BSQUARE CORP /WA
Form 10-K
February 16, 2007

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

Form 10-K

(Mark One)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)**
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 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 000-27687
BSQUARE CORPORATION
(Exact name of registrant as specified in its charter)

Washington	**91-1650880**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

110 110th Avenue NE, Suite 200, Bellevue, Washington 98004
(Address of principal executive offices)

(425) 519-5900
(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock, no par value	The NASDAQ Stock Market LLC (NASDAQ Global Market)

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act. Yes o No þ

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. 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. (Check one):

Large accelerated filer o Accelerated filer o Non-accelerated filer þ

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

The aggregate market value of common stock held by non-affiliates of the registrant as of June 30, 2006 was approximately $13,367,000 based on the closing price of $2.217 per share of the registrant s common stock as listed on the NASDAQ Global Market.

The number of shares of common stock outstanding as of January 31, 2007: 9,618,291

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement to be delivered to shareholders in connection with the annual meeting of shareholders to be held on June 6, 2007 are incorporated by reference into Part III of this Form 10-K.

BSQUARE CORPORATION

FORM 10-K

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PART I

Item 1. ***Business.***

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K and the documents incorporated herein by reference contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 based on current expectations, estimates and projections about our industry and our management s beliefs and assumptions. When used in this Form 10-K and elsewhere, the words believes, plans, estimates, intends, anticipates, seeks and expects and similar expressions are intended to identify forward-lookin statements. These forward-looking statements include, but are not limited to, statements about our plans, objectives, expectations and intentions and other statements that are not historical facts. These forward-looking statements are not guarantees of future performance and are subject to certain risks and uncertainties that are difficult to predict. Accordingly, actual results may differ materially from those anticipated or expressed in such statements as a result of a variety of factors, including those set forth under Item 1A, Risk Factors. Such forward-looking statements include, but are not limited to, statements with respect to the following:

- The development of the smart device market and our ability to address its opportunities and challenges;
- The adoption of Windows CE, Windows XP Embedded, Pocket PC and Smartphone as operating systems of choice for many smart device hardware and software applications vendors;
- Our business plan and our strategy for implementing our plan;
- Our ability to expand our strategic relationships with hardware and software vendors;
- Our ability to maintain our relationship with Microsoft Corporation (Microsoft);
- Our ability to address challenges and opportunities in the international marketplace;
- Our ability to develop our technology and expand our proprietary software and service offerings; and
- Our anticipated working capital needs and capital expenditure requirements, including our ability to meet our anticipated cash needs.

Readers are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date made. Except as required by law, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise. Readers, however, should carefully review the factors set forth in this and other reports or documents that we file from time to time with the Securities and Exchange Commission (SEC).

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BUSINESS

Overview

As used in this Annual Report on Form 10-K, we, us and our refer to BSQUARE Corporation. We provide software and engineering service offerings to the smart device marketplace. A smart device is a dedicated purpose computing device that typically has the ability to display information, runs an operating system (e.g., Microsoft® Windows® CE 6.0) and may be connected to a network via a wired or wireless connection. Examples of smart devices that we target include set-top boxes, home gateways, point-of-sale terminals, kiosks, voting machines, gaming platforms, personal digital assistants (PDAs), personal media players and smartphones. We primarily focus on smart devices that utilize embedded versions of the Microsoft Windows family of operating systems, specifically Windows CE, Windows XP Embedded and Windows Mobile™.

We have been providing software and engineering services to the smart device marketplace since our inception. Our customers include world class original equipment manufacturers (OEMs), original design manufacturers (ODMs), silicon vendors, peripheral vendors, and enterprises that develop, market and distribute smart devices. The software and engineering services we provide our customers are utilized and deployed throughout various phases of our customers device life cycle, including design, development, customization, quality assurance and deployment.

Until mid-2004, we were also in the business of manufacturing and distributing our own proprietary hardware device, called the Power Handheld, which was sold to telecommunication carriers. During the second quarter of 2004, we decided to discontinue this hardware business and end the manufacturing of the device. The hardware business segment is reported as a discontinued operation in our financial results.

