IROBOT CORP
Form 10-Q
August 05, 2011

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED July 2, 2011

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 000-51598

iROBOT CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**77-0259 335**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

8 Crosby Drive
Bedford, MA 01730
(Address of principal executive offices)
(Zip code)
(781) 430-3000
(Registrant s telephone number, including area code)

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 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 þ 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 þ	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 þ

The number of shares outstanding of the Registrant s Common Stock as of July 29, 2011 was 26,857,073.

iROBOT CORPORATION
FORM 10-Q
THREE AND SIX MONTHS ENDED JULY 2, 2011
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Consolidated Balance Sheets
(unaudited)

	July 2, 2011	January 1, 2011
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 108,725	$ 108,383
Short term investments	13,816	13,928
Accounts receivable, net of allowance of $88 at July 2, 2011 and January 1, 2011	34,529	34,056
Unbilled revenue	8,034	4,012
Inventory	34,202	27,160
Deferred tax assets	13,223	12,917
Other current assets	10,910	6,137
Total current assets	223,439	206,593
Property and equipment, net	28,128	25,620
Deferred tax assets	8,733	8,338
Other assets	13,563	13,780
Total assets	$ 273,863	$ 254,331
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 33,273	$ 38,689
Accrued expenses	13,854	15,790
Accrued compensation	13,094	17,827
Deferred revenue and customer advances	2,040	3,534
Total current liabilities	62,261	75,840
Long term liabilities	3,850	3,584
Commitments and contingencies (Note 6)		
Redeemable convertible preferred stock, 5,000,000 shares authorized and none outstanding		
Common stock, $0.01 par value, 100,000,000 shares authorized; 26,812,164 and 25,844,840 shares issued and outstanding at July 2, 2011 and January 1, 2011, respectively	268	258
Additional paid-in capital	173,859	156,620
Retained earnings	33,450	17,949
Accumulated other comprehensive income	175	80
Total stockholders equity	207,752	174,907
Total liabilities, redeemable convertible preferred stock and stockholders equity	$ 273,863	$ 254,331

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

Consolidated Statements of Operations
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended		Six Months Ended	
	July 2, 2011	**July3, 2010**	**July 2, 2011**	**July 3, 2010**
Revenue:				
Product revenue	$ 97,396	$ 85,945	$ 194,107	$ 172,056
Contract revenue	10,686	11,859	20,252	20,678
Total revenue	108,082	97,804	214,359	192,734
Cost of revenue:				
Cost of product revenue (1)	57,835	55,825	114,025	111,425
Cost of contract revenue (1)	7,711	8,009	14,344	14,622
Total cost of revenue	65,546	63,834	128,369	126,047
Gross margin	42,536	33,970	85,990	66,687
Operating expenses:				
Research and development (1)	8,146	5,691	16,875	10,190
Selling and marketing (1)	12,767	10,581	25,748	20,225
General and administrative (1)	10,097	9,313	20,697	17,789
Total operating expenses	31,010	25,585	63,320	48,204
Operating income	11,526	8,385	22,670	18,483
Other income, net	112	40	350	69
Income before income taxes	11,638	8,425	23,020	18,552
Income tax expense	3,614	3,111	7,519	7,070
Net income	$ 8,024	$ 5,314	$ 15,501	$ 11,482
Net income per share				
Basic	$ 0.30	$ 0.21	$ 0.59	$ 0.46
Diluted	$ 0.29	$ 0.20	$ 0.56	$ 0.44
Number of shares used in calculations per share				
Basic	26,667	25,294	26,388	25,217
Diluted	27,911	26,375	27,733	26,226

(1) Total stock-based compensation recorded in the three and six months ended July 2, 2011 and July 3, 2010 included in the above figures breaks down by expense classification as follows:

Consolidated Statements of Income

	Three Months Ended		Six Months Ended	
	July 2,	**July 3,**	**July 2,**	**July 3,**

	2011	2010	2011	2010
Cost of product revenue	$ 320	$ 355	$ 571	$ 687
Cost of contract revenue	156	110	250	236
Research and development	239	245	320	277
Selling and marketing	158	289	339	645
General and administrative	1,538	1,202	2,710	2,246

