PLURISTEM THERAPEUTICS INC
Form S-8
October 20, 2009

Registration No. 333-__________

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-8

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

PLURISTEM THERAPEUTICS INC.

(Exact name of registrant as specified in its charter)

Nevada	**98-0351734**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

MATAM Advanced Technology Park, Building No. 20, Haifa, Israel	**31905**
(Address of Principal Executive Offices)	(Zip Code)

Pluristem Therapeutics Inc. Amended and Restated 2005 Stock Option Plan
(Full title of the plan)

Nevada Agency and Transfer Company
50 West Liberty Street, Suite 880
Reno, NV 89501

(Name and address of agent for service)

011 972 74 710 7171
(Telephone number, including area code, of agent for service)

Copy to:

Howard E. Berkenblit
Zysman, Aharoni, Gayer & Co./
Sullivan & Worcester LLP
One Post Office Square
Boston, Massachusetts 02110
Telephone: (617) 338-2800
Fax: (617) 338-2880

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 o

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

CALCULATION OF REGISTRATION FEE

Title of securities to be registered	Amount to be registered (1)	Proposed maximum offering price per share	Proposed maximum aggregate offering price	Amount of registration fee
Common Stock, $0.00001 par value	2,095,381	$ 1.14(2)	$ 2,388,734.34(2)	$ 133.30
Common Stock, $0.00001 par value	90,000	$ 0(3)	$ 0	$ 0
Common Stock, $0.00001 par value	590,000	$ 0.62(3)	$ 365,800	$ 20.42
Common Stock, $0.00001 par value	93,750	$ 1.04(3)	$ 97,500	$ 5.45
Common Stock, $0.00001 par value	20,000	$ 2.97(3)	$ 59,400	$ 3.32
Common Stock, $0.00001 par value	1,021,491	$ 3.5(3)	$ 3,575,218.5	$ 199.50
Common Stock, $0.00001 par value	15,000	$ 3.72(3)	$ 55,800	$ 3.12
Common Stock, $0.00001 par value	21,116	$ 3.8(3)	$ 80,240.8	$ 4.48
Common Stock, $0.00001 par value	42,500	$ 4(3)	$ 170,000	$ 9.49
Common Stock, $0.00001 par value	415,000	$ 4.38(3)	$ 1,817,700	$ 101.43
Common Stock, $0.00001 par value	61,624	$ 4.4(3)	$ 271,145.6	$ 15.13
Common Stock, $0.00001 par value	36,250	$ 6.8(3)	$ 246,500	$ 13.76
Common Stock, $0.00001 par value	48,547	$ 8.2(3)	$ 398,085.4	$ 22.22
Common Stock, $0.00001 par value	146,669	$ 20(3)	$ 2,933,380	$ 163.69
Total	4,697,328	-	-	$ **695.31**

(1) In accordance with Rule 416(a) under the Securities Act of 1933, as amended (the Securities Act) this Registration Statement shall be deemed to cover any additional securities that may from time to time be offered or issued to prevent dilution resulting from stock splits, stock dividends or similar transactions.

(2) Estimated in accordance with Rules 457(h)(1) and 457(c) promulgated under the Securities Act, solely for the purpose of calculating the registration fee, based on $1.14, the average of the high and low prices of the Common Stock on the Nasdaq Capital Market on October 16, 2009, a date within 5 business days prior to the filing of this registration statement.

(3) Calculated in accordance with Rule 457(h)(1) promulgated under the Securities Act, based on the exercise price of outstanding options.

PART I

INFORMATION REQUIRED IN THE SECTION 10(a) PROSPECTUS

Item 1. Plan Information.

The documents containing the information required by Item 1 will be given to individuals participating in the Pluristem Therapeutics Inc. (the Company) Amended and Restated 2005 Stock Option Plan (the Plan) and are not required to be filed with the Securities and Exchange Commission (the Commission) as part of the Registration Statement or as an exhibit thereto.

Item 2. Registrant Information and Employee Plan Annual Information.

Participants participating in the Plan may obtain a copy of the Plan and the documents incorporated by reference in Item 3 of Part II below, at no cost, by writing to us at MATAM Park, Building No. 20, Haifa 31905, Israel, attention: Yaky Yanay or telephoning us at 972-74-7107171. These documents are also incorporated by reference in the Section 10(a) prospectus.

PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

Item 3. Incorporation of Documents by Reference.

The following additional documents, which have been filed by Pluristem Therapeutics Inc. (the Company) with the Commission under the Securities Exchange Act of 1934 (the Exchange Act), are incorporated by reference in and made a part of this Registration Statement, as of their respective dates:

(a) The Company s Annual Report on Form 10-K for the fiscal year ended June 30, 2009 filed with the Commission on September 23, 2009.

(b) The Company s Current Reports on Form 8-K filed with the Securities and Exchange Commission on October 6, 2009.

(c) The description of our common stock contained our Registration Statement on Form 8-A filed on December 10, 2007 under the Exchange Act, including any amendment or report filed or to be filed for the purpose of updating such description.

All documents filed after the date of this Registration Statement pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act and prior to the filing of a post-effective amendment that indicates that all shares of common stock offered hereunder have been sold or that deregisters all shares of common stock remaining unsold shall be deemed to be incorporated by reference herein and to be a part hereof from the date of the filing of such reports and documents. Unless expressly incorporated into this Registration Statement, a report furnished but not filed on Form 8-K shall not be incorporated by reference into this Registration Statement. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Registration Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Registration Statement.

Item 4. Description of Securities.

Not applicable.

Item 5. Interests of Named Experts and Counsel.

Not applicable.

Item 6. Indemnification of Directors and Officers.

Section 78.138 of the Nevada Revised Statutes (NRS) provides that neither a director nor an officer of a Nevada corporation can be held personally liable to the corporation, its stockholders or its creditors unless the director or officer committed both a breach of fiduciary duty and such breach was accompanied by intentional misconduct, fraud, or knowing violation of law.

