INTEGRAMED AMERICA INC
Form 10-Q
August 07, 2012

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

FORM 10-Q

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2012

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File No. 0-20260

IntegraMed America, Inc.
(Exact name of Registrant as specified in its charter)

| | |
|---|---|
| Delaware | 06-1150326 |
| (State or other jurisdiction of incorporation or organization) | (IRS employer identification no.) |

| | |
|---|---|
| Two Manhattanville Road | |
| Purchase, NY | 10577 |
| (Address of principal executive offices) | (Zip code) |

(914) 253-8000
(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 x No ¨

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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 ¨ | Accelerated Filer x |
| Non-Accelerated filer ¨ | Smaller Reporting Company ¨ |

Indicate by check mark whether the registrant is a shell company (as defined in rule 12b-2 of the Exchange Act). Yes ¨ No x

The aggregate number of shares of the Registrant's Common Stock, $.01 par value, outstanding on July 25, 2012 was approximately 11.986,713.

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INTEGRAMED AMERICA, INC.
FORM 10-Q

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INTEGRAMED AMERICA, INC.
CONSOLIDATED BALANCE SHEETS
(All amounts in thousands, except per share and share amounts)

| | June 30, 2012 (unaudited) | December 31, 2011 |
|---|---|---|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | $56,669 | $57,909 |
| Patient and other receivables, net | 7,233 | 6,372 |
| Other current assets | 10,277 | 8,602 |
| Deferred taxes | 2,523 | 2,222 |
| Total current assets | 76,702 | 75,105 |
| | | |
| Fixed assets, net | 24,482 | 21,288 |
| Business service rights, net | 24,845 | 24,114 |
| Goodwill | 30,334 | 30,334 |
| Trademarks | 4,442 | 4,442 |
| Other assets | 2,375 | 2,221 |
| Total assets | $163,180 | $157,504 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | $2,573 | $4,037 |
| Accrued liabilities | 18,530 | 17,074 |
| Current portion of long-term notes payable and other obligations | 9,070 | 3,816 |
| Due to fertility medical practices | 19,483 | 14,229 |
| Attain IVF deferred revenue and other patient deposits | 16,960 | 16,342 |
| Total current liabilities | 66,616 | 55,498 |
| | | |
| Long-term notes payable and other obligations | | 7,187 |
| Deferred and other tax liabilities | 4,587 | 5,277 |
| Total liabilities | 71,203 | 67,962 |
| | | |
| Commitments and Contingencies | | |
| | | |
| Shareholders' equity: | | |
| Common Stock, $.01 par value – 20,000,000 shares authorized at June 30, 2012 and December 31, 2011, 12,023,921 and 11,894,302 issued at June 30, 2012 and December 31, 2011, and 11,986,713 and 11,857,094 shares outstanding at June 30, 2012 and December 31, 2011, respectively | 120 | 119 |
| Capital in excess of par | 78,794 | 78,156 |
| Other comprehensive loss | (30) | (42) |
| Treasury stock, at cost – 37,208 at June 30, 2012 and December 31, 2011 respectively | (330) | (330) |
| Retained earnings | 13,423 | 11,639 |
| Total shareholders' equity | 91,977 | 89,542 |
| Total liabilities and shareholders' equity | $163,180 | $157,504 |

See accompanying notes to consolidated financial statements.

INTEGRAMED AMERICA, INC
CONSOLIDATED STATEMENTS OF OPERATIONS
(all amounts in thousands, except per share amounts)
(unaudited)