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

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Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Six Months Ended July 2, 2011	Six Months Ended July 3, 2010
Cash flows from operating activities:		
Net income	$ 15,501	$ 11,482
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,640	3,755
Loss on disposal of property and equipment	473	47
Stock-based compensation	4,190	4,091
Deferred income taxes, net	(1,167)	
Non-cash director deferred compensation	82	66
Changes in operating assets and liabilities (use) source		
Accounts receivable	(473)	8,038
Unbilled revenue	(4,022)	(482)
Inventory	(7,042)	1,722
Other assets	(4,809)	797
Accounts payable	(5,416)	1,209
Accrued expenses	(1,889)	(1,031)
Accrued compensation	(4,733)	(2,372)
Deferred revenue	(1,494)	(1,939)
Long term liabilities	266	(215)
Net cash provided by (used in) operating activities	(5,893)	25,168
Cash flows from investing activities:		
Additions of property and equipment	(7,208)	(5,668)
Purchases of investments	(5,000)	(25,411)
Sales of investments	5,000	7,500
Net cash used in investing activities	(7,208)	(23,579)
Cash flows from financing activities:		
Proceeds from stock option exercises	8,597	1,927
Income tax withholding payment associated with restricted stock vesting	(809)	(279)
Tax benefit of excess stock-based compensation deductions	5,655	717
Net cash provided by financing activities	13,443	2,365
Net increase in cash and cash equivalents	342	3,954
Cash and cash equivalents, at beginning of period	108,383	71,856
Cash and cash equivalents, at end of period	$ 108,725	$ 75,810

Supplemental disclosure of cash flow information:

Cash paid for income taxes	$ 7,792	$ 7,726

Supplemental disclosure of noncash investing and financing activities:

During the six months ended July 2, 2011 and July 3, 2010, the Company transferred $572 and $1,352, respectively, of inventory to fixed assets.

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

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Notes To Consolidated Financial Statements
(unaudited)

1. Description of Business

iRobot Corporation (iRobot or the Company) develops robotics and artificial intelligence technologies and applies these technologies in producing and marketing robots. The majority of the Company s revenue is generated from product sales and government and industrial research and development contracts.

The Company is subject to risks common to companies in high-tech industries including, but not limited to, uncertainty of progress in developing technologies, new technological innovations, dependence on key personnel, protection of proprietary technology, compliance with government regulations, uncertainty of market acceptance of products, the need to obtain financing, if necessary, global economic conditions and associated impact on consumer spending, and changes in policies and spending priorities of the U.S. federal government and other government agencies.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include those of iRobot and its subsidiaries, after elimination of all intercompany accounts and transactions. iRobot has prepared the accompanying consolidated financial statements in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial data as of July 2, 2011 and for the three and six months ended July 2, 2011 and July 3, 2010 has been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations. However, the Company believes that the disclosures are adequate to make the information presented not misleading. The year-end 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. These consolidated financial statements should be read in conjunction with the Company s audited consolidated financial statements and the notes thereto included in its Annual Report on Form 10-K for the fiscal year ended January 1, 2011, filed with the SEC on February 18, 2011.

In the opinion of management, all adjustments necessary to state fairly its statement of financial position as of July 2, 2011 and results of operations and cash flows for the periods ended July 2, 2011 and July 3, 2010 have been made. The results of operations and cash flows for any interim period are not necessarily indicative of the operating results and cash flows for the full fiscal year or any future periods.

Use of Estimates

The preparation of these financial statements in conformity with accounting principles generally accepted in the United States requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. On an ongoing basis, management evaluates these estimates and judgments, including those related to revenue recognition, sales returns, bad debts, warranty claims, inventory reserves, valuation of investments, assumptions used in valuing stock-based compensation instruments and income taxes. The Company bases these estimates on historical and anticipated results, and trends and on various other assumptions that the Company believes are reasonable under the circumstances, including assumptions as to future events. These estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results may differ from the Company s estimates.

Fiscal Year-End

The Company operates and reports using a 52-53 week fiscal year ending on the Saturday closest to December 31. Accordingly, the Company s fiscal quarters end on the Saturday that falls closest to the last day of the third month of each quarter.