Subsection 1 of Section 78.7502 of the NRS empowers a corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit, or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he is not liable pursuant to Section 78.138 of the NRS (see above) or if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. Section 78.138 of the NRS provides that, with certain exceptions, a director or officer is not individually liable to the corporation or its stockholders for any damages as a result of any act or failure to act in his capacity as a director or officer unless it is proven that (i) his act or failure to act constituted a breach of his fiduciary duties as a director or officer, and (ii) his breach of those duties involved intentional misconduct, fraud or a knowing violation of law. The Company s articles of incorporation and the by laws contain a similar provision.

Subsection 2 of Section 78.7502 of the NRS empowers a corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that such person acted in any of the capacities set forth above against expenses, including amounts paid in settlement and attorneys fees actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in accordance with the standards set forth above, except that no indemnification may be made in respect of any claim, issue or matter as to which such person shall have been adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable to the corporation or for amounts paid in settlement to the corporation, unless and only to the extent that the court in which such action or suit was brought or other court of competent jurisdiction determines that in view of all the circumstances of the case such person is fairly and reasonably entitled to indemnify for such expenses as the court deems proper.

Section 78.7502 further provides that to the extent a director or officer of a corporation has been successful in the defense of any action, suit or proceeding referred to in subsections 1 and 2 of Section 78.7502, or in the defense of any claim, issue or matter therein, the corporation shall indemnify him against expenses (including attorneys fees) actually and reasonably incurred by him in connection with the defense or settlement of the action or suit.

Section 78.751 of the NRS provides that the articles of incorporation, the bylaws or an agreement made by the corporation may provide that the expenses of officers and directors incurred in defending a civil or criminal action, suit or proceeding must be paid by the corporation as they are incurred and in advance of the final disposition of the action, suit or proceeding, upon receipt of an undertaking by or on behalf of the director or officer to repay the amount if it is ultimately determined by a court of competent jurisdiction that he is not entitled to be indemnified by the corporation. The Company s articles of incorporation and bylaws require the Company to make such payment of expenses in advance upon receipt of such an undertaking.

Section 78.751 of the NRS requires a corporation to obtain a determination that any discretionary indemnification is proper under the circumstances. Such a determination must be made by either the Company s stockholders, its board of directors by majority vote of a quorum consisting of directors who were not parties to the action, suit or proceeding, or under certain circumstances by independent legal counsel. Section 78.751 also provides that the indemnification provided for by Section 78.7502 and the advancement of expenses authorized pursuant to Section 78.751 shall not be deemed exclusive or exclude any other rights to which the indemnified party may be entitled except that indemnification unless ordered by a court pursuant to Section 78.7502 may not be made on or behalf of any officer or director if a final adjudication establishes that his acts or omissions involved intentional misconduct, fraud or a knowing violation of the law and was material to the cause of action for which indemnification is sought. The scope of indemnification under the statute shall continue as to directors, officers, employees or agents who have ceased to hold such positions, and to the benefit of their heirs, executors and administrators.

Section 78.752 of the NRS empowers the corporation to purchase and maintain insurance or make other financial arrangements on behalf of any person who is or was a director, officer, employee or agent of the corporation or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him or incurred by him in any such capacity or arising out of his status as such whether or not the corporation would have the power to indemnify him against such liabilities and expenses.

The Company has provided for indemnification to the fullest extent permitted by the provisions of NRS in its articles of incorporation and bylaws. The Company also maintains a directors and officers liability insurance policy.

Item 7. Exemption from Registration Claimed.

Not applicable.

Item 8. Exhibits.

Exhibit No.	Description
3.1	Composite Copy of the Company's Articles of Incorporation as amended on June 4, 2008 and on July 1, 2008 (incorporated by reference to Exhibit 3.1. of our Annual Report on Form 10-K, filed on September 29, 2008)
3.2	Amended By-laws (incorporated by reference to Exhibit 3.1 of our current report on Form 8-K filed January 22, 2007)
5.1 *	Opinion of Zysman, Aharoni, Gayer & Co./Sullivan & Worcester LLP
23.1 *	Consent of Zysman, Aharoni, Gayer & Co./Sullivan & Worcester LLP (contained in the opinion of Zysman, Aharoni, Gayer & Co./Sullivan & Worcester LLP filed herewith as Exhibit 5.1)
23.2 *	Consent of Kost Forer Gabbay & Kasierer, a member of Ernst & Young Global
24	Powers of Attorney (included in the signature page to this Registration Statement)
99.1	Pluristem Therapeutics Inc. Amended and Restated 2005 Stock Option Plan (incorporated by reference to Appendix A of our Definitive Proxy Statement on Schedule 14A filed on December 29, 2008)

* Filed herewith.

Item 9. Undertakings.

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to the registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

Provided, however, that:

paragraphs (a)(1)(i) and (a)(1)(ii) of this section do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the Registrant pursuant to section 13 or section 15(d) of the Exchange Act that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the Registrant s annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act that is incorporated by reference in this registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Registration Statement on Form S-8 to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Haifa, Israel, on this 20th day of October, 2009.

PLURISTEM THERAPEUTICS INC.