We were incorporated in the State of Washington in July 1994. Our principal office is located at 110 110th Avenue NE, Suite 200, Bellevue, Washington 98004, and our telephone number is (425) 519-5900.

Industry Background

The increasing need for connectivity among both business and consumer users is driving demand for easy-to-use, cost-effective and customizable methods of electronic communication. Although the personal computer (PC) has been the traditional means of electronically connecting suppliers, partners and customers, the benefits of smart devices have led to their rapid adoption as a new class of powerful technology.

Smart devices are particularly attractive to businesses and consumers because they are often less expensive than desktop and laptop computers; have adaptable configurations, including size, weight and shape; and are able to support a variety of customized applications and user interfaces that can be designed for specific tasks. These devices also are typically compatible with existing business information systems.

The smart device industry is characterized by a wide variety of hardware configurations and end-user applications, often designed to address a specific vertical market. To accommodate these diverse characteristics in a cost-effective manner, OEMs and ODMs require operating systems that can be integrated with a diverse set of smart devices and can support an expanding range of industry-specific functionality, content and applications. The Microsoft Windows family of embedded operating systems specifically Windows CE, Windows Mobile and Windows XP Embedded helps satisfy these requirements because it leverages the existing industry-wide base of Microsoft Windows developers and technology standards, can be customized to operate across a variety of smart devices and integrate with existing information systems, offers Internet connectivity, and reduces systems requirements compared to traditional PC operating systems.

The smart device marketplace is being influenced by the following factors:

Growing demand by business professionals and high-end consumers for converged mobile devices that combine telephony, data (such as email and internet browsing), multimedia and location awareness is driving new sophisticated smart device designs by our OEM customers;

The ubiquity of cellular and WLAN wireless networks is driving rapid adoption of smart devices that leverage broadband and high-speed wireless data networks, including Internet Protocol (IP) set-top boxes,

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voice-over-IP (VoIP) phones, residential gateways, and home networking solutions linking smart devices with PCs;

The baseline expectation for device functionality continues to grow. Users of smart devices expect to be able to access email and the Internet and synchronize their devices with corporate data sources. Microsoft operating systems are already well positioned to leverage this trend with built-in synchronization capabilities, access to Exchange email servers, and similar functionality;

Security is becoming an increasingly important concern as devices are able to access networks and store sensitive information locally such as email, spreadsheets and other documents. Users are demanding that these types of information be protected in the same ways they are protected on the desktop; and

Higher bandwidth networks coupled with the larger displays and increased processing power found on new devices means that more multi-media content will be available to devices increasing demand for digital rights management, content management and related technologies.

Software and Service Solutions for Smart Device Makers

Our customers include world class OEMs and ODMs, device component suppliers such as silicon vendors and peripheral vendors and enterprises with customized device needs such as retailers and field service organizations. Representative customer relationships in 2006 included:

A large North American OEM continued to engage us to assist in the development and testing of mobile office phones;

Palm, Inc. continued to engage us to provide engineering services for its series of Windows Mobile Smartphone devices;

A silicon vendor engaged us to develop drivers for several of its silicon solutions and to include its components on our proprietary hardware reference designs;

A silicon vendor engaged us to assist in the development of a series of board support packages (BSPs) in support of various processors;

Several large Asian OEMs engaged us to assist in the development of new lines of Windows Mobile-based handheld devices;

A large North American silicon vendor engaged us to assist in developing several Windows Mobile BSPs in support of its new line of processors focused on the handset market; and

Over 75 OEMs and silicon vendors including Symbol Technologies, Hewlett-Packard Company (HP), ASUStek Computer, Hand Held Products and Lite-On Technology Corporation licensed our SDIO Now! technology in 2006 for integration into their smart devices.