Notes To Consolidated Financial Statements (Continued)
(unaudited)

Revenue Recognition

The Company derives its revenue from product sales, government research and development contracts, and commercial research and development contracts. The Company sells products directly to customers and indirectly through resellers and distributors. The Company recognizes revenue from sales of home robots under the terms of the customer agreement upon transfer of title and risk of loss to the customer, net of estimated returns, provided that collection is determined to be reasonably assured and no significant obligations remain. Sales to resellers are typically subject to agreements allowing for limited rights of return for defective products only, rebates and price protection. The Company has typically not taken product returns except for defective products. Accordingly, the Company reduces revenue for its estimates of liabilities for these rights at the time the related sale is recorded. The Company makes an estimate of sales returns for products sold by resellers directly based on historical returns experience and other relevant data. The Company s international distributor agreements do not currently allow for product returns and, as a result, no reserve for returns is established for this group of customers. The Company has aggregated and analyzed historical returns from resellers and end users which form the basis of its estimate of future sales returns by resellers or end users. When a right of return exists, the provision for these estimated returns is recorded as a reduction of revenue at the time that the related revenue is recorded. If actual returns differ significantly from its estimates, such differences could have a material impact on the Company s results of operations for the period in which the returns become known. The estimates for returns are adjusted periodically based upon historical rates of returns. The estimates and reserve for rebates and price protection are based on specific programs, expected usage and historical experience. Actual results could differ from these estimates.

Under cost-plus-fixed-fee (CPFF) type contracts, the Company recognizes revenue based on costs incurred plus a pro rata portion of the total fixed fee. Costs incurred include labor and material that are directly associated with individual CPFF contracts plus indirect overhead and general and administrative type costs based upon billing rates submitted by the Company to the Defense Contract Management Agency (DCMA). Annually, the Company submits final indirect billing rates to DCMA based upon actual costs incurred throughout the year. These final billing rates are subject to audit by the Defense Contract Audit Agency (DCAA) which can occur several years after the final billing rates are submitted and may result in material adjustments to revenue recognized based on estimated final billing rates. As of July 2, 2011, fiscal years 2007, 2008, 2009 and 2010 are open for audit by DCAA. In the situation where the Company s anticipated actual billing rates will be lower than the provisional rates currently in effect, the Company records a cumulative revenue adjustment in the period in which the rate differential is identified. Revenue on firm fixed price (FFP) contracts is recognized using the percentage-of-completion method. For government product FFP contracts revenue is recognized as the product is shipped or in accordance with the contract terms. Costs and estimated gross margins on contracts are recorded as revenue as work is performed based on the percentage that incurred costs compare to estimated total costs utilizing the most recent estimates of costs and funding. Changes in job performance, job conditions, and estimated profitability, including those arising from final contract settlements and government audit, may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Since many contracts extend over a long period of time, revisions in cost and funding estimates during the progress of work have the effect of adjusting earnings applicable to past performance in the current period. When the current contract estimate indicates a loss, a provision is made for the total anticipated loss in the current period. Revenue earned in excess of billings, if any, is recorded as unbilled revenue. Billings in excess of revenue earned, if any, are recorded as deferred revenue.

Accounting for Share-Based Payments

The Company accounts for share-based payments to employees, including grants of employee stock options and awards in the form of restricted shares and restricted stock units by establishing the fair value of each option grant using the Black-Scholes option- pricing model and the fair value of awards based on stock price at the time of grant. The fair value of share-based payments is recorded by the Company as a charge against earnings. The Company recognizes share-based payment expense over the requisite service period of the underlying grants and awards. The Company s share-based payment awards are accounted for as equity instruments.

Net Income Per Share

The following table presents the calculation of both basic and diluted net income per share:

	Three Months Ended		Six Months Ended	
	July 2, 2011	**July 3, 2010**	**July 2, 2011**	**July 3, 2010**
Net income	$ 8,024	$ 5,314	$ 15,501	$ 11,482
Weighted-average shares outstanding	26,667	25,294	26,388	25,217
Dilutive effect of employee stock options and restricted shares	1,244	1,081	1,345	1,009
Diluted weighted-average shares outstanding	27,911	26,375	27,733	26,226
Basic income per share	$ 0.30	$ 0.21	$ 0.59	$ 0.46
Diluted income per share	$ 0.29	$ 0.20	$ 0.56	$ 0.44

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Notes To Consolidated Financial Statements (Continued)
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Potentially dilutive securities representing approximately 0.4 million and 1.0 million shares of common stock for the three month periods ended July 2, 2011 and July 3, 2010, respectively, and approximately 0.4 million and 1.1 million shares of common stock for the six month periods ended July 2, 2011 and July 3, 2010, respectively, were excluded from the computation of diluted earnings per share for these periods because their effect would have been antidilutive.