By: /s/ Yaky Yanay

Yaky Yanay
Secretary and Chief Financial Officer

POWER OF ATTORNEY AND SIGNATURES

We, the undersigned officers and directors of Pluristem Therapeutics Inc. hereby constitute and appoint Zami Aberman and Yaky Yanay, and each of them singly, our true and lawful attorneys-in-fact, with full power to them in any and all capacities, to sign any and all amendments to this Registration Statement on Form S-8 (including any post-effective amendments thereto), and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Zami Aberman Zami Aberman	Chief Executive Officer, Director and Chairman of the Board (Principal Executive Officer)	October 20, 2009

Signature	Title	Date
/s/ Yaky Yanay Yaky Yanay	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	October 20, 2009
/s/ Mark Germain Mark Germain	Director	October 20, 2009
/s/ Israel Ben-Yoram Israel Ben-Yoram	Director	October 20, 2009
/s/ Isaac Braun Isaac Braun	Director	October 20, 2009
/s/ Hava Meretzky Hava Meretzky	Director	October 20, 2009
/s/ Nachum Rosman Nachum Rosman	Director	October 20, 2009
/s/ Doron Shorrer Doron Shorrer	Director	October 20, 2009
/s/ Shai Pines Shai Pines	Director	October 20, 2009

ation of PCTEL Secure in January 2011, the Company reports the financial results of PCTEL Secure as a separate operating segment. The Company s chief operating decision maker (CODM) uses the profit and loss results and the assets in deciding how to allocate resources and assess performance between the segments.

Antenna Products

PCTEL s MAXRAD®, Bluewave and Wi-Sys antenna solutions address public safety, military, and government applications; supervisory control and data acquisition (SCADA), health care, energy, smart grid and agricultural applications; indoor wireless, wireless backhaul, and cellular applications. Revenue growth for antenna products is driven by emerging wireless applications in these markets. The Company s portfolio includes a broad range of WiMAX antennas, land mobile radio (LMR) antennas, and precision GPS antennas that serve innovative applications in telemetry, radio frequency identification (RFID), WiFi, fleet management, and mesh networks. The Company s antenna products are primarily sold through distributors and original equipment manufacturer (OEM) equipment providers.

The Company established its current antenna product portfolio with a series of acquisitions. In 2004 the Company acquired MAXRAD as well as certain product lines from Andrew, which established its core product offerings in WiFi, LMR and GPS. Over the next several years the Company added additional capabilities within those product lines and additional served markets with the acquisitions of certain assets of Bluewave Antenna Systems, Ltd (Bluewave) in 2008, Wi-Sys Communications, Inc (Wi-Sys) in 2009, and Sparco Technologies, Inc. (Sparco) in 2010. The Company s WiMAX antenna products were developed and brought to market through the Company s on going operations.

Scanning Receivers

PCTEL is a leading supplier of high-speed, multi-standard, demodulating receivers and test and measurement solutions to the wireless industry worldwide. The Company s SeeGull® scanning receivers, receiver-based products and CLARIFY® interference management solutions are used to measure, monitor and optimize cellular networks. Revenue growth for scanning receiver and interference management products is driven by the deployment of new

wireless technology and the need for wireless networks to be tuned and reconfigured on a regular basis. The Company develops and supports scanning receivers for LTE, EVDO, CDMA, WCDMA, GSM, TD-SCDMA, and WiMAX networks. The Company s scanning receiver products are sold primarily through test and measurement value added resellers and to a lesser extent directly to network operators.

The Company established its scanning receiver product portfolio in 2003 with the acquisition of certain assets of Dynamic

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Telecommunications, Inc. In 2009 the Company acquired the scanning receiver business of Ascom Network Testing, Inc (Ascom) as well as the exclusive distribution rights and patented technology for Wider Network s (Wider) network interference products.

The Company also has an intellectual property portfolio related to antennas, the mounting of antennas, and scanning receivers. These patents are being held for defensive purposes and are not part of an active licensing program.

Secure applications

On January 5, 2011, the Company formed PCTEL Secure LLC (PCTEL Secure), a joint venture limited liability company, with Eclipse Design Technologies, Inc (Eclipse). PCTEL Secure will design Android-based, secure communication products. The Company contributed $2.5 million in cash in return for 51% ownership of the joint venture and Eclipse contributed $2.4 million of intangible assets in return for 49% ownership of the joint venture.

Basis of Consolidation and Foreign Currency Translation

The condensed consolidated balance sheet as of March 31, 2011 and the condensed consolidated statements of operations and cash flows for the three months ended March 31, 2011 and 2010 are unaudited and reflect all adjustments of a normal recurring nature that are, in the opinion of management, necessary for a fair presentation of the interim period financial statements. The interim condensed consolidated financial statements are derived from the audited financial statements as of December 31, 2010.

The condensed consolidated financial statements include the accounts of the Company and its subsidiaries. The condensed consolidated financial statements include the accounts of PCTEL Secure. Because the Company has a 51% ownership interest in PCTEL Secure, 49% of PCTEL Secure s net loss is recorded as noncontrolling interest in the statements of operations for the three months ended March 31, 2011 and 49% of the equity in PCTEL Secure is recorded as noncontrolling interest. All intercompany accounts and transactions have been eliminated.

The unaudited interim condensed consolidated financial statements of the Company have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the U.S. have been condensed or omitted. The significant accounting policies followed by the Company are set forth within the Company s Annual Report on Form 10-K for the year ended December 31, 2010 (the 2010 Form 10-K). There were no changes in the Company s significant accounting policies during the three months ended March 31, 2011. In addition, the Company reaffirms the use of estimates in the preparation of the financial statements as set forth in the 2010 Form 10-K. These interim condensed consolidated financial statements should be read in conjunction with the Company s audited consolidated financial statements and notes thereto included in the 2010 Form 10-K. The results for the operations for the period ended March 31, 2011 may not be indicative of the results for the period ended December 31, 2011.

The Company is exposed to foreign currency fluctuations due to its foreign operations and because products are sold internationally. The functional currency for the Company s foreign operations is predominantly the applicable local currency. Accounts of foreign operations are translated into U.S. dollars using the exchange rate in effect at the applicable balance sheet date for assets and liabilities and average monthly rates prevailing during the period for revenue and expense accounts. Adjustments resulting from translation are included in accumulated other comprehensive income, a separate component of shareholders equity. Gains and losses resulting from other transactions originally in foreign currencies and then translated into U.S. dollars are included in condensed consolidated statement of operations. Net foreign exchange losses resulting from foreign currency transactions included in other income, net were $8 and $14 for the three months ended March 31, 2011 and 2010, respectively.