We offer a range of software products to our customers for the development and deployment of smart devices, including both those of third parties and our own proprietary software products, along with our engineering service offerings. Our goal is to increase the breadth and depth of our software and engineering service offerings to smart device customers to enhance our position as an overall solutions provider.

Third-Party Software Products

We have multiple license and distribution agreements with third-party software vendors. Our ability to resell these third-party software products, whether stand-alone or in conjunction with our own proprietary software and engineering service offerings, provides our customers with a significant source for their smart device project needs. Our third-party software offerings include the following:

We are a Microsoft authorized Value-Added Provider (VAP) of Windows Embedded operating systems (OS) and toolkits for Windows CE, Windows XP/NT Embedded, Windows XP Professional with Embedded Restrictions, Windows Server with Embedded Restrictions, Windows XP Embedded for Point of Sale and Microsoft Classic operating systems with Embedded restrictions, including DOS and Windows 98/2000/

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ME/NT. The majority of our software revenue in 2006 was earned through the resale of Microsoft Embedded operating systems; and

We sub-license and resell other third-party software such as the Esmertec Jeode Java Virtual Machine (JVM) under our JEM-CE™ brand name and Datalight Inc. s FlashFX and Reliance products.

Proprietary Software Products

Our proprietary software offerings include:

SDIO Hx SDIO (Secure Digital Input Output) is an industry standard format that allows very small form-factor peripheral and memory cards to be used with smart devices. Our SDIO solutions have become the industry standard software development kit used by OEMs, ODMs and peripheral vendors who are creating SDIO solutions for smart devices running Microsoft Windows CE and Windows Mobile operating systems. There are currently over 100 licensees of our SDIO technology.

In response to customer demand and the changing technology landscape affecting secure digital (SD) technology, we released SDIO Now! 2.2 in the first quarter of 2006. Differentiated from other competitive offerings, this product included features requested by licensees such as support for larger SD memory cards, increased performance and a cost-effective solution for adding any combination of two MultiMediaCards (MMC), SD cards or SDIO cards to converged devices.

In the second quarter of 2006, we extended our SDIO product line with the introduction of our SDIO Hx architecture, which significantly increases the data throughput performance for handheld devices. OEMs can now economically add high performance Wi-Fi capabilities to smartphones and other embedded devices by using an internal SDIO Wi-Fi card while adding a second external expansion slot for high-density memory cards or other SDIO peripherals. The demand for this cost-effective high performance Wi-Fi/memory solution has made it a highly desirable feature on the next generation of handheld devices.

Microsoft has incorporated our SDIO Now! v2.0 technology into its CE 5.0 and Windows Mobile 5.0 operating systems. While the SDIO Hx versions of software have functionality and performance enhancements not found in the SDIO Now! v2.0, there can be no assurance that the inclusion of the SDIO Now! v2.0 software in the base Microsoft operating system will not have a detrimental effect on sales of the SDIO Hx software in the future.

Media+ Portable Media Player Media+ is a digital media-management and player software solution based on Microsoft® Windows® CE 5.0 that enables OEMs to quickly enter the growing market for PMP players, a new product category that enables consumers to enjoy movies and video clips, view family photos, and listen to music on a single mobile device.

Our DevkitIDP line of Marvell XScale® Technology-based development platforms accelerate time to market for OEMs building Windows CE 5.0, Windows CE 6.0 and Windows Mobile 5.0 embedded devices. We currently ship DevkitIDP 255, acquired from Vibren Technologies, Inc. (Vibren) in August 2005. The DevkitIDP 255 is based on the Marvel PXA255 Embedded Processor. In 2006, we launched the DevkitIDP 270 based on a new generation Marvell PXA270 embedded processor, as well as DevKitIDP 320 based on the new Marvell 320 PROCESSORS.. We intend on introducing additional development platforms in the future which may be based on other silicon vendors processor families. Our DevkitIDP products uniquely offer a wide variety of peripheral chips and multiple expansion slots, which provides developers valuable flexibility in the early stages of development when device functionality is being validated. The DevkitIDP product layout is optimized so developers can quickly access hardware test points which shortens debug time.