Income Taxes

Deferred taxes are determined based on the difference between the book and tax basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. Valuation allowances are provided, if based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

At July 2, 2011, the Company had total deferred tax assets of $22.0 million.

The Company has projected an effective 2011 income tax rate of 33%. The Company has recorded a tax provision of $3.6 million for the three month period ended July 2, 2011, which reflects the projected 2011 tax rate. This $3.6 million expense compares to $3.1 million tax expense for the three months ended July 3, 2010 based on a projected effective 2010 income tax rate of 38%. The Company has recorded a tax provision of $7.5 million for the six month period ended July 2, 2011, which reflects the projected 2011 tax rate. This $7.5 million expense compares to $7.1 million tax expense for the six months ended July 3, 2010 based on a projected effective 2010 income tax rate of 38%. This decrease in the projected annual effective tax rate was primarily due to the benefit of research and development tax credits anticipated in 2011 as compared to fiscal 2010 when this credit was not approved by the U.S. federal government until the fourth quarter, and lower anticipated state tax, net of federal benefit.

The Company is currently exploring alternative tax strategies related to research and development credits and Section 199 manufacturing deductions and may record additional benefits in future periods as a result of this evaluation. In connection with the recording of any additional tax benefits, the Company will also assess the need to establish any associated reserves for uncertain tax positions and will record such reserves as appropriate.

Comprehensive Income

Comprehensive income includes unrealized losses on certain investments. The differences between net income and comprehensive income were as follows:

	Three Months Ended		Six Months Ended	
	July 2, 2011	July 3, 2010	July 2, 2011	July 3, 2010
Net income, as reported	$ 8,024	$ 5,314	$ 15,501	$ 11,482
Unrealized losses on investments, net of tax	121	124	95	77
Total comprehensive income	$ 8,145	$ 5,438	$ 15,596	$ 11,559

Fair Value Measurements

The authoritative guidance for fair value establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The Company s assets measured at fair value on a recurring basis at July 2, 2011, were as follows:

	Fair Value Measurements as of July 2, 2011		
	Level 1	Level 2	Level 3
Description			

			(In thousands)		
Assets:					
Money Market Funds	$	5,274	$		$
U.S. Government bonds				2,516	
Corporate bonds				11,300	
Total assets measured at fair value	$	5,274	$	13,816	$

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Notes To Consolidated Financial Statements (Continued)
(unaudited)

The Company s assets measured at fair value on a recurring basis at January 1, 2011, were as follows:

Description	Fair Value Measurements as of January 1, 2011 Level 1	Level 2 (In thousands)	Level 3
Assets:			
Money Market Funds	$ 5,090	$	$
U.S. Government bonds		2,504	
Corporate bonds		11,424	
Total assets measured at fair value	$ 5,090	$ 13,928	$

In each table above, the bond investments are valued based on observable market inputs as of the Company s reporting date and are included in Level 2 inputs. In determining the fair value of our Level 2 bond investments, the Company considers the appropriateness of a model and assumptions used by a pricing vendor to price the investments. The pricing vendor s model relies on a comprehensive multi-dimensional relational model that uses standard inputs including benchmark yields, reported trades, broker/dealer quotes, issue spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. The bond investments are recorded at fair value and marked-to-market at the end of each reporting period and realized and unrealized gains and losses are included in comprehensive income (loss) for that period. The fair value of the Company s bond investments are included in short term investments in its consolidated balance sheet.

Goodwill

Goodwill is recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the net tangible and intangible assets acquired. The Company tests goodwill for impairment at the reporting unit level (operating segment or one level below an operating segment) annually or more frequently if the Company believes indicators of impairment exist. The performance of the test involves a two-step process. The first step of the impairment test involves comparing the fair values of the applicable reporting units with their aggregate carrying values, including goodwill. If the carrying amount of a reporting unit exceeds the reporting unit s fair value, the Company performs the second step of the goodwill impairment test to determine the amount of impairment loss. The second step of the goodwill impairment test involves comparing the implied fair value of the affected reporting unit s goodwill with the carrying value of that goodwill.