Fair Value of Financial Instruments

Cash and cash equivalents are measured at fair value and investments are recognized at amortized cost in the Company s financial statements. Accounts receivable and other investments are financial assets with carrying values that approximate fair value due to the short-term nature of these assets. Accounts payable is a financial liability with a carrying value that approximates fair value due to the short-term nature of these liabilities. The Company follows Fair Value Measurements and Disclosures (ASC 820), which establishes a fair value hierarchy that requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instruments categorization within the hierarchy is based on the lowest level of input that is significant to the

fair value measurement. ASC 820 establishes three levels of inputs that may be used to measure fair value:
Level 1: inputs are unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2: inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets

and liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of assets or liabilities.
Level 3: unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

2. Recent Accounting Pronouncements

Recently Adopted Accounting Guidance

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASC) No. 2010-06, Improving Disclosures about Fair Value Measurements, which amends the Accounting Standards Codification (ASC) Topic 820, Fair Value Measurements and Disclosures. ASU No. 2010-06 amends the ASC to require disclosure of transfers into and out of Level 1 and Level 2 fair value measurements, and requires more detailed disclosure about the activity within Level 3 fair value measurements. The guidance became effective for us with the reporting period beginning January 1, 2010. The guidance did not have any impact on the Company s consolidated financial statements

3. Balance Sheet Data

Cash and Cash equivalents

At March 31, 2011, cash and cash equivalents included bank balances and investments with original maturities less than 90 days. At March 31, 2011 and December 31, 2010, the Company s cash equivalents were invested in highly liquid AAA money market funds that are required to comply with Rule 2a-7 of the Investment Company Act of 1940. Such funds utilize the amortized cost method of accounting, seek to maintain a constant $1.00 per share price, and are redeemable upon demand. The Company restricts its investments in AAA money market funds to those invested 100% in either short-term U.S. Government Agency securities or bank repurchase agreements collateralized by the these same securities. The fair values of these money market funds are established through quoted prices in active markets for identical assets (Level 1 inputs). The cash in the Company s U.S. banks is fully insured by the Federal Deposit Insurance Corporation due to the balances being below the maximum insured amounts.
The Company had $0.8 million and $0.7 million of cash and cash equivalents in foreign bank accounts at March 31, 2011 and December 31, 2010, respectively. As of March 31, 2011, the Company has no intentions of repatriating the cash in its foreign bank accounts. If the Company decides to repatriate the cash in the foreign bank accounts, it may experience difficulty in doing so in a timely manner. The Company may also be exposed to foreign currency fluctuations and taxes if it repatriates these funds.

Investments

At March 31, 2011 and December 31, 2010, the Company s short-term and long-term investments consisted of pre-refunded municipal bonds, U.S. government agency bonds, and AA or higher rated corporate bonds all classified as held-to-maturity
At March 31, 2011, the Company had invested $24.5 million in pre-refunded municipal bonds, $17.1 million in U.S. government agency bonds and $7.6 million in AA rated or higher corporate bonds. The income and principal from the pre-refunded municipal bonds are secured by an irrevocable trust of U.S Treasury securities. The bonds, classified as short-term investments, have original maturities greater than 90 days and mature in less than one year. At March 31, 2011, the Company had $14.8 million classified as long-term investment securities. The bonds classified as long-term investments have maturities greater than one year but less than two years. The Company s bonds are recorded at the purchase price and carried at amortized cost. The net unrealized gains were $34 at March 31, 2011. Approximately 18% of the Company s bonds were protected by bond default insurance at March 31, 2011.
At December 31, 2010, the Company had invested $19.2 million in pre-refunded municipal bonds, $19.0 million in U.S. government agency bonds, and $8.7 million in AA rated or higher corporate bonds, and classified $9.8 million as long-term investment securities because the original maturities were greater than one year.
The Company categorizes its financial instruments within a fair value hierarchy established in accounting and disclosures for fair value measurements. The fair value hierarchy is described under the Fair Value of Financial Instruments in Note 1. For the Level 2 investments, the Company uses quoted prices of similar assets in active markets.

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Cash equivalents and investments measured at fair value were as follows at March 31, 2011 and December 31, 2010:

	March 31, 2011				December 31, 2010			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash equivalents:								
Money market funds	$13,820	$	$	$13,820	$21,032	$	$	$21,032
Investments:								
US government agency bonds		17,148		17,148		19,036		19,036
Municipal bonds		24,509		24,509		19,378		19,378
Corporate debt securities		7,583		7,583		8,756		8,756
Total	$13,820	$49,240	$	$63,060	$21,032	$47,170	$	$68,202

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at invoiced amount with standard net terms that range between 30 and 60 days. The Company extends credit to its customers based on an evaluation of a company s financial condition and collateral is generally not required. The Company maintains an allowance for doubtful accounts for estimated uncollectible accounts receivable. The allowance is based on the Company s assessment of known delinquent accounts, historical experience, and other currently available evidence of the collectability and the aging of accounts receivable. The Company s allowance for doubtful accounts was $0.2 million at each of March 31, 2011 and December 31, 2010, respectively. The provision for doubtful accounts is included in sales and marketing expense in the condensed consolidated statements of operations.

Inventories

Inventories are stated at the lower of cost or market and include material, labor and overhead costs using the first-in, first-out (FIFO) method of costing. Inventories as of March 31, 2011 and December 31, 2010 were composed of raw materials, sub-assemblies, finished goods and work-in-process. The Company had consigned inventory with customers of $0.8 million and $1.0 million at March 31, 2011 and December 31, 2010, respectively. The Company records allowances to reduce the value of inventory to the lower of cost or market, including allowances for excess and obsolete inventory. The allowance for inventory losses was $1.0 million at both March 31, 2011 and December 31, 2010.