| | For the Three-month period Ended June 30, | | For the Six-month period Ended June 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Revenues, net | | | | |
| Attain Fertility Centers | $53,131 | $49,653 | $104,388 | $98,251 |
| Vein Clinics | 23,060 | 19,398 | 42,629 | 35,059 |
| Total revenues | 76,191 | 69,051 | 147,017 | 133,310 |
| | | | | |
| Costs of services and sales | | | | |
| Attain Fertility Centers | 48,537 | 45,481 | 95,525 | 89,645 |
| Vein Clinics | 21,992 | 18,206 | 40,710 | 33,618 |
| Total costs of services and sales | 70,529 | 63,687 | 136,235 | 123,263 |
| | | | | |
| Contribution | | | | |
| Attain Fertility Centers | 4,594 | 4,172 | 8,863 | 8,606 |
| Vein Clinics | 1,068 | 1,192 | 1,919 | 1,441 |
| Total contribution | 5,662 | 5,364 | 10,782 | 10,047 |
| | | | | |
| General and administrative expenses | 4,537 | 3,001 | 7,421 | 6,042 |
| Legal settlement | - | 1,650 | - | 1,650 |
| Interest income | (36) | (48) | (78) | (96) |
| Interest expense | 96 | 131 | 201 | 273 |
| Total other expenses, net | 4,597 | 4,734 | 7,544 | 7,869 |
| | | | | |
| Income before income taxes | 1,065 | 630 | 3,238 | 2,178 |
| Income tax provision | 589 | 282 | 1,454 | 872 |
| Net income | $476 | $348 | $1,784 | $1,306 |
| | | | | |
| Basic and diluted net earnings per share of Common Stock | | | | |
| Basic earnings per share | $0.04 | $0.03 | $0.15 | $0.11 |
| Diluted earnings per share | $0.04 | $0.03 | $0.15 | $0.11 |
| | | | | |
| Weighted average shares – basic | 11,987 | 11,836 | 11,981 | 11,825 |
| Weighted average shares - diluted | 12,053 | 11,878 | 12,037 | 11,873 |

See accompanying notes to consolidated financial statements.

INTEGRAMED AMERICA, INC
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
(all amounts in thousands)
(unaudited)

| | For the three-month period Ended June 30, | | For the six-month period Ended June 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Net Income as reported | $476 | $348 | $1,784 | $1,306 |
| Unrealized gain (loss) on hedging transaction | 14 | (25) | 19 | (5) |
| Related tax (provision) / benefit | (5) | 9 | (7) | 2 |
| Total comprehensive income | $485 | $332 | $1,796 | $1,303 |

See accompanying notes to consolidated financial statements.

INTEGRAMED AMERICA, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(all amounts in thousands)
(unaudited)

| | Common Stock | | | | Treasury Shares | | | |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Capital in Excess of Par | Accumulated Comprehensive Income (loss) | Shares | Amount | Retained Earnings | Total Equity |
| Balance at December 31, 2011 | 11,894 | $119 | $78,156 | $ (42) | (37) | $(330) | $11,639 | $89,542 |
| Stock awards granted, net | 112 | 1 | (1) | — | — | — | — | — |
| Restricted stock award and stock option expense amortization | — | — | 587 | — | — | — | — | 587 |
| Stock options exercised | 18 | — | 52 | — | — | — | — | 52 |
| Unrealized gain on hedging transaction | — | — | — | 19 | — | — | — | 19 |
| Tax effect of equity transactions | — | — | — | (7) | — | — | — | (7) |
| Net income for the six months ended June 30, 2012 | — | — | — | — | — | — | 1,784 | 1,784 |
| Balance at June 30, 2012 | 12,024 | $120 | $78,794 | $ (30) | (37) | $(330) | $13,423 | $91,977 |

See accompanying notes to consolidated financial statements.

INTEGRAMED AMERICA, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(all amounts in thousands)
(unaudited)

| | For the Six-month period ended June 30, 2012 | 2011 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income | $1,784 | $1,306 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 4,313 | 3,935 |
| Deferred income tax provision | (998) | 223 |
| Stock-based compensation | 587 | 780 |
| Changes in assets and liabilities — | | |
| Decrease (increase) in assets | | |
| Patient and other accounts receivable | (861) | (927) |
| Other current assets | (1,675) | (763) |
| Other assets | (154) | (174) |
| (Decrease) increase in liabilities | | |
| Accounts payable | (1,464) | (1,327) |
| Accrued liabilities | 1,456 | 5,752 |
| Due to fertility medical practices | 5,254 | 2,911 |
| Attain IVF Deferred revenue and other patient deposits | 618 | 2,325 |
| Net cash provided by operating activities | 8,860 | 14,041 |
| Cash flows from investing activities: | | |
| Purchase of business service rights | (1,380) | (2,395) |
| Purchase of fixed assets, net | (6,858) | (6,212) |
| Net cash used in investing activities | (8,238) | (8,607) |
| Cash flows from financing activities: | | |
| Debt repayments | (1,914) | (1,834) |
| Proceeds from stock option exercises | 52 | 92 |
| Net cash used in financing activities | (1,862) | (1,742) |
| Net (decrease) increase in cash and cash equivalents | (1,240) | 3,692 |
| Cash and cash equivalents at beginning of period | 57,909 | 50,183 |
| Cash and cash equivalents at end of period | $56,669 | $53,875 |
| Supplemental Information: | | |
| Interest paid | 188 | 285 |
| Income taxes paid | 1,584 | 211 |

See accompanying notes to consolidated financial statements.