Our SchemaBSP tool, acquired from Vibren, reduces customer development efforts. SchemaBSP offers a revolutionary three-step process that, when used in conjunction with Microsoft Platform Builder, reduces Windows CE board bring up time by up to 40%. Once an BSP is created with SchemaBSP, the architecture of the tool enables code reuse across multiple product lines, easy BSP updates when new hardware features are added to a design, and quick migration to new OS versions of Windows CE.

Universal serial bus (USB) interfaces.

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Software revenue for the last three fiscal years was as follows (in thousands):

	Year Ended December 31,		
	2006	2005	2004
Software revenue:			
Third-party software	$ 30,317	$ 28,561	$ 25,663
BSQUARE proprietary software	2,617	2,649	2,701
Total software revenue	$ 32,934	$ 31,210	$ 28,364
Software revenue as a percentage of total revenue	66%	73%	73%
Third-party software revenue as a percentage of total software revenue	92%	92%	90%

The resale of Microsoft Embedded operating systems and related products accounts for substantially all of our third-party software revenue.

Engineering Service Offerings

We provide Windows Embedded and Windows Mobile smart device makers with consulting and professional engineering services including:

- Device solution strategy consulting;
- Software and hardware design and development services;
- Platform development systems integration;
- Application, middleware and multimedia software development;
- Quality assurance and testing services;
- Hardware design, prototype and product development services;
- Customer technical support; and
- Platform development and quality assurance training.

Customers utilize our engineering service offerings because our deep experience with Windows Embedded operating systems typically results in shorter development cycles and reduced time to market, lower overall costs to complete projects, and product robustness and features the customer may have been unable to achieve through other means.

Revenue from professional engineering services for the last three fiscal years was as follows (in thousands):

	Year Ended December 31,		
	2006	2005	2004
Total service revenue	$ 16,881	$ 11,713	$ 10,556
Service revenue as a percentage of total revenue	34%	27%	27%

Strategy

Our strategy is to continue to enhance our position as a leading provider of smart device software. To advance this strategy, we intend to focus on the following areas:

Enhance our proprietary software product portfolio to generate additional revenue, particularly higher margin revenue, through which will have the added benefit of increasing opportunities to sell additional engineering services and third-party software products to our customers. During 2006, we increased our level of research and development in conjunction with the SDIO Hx version releases mentioned previously as well as through the development of our DevKitIDP references designs. We are continuing to execute and

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evolve our product strategy and expect to continue to invest in new product development initiatives during 2007;

Provide our North American customers of Windows Embedded operating systems with additional product offerings as they become available from Microsoft. For example, in 2006, Microsoft made available to its authorized distributors the Window Embedded Point CE 6.0 operating system, which is targeted at the general device market;

Expand our engineering service offerings by adding new packaged engineering services, engineering capabilities, training and custom consulting offerings; for example, we were funded by Microsoft to develop the Windows CE 6.0 training curriculum and plan to deliver the first training course to customers early in 2007;

Leverage the significant number of customers gained through our resale of Microsoft Embedded operating systems by selling these customers additional software and service offerings. In each quarter, we typically sell Microsoft Embedded operating systems to over 400 unique customers. Today, more of these customers purchase service or software offerings other than the core Microsoft Embedded operating systems than in the past; and

Increase the percentage of sales derived from our international customers, particularly by focusing on growing sales in the Asia-Pacific region.

A key element of our strategy is the expansion of our proprietary products that we license to our smart device customers. We believe that the continuing complexity and demands of device development will require our customers to seek out partners that are able to provide more complete device software solutions that can be quickly customized and brought to market.