Recent Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (FASB) issued amended guidance on fair value measurement and related disclosures. The new guidance clarifies the concepts applicable for fair value measurement of non-financial assets and requires the disclosure of quantitative information about the unobservable inputs used in a fair value measurement. This guidance will be effective for reporting periods beginning after December 15, 2011, and will be applied prospectively. The Company does not anticipate a material impact on its consolidated financial statements as a result of the adoption of this amended guidance.

In June 2011, the FASB amended its accounting guidance on the presentation of other comprehensive income (OCI) in an entity s financial statements. The amended guidance eliminates the option to present the components of OCI as part of the statement of changes in shareholders equity and provides two options for presenting OCI: in a statement included in the income statement or in a separate statement immediately following the income statement. The amendments do not change the guidance for the items that have to be reported in OCI or when an item of OCI has to be moved into net income. For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company does not anticipate that its adoption of this guidance will have a material impact on its consolidated results.

From time to time, new accounting pronouncements are issued by FASB that are adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company believes that the impact of recently issued standards, which are not yet effective, will not have a material impact on the Company s consolidated financial statements upon adoption.

3. Inventory

Inventory consists of the following:

	July 2, 2011	January 1, 2011
	(In thousands)	
Raw materials	$ 7,946	$ 6,723
Work in process	28	27
Finished goods	26,228	20,410
	$ 34,202	$ 27,160

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Notes To Consolidated Financial Statements (Continued)
(unaudited)

4. Stock Option Plans

The Company has options outstanding under three stock incentive plans: the 1994 Stock Option Plan (the 1994 Plan), the 2004 Stock Option and Incentive Plan (the 2004 Plan) and the 2005 Stock Option and Incentive Plan (the 2005 Plan and together with the 1994 Plan and the 2004 Plan, the Plans). The 2005 Plan is the only one of the three plans under which new awards may currently be granted. Under the 2005 Plan, which became effective October 10, 2005, 1,583,682 shares were initially reserved for issuance in the form of incentive stock options, non-qualified stock options, stock appreciation rights, deferred stock awards and restricted stock awards. Additionally, the 2005 Plan provides that the number of shares reserved and available for issuance under the plan will automatically increase each January 1, beginning in 2007, by 4.5% of the outstanding number of shares of common stock on the immediately preceding December 31. Stock options returned to the Plans as a result of their expiration, cancellation or termination are automatically made available for issuance under the 2005 Plan. Eligibility for incentive stock options is limited to those individuals whose employment status would qualify them for the tax treatment associated with incentive stock options in accordance with the Internal Revenue Code of 1986, as amended. As of July 2, 2011, there were 2,684,629 shares available for future grant under the 2005 Plan.

Options granted under the Plans are subject to terms and conditions as determined by the compensation committee of the board of directors, including vesting periods. Options granted under the Plans are exercisable in full at any time subsequent to vesting, generally vest over periods from zero to five years, and expire seven or ten years from the date of grant or, if earlier, 60 or 90 days from employee termination. The exercise price of incentive stock options is equal to the closing price on the NASDAQ Global Market on the date of grant. The exercise price of nonstatutory options may be set at a price other than the fair market value of the common stock.

On July 1, 2011, the Company granted one member of the Board of Directors 6,118 restricted stock units in connection with the commencement of her appointment. These restricted stock units will vest 25% on each anniversary of the grant date. Also on July 1, 2011, the Company granted each of its nine non-employee board members 3,059 restricted stock units. These restricted stock units will vest 100% on the first anniversary of the grant.

5. Accrued Expenses

Accrued expenses consist of the following:

	July 2, 2011	**January 1, 2011**
	(In thousands)	
Accrued warranty	$ 9,472	$ 9,284
Accrued direct fulfillment costs	953	2,405
Accrued rent	741	592
Accrued sales commissions	252	432
Accrued accounting fees	549	439
Accrued other	1,887	2,638
	$ 13,854	$ 15,790

6. Commitments and Contingencies

Lease Obligations

Rental expense under operating leases for the three months ended July 2, 2011 and July 3, 2010 were $1.0 million and $0.9 million, respectively, and for the six months ended July 2, 2011 and July 3, 2010 were $2.0 million and $1.8 million, respectively. Future minimum rental payments under operating leases were as follows as of July 2, 2011:

	Operating Leases

(In thousands)