Inventories consisted of the following at March 31, 2011 and December 31, 2010:

	March 31, 2011	December 31, 2010
Raw materials	$ 8,507	$ 7,613
Work in process	589	542
Finished goods	2,469	2,574
Inventories, net	$ 11,565	$ 10,729

Prepaid and other current assets

Prepaid assets are stated at cost and are amortized over the useful lives (up to one year) of the assets.

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. The Company depreciates computer equipment over three to five years, office equipment, manufacturing and test equipment, and motor vehicles over five years, furniture and fixtures over seven years, and buildings over 30 years. Leasehold improvements are amortized over the shorter of the corresponding lease term or useful life. Depreciation expense and gains and losses on the disposal of property and equipment are included in cost of sales and operating expenses in the condensed consolidated statements of operations. Maintenance and repairs are expensed as incurred.

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Property and equipment consists of the following at March 31, 2011 and December 31, 2010:

	March 31, 2011	December 31, 2010
Building	$ 6,207	$ 6,207
Computers and office equipment	5,757	4,450
Manufacturing and test equipment	8,142	7,707
Furniture and fixtures	1,160	1,127
Leasehold improvements	203	176
Motor vehicles	27	27
Total property and equipment	21,496	19,694
Less: Accumulated depreciation and amortization	(11,012)	(10,376)
Land	1,770	1,770
Property and equipment, net	$ 12,254	$ 11,088

Intangible Assets

The Company amortizes intangible assets with finite lives on a straight-line basis over the estimated useful lives, which range from one to eight years. The summary of other intangible assets, net as of March 31, 2011 and December 31, 2010 are as follows:

	March 31, 2011			December 31, 2010		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Customer contracts and relationships	$ 16,763	$ 9,192	$ 7,571	$ 16,763	$ 8,743	$ 8,020
Patents and technology	7,409	6,037	1,372	6,312	6,007	305
Trademarks and trade names	2,603	2,153	450	2,603	2,074	529
Other	3,017	1,817	1,200	1,714	1,703	11
	$ 29,792	$ 19,199	$ 10,593	$ 27,392	$ 18,527	$ 8,865

The $1.7 million increase in intangible assets at March 31, 2011 compared to December 31, 2010 reflects $2.4 million of intangible assets contributed by Eclipse to PCTEL Secure in January 2011 offsetting amortization of $0.7 million for the three months ended March 31, 2011. See Note 4 for information related to PCTEL Secure.

In December 2010, the Company recorded an impairment of other intangible assets of $1.1 million. The impairment expense included $0.9 million for an impairment of the distribution rights and trade name acquired in the Wider settlement, and $0.2 million for a partial impairment of the technology and non-compete agreements acquired from Ascom. The 2010 revenues resulting from the products acquired from Ascom and the products related to the settlement with Wider were significantly lower than the Company s revenue projections used in the original accounting valuations. The Company considered these revenue variances as a triggering event that the carrying value of the long lived intangible assets subject to amortization may not be fully recoverable and may be less than the fair value at December 31, 2010.

The Company s scheduled amortization expense for the next five years is as follows:

Fiscal Year	Amount
2011	$2,075
2012	$2,803
2013	$2,478
2014	$1,961
2015	$1,251
thereafter	$ 25

The following table presents the fair value measurements of non-recurring assets for continuing operations at March 31, 2011 and December 31, 2010:

	March 31, 2011					**December 31, 2010**				
	Level 1	**Level 2**	**Level 3**	**Total**	**Gain (Loss)**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Gain (Loss)**
Intangible assets	$			$	$	$		8,865	$8,865	$ (1,084)
Total	$	$	$	$	$	$	$	$8,865	$8,865	$ (1,084)

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Liabilities

Accrued liabilities consist of the following at March 31, 2011 and December 31, 2010:

	March 31, 2011	December 31, 2010
Inventory receipts	$ 1,760	$ 2,444
Paid time off	963	846
Payroll, bonuses, and other employee benefits	823	1,615
Deferred revenues	310	501
Due to Sparco shareholders	198	198
Due to Wider	196	194
Real estate taxes	189	148
Restructuring	182	324
Warranties	173	257
Professional fees	118	208
Employee stock purchase plan	100	232
Other	634	579
Total	$ 5,646	$ 7,546

Long-term liabilities consist of the following:

	March 31, 2011 2011	December 31, 2010 2010
Executive deferred compensation plan	$ 1,286	$ 1,187
Income taxes	824	824
Deferred rent	90	94
Deferred revenues		6
	$ 2,200	$ 2,111

4. PCTEL Secure

On January 5, 2011, the Company formed PCTEL Secure LLC, a joint venture limited liability company, with Eclipse Design Technologies, Inc. PCTEL Secure designs software and secure digital-based solutions that will enable secure applications on commercial Android cellular phone platforms. The Company contributed $2.5 million in cash on the formation of the venture in return for 51% ownership of the joint venture. In return for 49% ownership of the joint venture, Eclipse contributed $2.4 million of intangible assets in the form of intellectual property and a services agreement, including an assembled workforce, to provide services.

The initial capitalization of PCTEL Secure was $4.9 million, consisting of $2.5 million of cash, $1.1 million of in-process research and development, $0.8 million for non-compete agreements, and $0.5 million for service agreements. The values for the intangible assets were the fair values of the intangible assets modeled at the time of the agreement. The intangible assets are being amortized for book purposes, but are not deductible for tax purposes. The weighted average amortization period of the intangible assets acquired is 2.4 years. The Company estimated the fair value (and remaining useful lives) of the assets.

