years
Dividend yield	**N/A**	N/A	N/A
Fair value of options granted	**$8.62**	$5.96	$2.34

If compensation cost for the Company's stock option plan had been recognized in the income statement based upon the fair value method, net income (loss) would have been reduced to the pro forma amounts indicated below *(in thousands, except per share amounts)*:

	Year Ended December 31,		
	2003	2002	2001
Net income (loss), as reported	**$19,423**	$(14,598)	$8,934
Add: Stock-based employee compensation expense for stock options included in reported net income (loss), net of related tax effects	**122**	6	—
Deduct: Total stock-based employee compensation expense for stock options determined under fair value method for all stock option awards, net of related tax effects	**(409)**	(392)	(415)
Pro forma net income (loss)	**$19,136**	$(14,984)	$8,519
Net income (loss) per common share:			
Basic—as reported	**$ 1.92**	$ (1.49)	$ .92
Basic—pro forma	**$ 1.90**	$ (1.53)	$ .88
Diluted—as reported	**$ 1.88**	$ (1.46)	$ .92
Diluted—pro forma	**$ 1.86**	$ (1.50)	$ .88