Relationship with Microsoft and Impact on our Smart Device Solutions Business

We have a long-standing relationship with Microsoft and this relationship is critical to the continuing success of our business. Our credentials as a Microsoft partner include:

We are one of Microsoft s largest distributors of embedded operating systems worldwide;

We are a Windows Embedded Gold-level Systems Integrator;

We were the Microsoft Systems Integrator of the Year for 2006;

We are a developer and provider of Microsoft Official Curriculum Training for Windows CE and Windows XP Embedded;

We are a leading systems integrator for Microsoft s Windows Mobile for Smartphone and Pocket PC-based device development projects;

We are a Preferred Provider of Visual Tools to Microsoft;

We are a Gold-level member of Microsoft s Third-Party Tools Provider Program;

We are an authorized Microsoft Windows CE for Automotive Solutions Integrator; and

We have been engaged by Microsoft on various service engagements.

We work closely with Microsoft executives, developers, and product managers. We leverage these relationships in a variety of ways, including:

We gain early access to new Microsoft embedded software and other technologies;

We are able to leverage co-marketing resources from Microsoft, including market development funds, to support our own marketing and sales efforts;

We participate in Microsoft-sponsored trade shows, seminars, and other events;

We receive sales leads from Microsoft that enable us to sell our smart device software and service solutions;

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We receive certain rebates based upon certain predefined objectives and our Microsoft Embedded operating systems sales volume; and

We participate in Windows Embedded and Windows Mobile design reviews, enabling early access to product roadmap information wherein we provide important technical and customer feedback.

See Item 1A, Risk Factors, for more information regarding our relationship with Microsoft.

Customers

Customers of our smart device software and engineering service offerings include leading OEMs, ODMs, enterprises, silicon vendors and peripheral vendors seeking to leverage the benefits of Windows Embedded operating systems to develop high-quality, full-featured smart devices that meet the requirements of numerous end-markets. Representative customers include Digipos Systems Inc., Electronics for Imaging, Inc., Lockheed Martin, Micros Systems, Inc., Microsoft Corporation, PalmOne, Inc. and Solectron.

Sales and Marketing

We market our smart device software and engineering services to OEMs, ODMs, enterprises, silicon vendors and peripheral vendors predominantly through our direct sales force located in the United States, Taipei, Taiwan and Tokyo, Japan. We do not make significant use of resellers, channel partners, representative agents or other indirect channels.

Key elements of our sales and marketing strategy include direct marketing, advertising, event marketing, public relations, customer and strategic alliance partner co-marketing programs and a comprehensive website. We rely significantly on lead referral and other marketing support programs from strategic partners, particularly Microsoft.

Research and Development

Our research and development organization is responsible for the design, development and release of our reference design and software products. Members of our research and development staff work closely with our sales and marketing departments, as well as with our customers and potential customers, to better understand market needs and requirements. We perform our research and development primarily utilizing our engineering staff located in Bellevue, Washington and Akron, Ohio.

Competition

The market for Windows-based embedded software and services is extremely competitive. We face competition from the following**:**

Our current and potential customers internal research and development departments, which may seek to develop their own proprietary products and solutions that compete with our proprietary software products and engineering services;

North American engineering service firms such as Intrinsyc, Vanteon and Teleca;

Off-shore development companies such as WiPro, particularly those focused on the North American marketplace

ODMs, particularly those in Taiwan who are adding software development capabilities to their offerings;

Contract manufacturers who are adding software development capabilities to their offerings; and

Microsoft Embedded operating system distributors such as Arrow and Avnet. Larger customers of Microsoft Embedded operating systems are typically knowledgeable of the competing distributors in the North American market and, consequently, will often put large orders out to bid amongst the distributors, which can create margin pressure and make it difficult to maintain long-term relationships with these customers. The gross profit

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margin on sales of Microsoft Embedded Windows licenses is relatively low, historically about 14% on average. There can be no assurance that gross profit on future sales will not decline given these competitive pressures.