The Company provides services to PCTEL Secure at cost for facilities, general and administrative services, order management, manufacturing and distribution, and marketing services. The term of this services agreement is through

December 31, 2013, with one year extensions thereafter as agreed by the parties. The Company also entered into a line of credit agreement with PCTEL Secure. Under the term of the line of credit agreement, the Company agreed to lend PCTEL Secure up to $4.0 million at an 8% stated interest rate. The maturity date for this agreement is June 14, 2014. There were no borrowings under this line of credit during the three months ended March 31, 2011.

Based on review of accounting rules for consolidation, the Company concluded that it (a) has financial control of PCTEL Secure as it holds two of the three Board seats and (b) Eclipse s rights under the agreements are protective rights that do not override the presumption that the majority owned subsidiary should be consolidated. Therefore, the Company has consolidated the financial results of PCTEL Secure into the Company s consolidated financial statements for the three months ended March 31, 2011.

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The limited liability company agreement of PCTEL Secure (LLC agreement) provides several mechanisms for the orderly transition of the Company s ownership from 51% to 100%. The LLC agreement also includes participation rights that require the Company to pay Eclipse 10% or 5% of the amount by which the net proceeds exceed the enterprise value if the Company sells PCTEL Secure before December 31, 2014 or 2015, respectively. The features are summarized as follows:

Instrument	Notional Amount	Contingency	Period
PCTEL 1st call right	19% of membership interests	None	1/1/2012 3/31/2012
Eclipse put right	19% of membership interests	Exercisable if PCTEL does not exercise 1st call right	4/1/2012 4/10/2012
PCTEL 2nd call right	Remaining Eclipse membership interests	Purchase all of remaining Eclipse interests	10/1/2013 12/31/2013
Eclipse participation right	10% of the difference between net proceeds from sale and enterprise value	PCTEL exercises 2nd call right and sells subsidiary within 12 months	ends 12/31/14
Eclipse participation right	5% of the difference between net proceeds from sale and enterprise value	PCTEL exercises 2nd call right and sells subsidiary between 13 and 24 months	ends 12/31/15
PCTEL 3rd call right	Remaining Eclipse membership interests	PCTEL does not exercise 2nd call right	begins 7/1/2014

PCTEL 1st call right: the Company has the right to exercise its 1st call right during the period January 1, 2012 through March 31, 2012, which would require Eclipse to sell to PCTEL 19% of its interests for a price that represents 19% of the enterprise value (EV) on the exercise date, with a provision that the minimum price is 19% of $4.9 million.
Eclipse put right: If the Company does not exercise the first call right, then at any time during the period April 1, 2012 through April 10, 2012, Eclipse can exercise its put right to require the Company to purchase Eclipse s interest in PCTEL Secure at the price of 19% of $4.9 million.
PCTEL 2nd call right: During the period October 1, 2013 through December 31, 2013, the Company has the option to issue a notice to Eclipse requiring it to sell to the Company all of its membership interests in PCTEL Secure at the EV, with a provision that minimum EV is $4.9 million.
Eclipse participation right: If the Company exercises the 2nd call right and subsequently sells PCTEL Secure within 12 months of exercising the 2nd call right, then Eclipse holds a participation right that requires the Company to pay to Eclipse 10% of the amount by which the net proceeds exceed the EV used in the calculation of the price of the 2nd call right. Also, if the Company exercises the 2nd call right and subsequently sells subsidiary between 13 months and 24 months of exercising the 2nd call right, then Eclipse holds a participation right that requires the Company to pay to Eclipse 5% of the amount by which the net proceeds exceed the EV used in the calculation of the Price of the 2nd call right. (Upon exercising the participation right, Eclipse is entitled to 10% or 5% of non-cash consideration received as proceeds.)
PCTEL 3rd call right: If the 2nd call right is not exercised, and after 6 months, Eclipse fails to engage a buyer for its membership interests, then the Company has the right to purchase Eclipse s membership interests using the EV calculated at the expiration of the 2nd call right.
The enterprise value is based on a multiple of revenues and backlog. In accordance with accounting for redeemable financial instruments, the Company determined that the $0.9 million fair value of this put right is classified as redeemable equity. It is redeemable equity because the price is fixed for this financial instrument, and the 19% of Eclipse s membership interest can be redeemed at the option of the holder, Eclipse, through the exercise of its put right, or at the option of the Company, through the exercise of its first call right.

Eclipse identified an employee of PCTEL Secure and two contractors for Eclipse as key contributors of services. Eclipse entered into cash bonus arrangement with the three key contributors. The bonus agreements grant these key contributors the right for each to receive a cash bonus of 5% of the amount of the net proceeds received by Eclipse upon exercise of Eclipse s exit option, the Company s 2nd call right, or the Company s 3rd call right, which results in a qualifying sale of Eclipse s membership interests in the subsidiary. Participation in the net proceeds paid to Eclipse from a qualifying sale of Eclipse s membership interests is equivalent to each key contributor having been a 5% owner of the subsidiary.

During the three months ended March 31, 2011, the Company recorded $3.1 million of compensation expense in accordance with accounting for share based payments to nonemployees for the two contractors of PCTEL Secure and $0.1 million of employee compensation expense in accordance with accounting for stock compensation for the employee of PCTEL Secure. The Company recognized the total share-based payment obligation of $3.1 million for the bonus payouts to the contractors on January 5, 2011 because the quantity and terms of the equity instruments are known upfront for the share-based payment arrangements between the contractors and Eclipse since each key contributor receives a specific % of the net proceeds received by Eclipse upon a qualifying sale of its interests and the amount of proceeds for the qualifying sale are determined based on a predetermined multiple of revenues and backlog. Further, forfeiture is unlikely because of sufficiently large disincentives for nonperformance. The Company recorded $0.1 million of employee compensation expense for the share based payment obligation for the employee of PCTEL Secure, which is the pro-rata portion of the total expense to be recognized over the requisite service period of three years. The fair value of the bonus amounts was based on the projected enterprise value as of December 31, 2013. Subsequent changes in the fair value for the awards will be recognized in earnings each reporting period. Since the Company is a noncontributing investor to the share-based payment arrangements, the Company recognized income of $1.6 million, equal to the amount that

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its interest in the subsidiary s equity increased as a result of the disproportionate funding of the compensation costs. This amount is included in other income, net in the condensed consolidated statements of operations for the three months ended March 31, 2011.

PCTEL Secure incurred a total loss of $3.6 million for the three months ended March 31, 2011. Since the allocation of PCTEL Secure s profits and losses is based on its prorated share of unit ownership, the Company recorded $1.8 million as net loss attributable to noncontrolling interest. See the segment information in note 13 for information related to the financial results of PCTEL Secure. The noncontrolling equity on the balance sheet reflects Eclipse s share of the equity of PCTEL Secure. The noncontrolling equity includes permanent equity of $2.4 million and redeemable equity of $0.9 million. See note 15 related to equity for the reconciliation of these noncontrolling interest amounts.

5. Acquisitions

Acquisition of Sparco Technologies, Inc.

On January 12, 2010, the Company acquired all of the outstanding share capital of Sparco pursuant to a Share Purchase Agreement among the Company, Sparco, and David R. Dulling, Valerie Dulling, Chris Cooke, and Glenn Buckner, the holders of the outstanding share capital of Sparco. Sparco is a San Antonio, Texas based company that specializes in selling value-added wireless local area network (WLAN) products and services to the enterprise, education, hospitality, and healthcare markets. Sparco s product line includes antennas for WLAN, national electrical manufacturer s association (NEMA) enclosures and mounting accessories, site survey tools, and amplifiers. With this acquisition, the Company extended its product offering, channel penetration and technology base in wireless enterprise products.

The Company assumed a lease for a 6,300 square foot facility used for operations and sales activities in San Antonio, Texas that expired in January 2011. The Company integrated Sparco s manufacturing and distribution operations in its Bloomingdale, Illinois facility in the third quarter 2010 and moved the sales offices to a new location in San Antonio, Texas in January 2011.

The consideration for Sparco was $2.5 million, consisting of $2.4 million in cash consideration and $0.1 million related to the Company s outstanding receivable balance from Sparco at the date of acquisition. Of the $2.4 million cash consideration, $2.1 million was payable to the Sparco shareholders and $0.3 million was used to discharge outstanding debt liabilities. At March 31, 2011 and December 31, 2010, approximately $0.2 million remains outstanding, consisting of the final payment due related to shareholders or to third parties. The $0.2 million due is included in accrued liabilities. The cash consideration paid in connection with the acquisition was provided from the Company s existing cash. The acquisition related costs for the Sparco purchase were not significant to the Company s condensed consolidated financial statements.

The consideration was allocated based on fair value: $1.1 million to net tangible liabilities, $3.3 million to customer relationships, $0.3 million to trade names and other intangible assets. The fair value of the net assets acquired exceeded the total investment by $54. This $54 gain on the bargain purchase of Sparco was recorded in other income, net in the condensed consolidated statements of operations. There was no goodwill recorded with this transaction. The consideration was determined based on the fair value of the intangible assets modeled at the time of the negotiation, which were updated at the time of closing. An immaterial bargain purchase amount resulted from the process of validating the Company s initial fair value model assumptions with actual performance information from the first quarter of operations. The intangible assets are being amortized for book purposes, but are not deductible for tax purposes. The weighted average amortization period of the intangible assets acquired is 5.3 years. The Company estimated the fair value (and remaining useful lives) of the assets and liabilities.

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The following is the allocation of the purchase price for Sparco at the date of the acquisition:

Current assets:	
Cash	$ 91
Accounts receivable	269
Prepaids and other assets	5
Inventories	205
Fixed assets	10
Deferred tax assets	53
Total current assets	633
Intangible assets:	
Customer relationships	3,350
Trade names	268
Backlog	12
Non-compete	11
Total intangible assets	3,641
Total assets	4,274
Current liabilities:	
Accounts payable	326
Accrued liabilities	46
Total current liabilities	372
Long term liabilities:	
Deferred tax liabilities	1,347
Total long term liabilities	1,347
Total liabilities	1,719
Net assets acquired	$ 2,555

Purchase of assets from Ascom Network Testing, Inc.

On December 30, 2009, the Company entered into and closed an Asset Purchase Agreement (the Ascom APA) with Ascom. Under the terms of the Ascom APA, the Company acquired all of the assets related to Ascom s scanning receiver business (WTS scanning receivers). The WTS scanners receiver business was a small part of Comarco s WTS segment, a business that Ascom acquired in 2009. The WTS scanning receivers augment the Company s scanning

receiver product line.

The WTS scanning receiver business has been integrated with the Company s scanning receiver operations in Germantown, Maryland. As part of the Ascom APA, the parties concurrently entered into a Transition Services Agreement (TSA). Under the TSA, Ascom manufactured and assembled the scanner products until the operations were integrated with the Company s own operations in its Germantown, Maryland facility. The TSA was complete as of June 30, 2010. Per the Ascom APA, the Company also funded the development of compatibility between its scanning receivers and Ascom s benchmarking solution.

Separately, the Company and Ascom renewed their existing supply agreement, which remained non-exclusive. Under the supply agreement, the Company continues to supply both the PCTEL scanning receivers and the WTS scanning receivers to the newly formed Ascom Network Testing Division that consolidated the testing businesses for mobile telecom carriers of Ascom.

The purchase price of $4.5 million for the scanning receiver assets of Ascom was allocated based on fair value: $0.3 million to net tangible assets, $3.8 million to customer relationships, $0.3 million to core technology and trade names, and $0.1 million to other intangible assets. The technology includes $0.2 million of in-process R&D related to LTE scanner development. The projects related to the in-process research and development were completed in the third quarter of 2010. The tangible assets include inventory and warranty obligations. There was no goodwill recorded from this acquisition. The intangible assets are being amortized for book purposes and are tax deductible. At the date of the acquisition, the weighted average book amortization period of the intangible assets was 5.2 years. The Company estimated the fair value (and remaining useful lives) of the assets and liabilities.