As we develop new products, particularly products focused on specific industries, we may begin competing with companies with which we have not previously competed. It is also possible that new competitors will enter the market or that our competitors will form alliances, including alliances with Microsoft, that may enable them to rapidly increase their market share. Microsoft has not agreed to any exclusive arrangement with us, nor has it agreed not to compete with us. Microsoft may decide to bring more of the core embedded development services and expertise that we provide in-house, possibly resulting in reduced product and service revenue opportunities for us. The barrier to entering the market as a provider of Windows-based smart device software and services is low. In addition, Microsoft has created marketing programs to encourage systems integrators to work on Windows Embedded operating system products and services. These systems integrators are given substantially the same access by Microsoft to the Windows technology as we are. New competitors may have lower overhead than we do and may be able to undercut our pricing. We expect that competition will increase as other established and emerging companies enter the Windows-based smart device market, and as new products and technologies are introduced.

International Operations

During 2006, our international operations consisted principally of subsidiaries and operations in Taipei, Taiwan and Vancouver, British Columbia, Canada. Because our OEM Distribution Agreement with Microsoft restricts our resale of Microsoft Embedded operating systems to North America, including Mexico, our foreign operations have traditionally focused on the sale of our own proprietary software products, particularly SDIO Now!, and engineering services. In the fourth quarter of 2005, we re-established a direct sales presence in Tokyo, Japan. We intend to continue to rebuild our ability to sell our products and services in Japan during 2007 and also plan on broadening our sales presence throughout the Asia-Pacific marketplace. We formalized and expanded our partnership with an engineering services firm in Hydrabad, India during 2006 although there are no commitments in terms of the utilization of those resources.

See Item 1A, Risk Factors, and Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, for more information regarding our international operations.

Personnel

As of December 31, 2006, we had 170 employees, including 109 employees in professional engineering services, 12 employees in research and product development, and 49 employees in sales, marketing and administrative services. Of these employees, 138 are located in the United States, 11 are located in Canada and 21 are located in Taiwan. In addition, from time to time, we employ temporary employees, consultants and contractors. As of December 31, 2006, we employed 41 contractors compared to 31 at December 31, 2005.

The following highlights the number of employees by area:

	December 31,		
	2006	**2005**	**2004**
Professional Engineering Services	109	68	59
Research and Product Development	12	9	7
Sales, Marketing and Administrative	49	47	48

Total	170	124	114

As conditions necessitate, periodically professional engineering service employees will perform research and development engineering and visa versa.

Intellectual Property and Other Proprietary Rights

Our intellectual property is critical to our success. In general, we attempt to protect our intellectual property rights through patent, copyright, trademark and trade secret laws and contractual arrangements. There can, however, be no assurance that our efforts will be effective to prevent the misappropriation of our intellectual property, or to

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prevent the development and design by others of products or technologies similar to, or competitive with those developed by us.

Additionally, because a significant portion of our revenue relates to the resale of third-party software products, we are also reliant on our partners, particularly Microsoft, to appropriately protect their own intellectual property.

We currently have a number of pending U.S. and international patent applications. We have 19 issued patents worldwide and a number of registered trademarks. We will continue to pursue appropriate protections for our intellectual property.

See Item 1A, Risk Factors, for more information regarding our intellectual property and other proprietary rights.

Available Information

We are a reporting company and file annual, quarterly and current reports and other information with the SEC. You may read and copy any materials we file with the SEC at the SEC s Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. You also may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information we file electronically with the SEC at http://www.sec.gov.

Our Internet website can be found at *www.bsquare.com.* We make available free of charge through our investor relations section, under SEC Filings, all our filings, including our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and amendments to those reports filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as soon as reasonably practicable after such material is filed with, or furnished to, the SEC.

Directors and Executive Officers

The following table sets forth certain information with respect to our directors and executive officers as of January 31, 2007.

Name	Age	Positions
Donald B. Bibeault	65	Chairman of the Board
Brian T. Crowley	46	President and Chief Executive Officer, Director
Elwood D. Howse, Jr.	67	Director
Elliott H. Jurgensen, Jr.	62	Director
Scot E. Land	53	Director
William D. Savoy	42	Director
Kendra A. VanderMeulen	55	Director
Carey E. Butler	52	Vice President, Professional Engineering Services
Scott C. Mahan	42	