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The following is the allocation of the purchase price for Ascom at the date of the acquisition:

Current assets:	
Inventory	$ 248
Total current assets	248
Intangible assets:	
Core technology	254
Customer relationships	3,833
Trade name	52
Other, net	130
Total intangible assets	4,269
Total assets	$ 4,517
Current liabilities:	
Warranty accrual	$ 26
Total current liabilities	26
Net assets acquired	$ 4,491

The purchase price was based on $4.3 million paid at the close of the transaction and $0.2 million of contingent consideration due in two equal installments in December 2010 and 2011, respectively. The cash consideration paid in connection with the acquisition was provided from the Company s existing cash. The $0.2 million of contingent consideration was based upon achievement of certain revenue objectives and at December 31, 2009, the Company included the future payments due in the purchase price because it believed that the achievement of these objectives was more likely than not. The revenue target for 2010 was not met, and as of December 31, 2010, the Company determined that the revenue target for 2011 would more than likely not be met. At December 31, 2010, the Company recorded a write off of the $0.2 million contingent consideration as miscellaneous income. Due to the revised revenue projections for the WTS scanning receivers, the Company also recorded impairment expense of $0.2 million. See the intangible asset section of note 1 for further discussion of the intangible asset impairment for Ascom.

6. Settlement with Wider Networks LLC

On December 9, 2009, the Company settled its intellectual property dispute with Wider. The settlement agreement provided for a purchase of assets in the form of patented technology, trade names and trademarks, and exclusive distribution rights. The settlement gives the Company another interference management product, suitable for certain markets, to distribute along side CLARIFY®. The $1.2 million settlement amount consisted of cash consideration of $0.8 million paid at the close of the transaction plus additional installments of $0.2 million in December 2010 and December 2011.

The fair value of the elements in the settlement agreement was approximately $1.2 million. The $1.2 million fair value of the assets purchased from Wider was allocated: $1.0 million to distribution rights and $0.2 million to core technology and trade names.

The following was recorded as the fair value of the asset acquired from Wider at the date of the settlement:

Intangible assets:	
Distribution rights, net	$ 1,013
Core technology	127
Trade name	31
Total intangible assets	$ 1,171

The Company estimated the fair value (and remaining useful lives) of the assets. At the date the settlement was recorded, the weighted average book amortization period of the intangible assets was 5.7 years. The 2010 revenues resulting from the products related to the Wider trade name and the Wider distribution rights were significantly lower than the Company s revenue projections used in the original accounting valuations. The Company considered these revenue variances as an indication that the carrying value of the long lived intangible assets

subject to amortization may not be fully recoverable and may be less than the fair value at December 31, 2010. At December 31, 2010, the Company recorded impairment expense of $0.9 million related to the remaining balance of the distribution rights and trade names. The intangible assets were amortized for book purposes in 2010. The core technology will be amortized for book purposes for the remainder of its useful life. The intangible assets are tax-deductible. See the intangible asset section of note 1 for further discussion of the intangible asset impairment for Wider.

The Company paid the first installment of $0.2 million in December 2010. The fair value of the $0.2 million payment due in December 2011 is included in accrued liabilities at March 31, 2011 and December 31, 2010.

7. Earnings per Share

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended March 31,	
	2011	**2010**
Basic Earnings Per Share computation:		
Numerator:		
Net loss	($1,900)	($795)
Net loss attributable to noncontrolling interests	(1,781)	
Net loss attributable to PCTEL, Inc .	($119)	($795)
Less: adjustments to redemption value of noncontrolling interests	(1,166)	
Net loss available to common shareholders	($1,285)	($795)
Denominator:		
Common shares outstanding	17,199	17,487
Earnings per common share basic		
Net loss available to common shareholders	($0.07)	($0.05)
Diluted Earnings Per Share computation:		
Numerator:		
Net loss	($1,900)	($795)
Net loss attributable to noncontrolling interests	($1,781)	
Net loss attributable to PCTEL, Inc .	($119)	($795)
Less: adjustments to redemption value of noncontrolling interests	($1,166)	
Net loss available to commons shareholders	($1,285)	($795)
Denominator:		
Common shares outstanding	17,199	17,487
Restricted shares subject to vesting	*	*
Common stock option grants	*	*
Total shares	17,199	17,487

Earnings per common share diluted		
Net loss available to common shareholders	($0.07)	($0.05)

* As denoted by * in the table above, the weighted average common stock option grants and restricted shares of 474,000 and 469,000 were excluded from the calculations of diluted net loss per share for the periods ended March 31, 2011 and 2010, respectively, since their effects are anti-dilutive.

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8. Stock-Based Compensation

The condensed consolidated statements of operations include $0.8 million and $1.0 million of stock compensation expense for the three months ended March 31, 2011 and 2010, respectively. Stock compensation expense for the three months ended March 31, 2011 consists of $0.6 million of restricted stock amortization, $0.1 million for performance share amortization, $0.1 million for stock option expenses and stock purchase plan expenses. Stock compensation expense for the three months ended March 31, 2010 consists of $0.7 million of restricted stock amortization, $0.1 million for performance share amortization, $0.1 million for stock option expenses and stock purchase plan expenses, and $0.1 million for stock bonuses. The Company did not capitalize any stock compensation expense during the three months ended March 31, 2011 or 2010, respectively. The Company did not issue any stock awards to employees or contributors of PCTEL Secure during the three months ended March 31, 2011.

Total stock-based compensation is reflected in the condensed consolidated statements of operations as follows:

	Three Months Ended March 31,	
	2011	2010
Cost of revenues	$ 69	$ 91
Research and development	156	149
Sales and marketing	182	209