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INTEGRAMED AMERICA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1 — GENERAL:

Acquisition by Sagard Capital

On June 10, 2012, the Company entered into a definitive agreement to be acquired by affiliates formed by Sagard Capital Partners, L.P. (“Sagard Capital”), an investment fund and IntegraMed shareholder. The acquisition consideration is $14.05 per share, net to the the Company’s shareholders in cash, without interest thereon and subject to applicable withholding taxes or a total equity purchase price of approximately $169.5 million. The agreement is subject to shareholder approval as well as other regulatory and customary closing conditions. If approved by the Company’s shareholders and if the other conditions to closing are satisfied, the transaction is expected to be completed as promptly as practicable, but no later than mid-November 2012. The merger is subject to certain closing conditions and there can be no assurance that the merger will be consummated.

The accompanying unaudited financial statements do not include the effects of the merger, nor do they include any adjustments associated with the purchase price allocation of the merger.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions of the Securities and Exchange Commission (SEC) rules related to Form 10-Q and, accordingly, do not include all of the information and footnotes required by generally accepted accounting principles for complete consolidated financial statements. In the opinion of management, the accompanying unaudited interim consolidated financial statements contain all adjustments (consisting only of normal recurring accruals) necessary to present fairly the consolidated financial position at June 30, 2012, and the consolidated results of operations and cash flows for the interim periods presented. Operating results for the interim period are not necessarily indicative of results that may be expected for the year ending December 31, 2012 or any other period. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in IntegraMed America, Inc.’s Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2011.

NOTE 2 — EARNINGS PER SHARE:

The reconciliation of the numerators and denominators of the basic and diluted earnings per share computations for the three and six month periods ended June 30, 2012 and 2011 is as follows (000's omitted, except for per share amounts):

For the six-month period

| | For the three-month period ended June 30, | | ended June 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Numerator | | | | |
| Net Income | $476 | $348 | $1,784 | $1,306 |
| | | | | |
| Denominator | | | | |
| Weighted average shares outstanding (basic) | 11,987 | 11,836 | 11,981 | 11,825 |
| Effect of dilutive options and warrants | 66 | 42 | 56 | 48 |
| Weighted average shares and dilutive potential Common shares (diluted) | 12,053 | 11,878 | 12,037 | 11,873 |
| | | | | |
| Basic earnings per share | $0.04 | $0.03 | $0.15 | $0.11 |
| Diluted earnings per share | $0.04 | $0.03 | $0.15 | $0.11 |

INTEGRAMED AMERICA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

For the three and six months ended June 30, 2012, there were no options to purchase shares of common stock which were excluded from the computation of diluted earnings per share as the exercise price of all options was at or below the average market price of the shares of common stock.

For the three and six months ended June 30, 2011, options to purchase approximately 12,000 and 18,000 shares of common stock, respectively, were excluded from the computation of diluted earnings per share as the exercise price of the options was above the average market price of the shares of common stock.

As of June 30, 2012, there were 12,023,921 shares of common stock issued of which 11,986,713 were outstanding and 37,208 held as treasury shares. As of December 31, 2011, there were 11,894,302 shares of common stock issued of which 11,857,094 were outstanding and 37,208 held as treasury shares.

NOTE 3 — SEGMENT INFORMATION:

We currently report two major operating segments and a corporate office that provides shared services. These operating segments reflect our organizational structure, lines of responsibility and management's perspective of the organization. Each segment includes an element of overhead costs specifically associated with its operations with the corporate shared services group responsible for support functions generic to both segments.

Performance by segment, for the three and six month periods ended June 30, 2012 and 2011 are presented below (000's omitted):

| | Attain Fertility Centers | Vein Clinics | Corp G&A | Consolidated |
|---|---|---|---|---|
| For the three months ended June 30, 2012 | | | | |
| Total Revenues, net | $53,131 | $23,060 | | $ 76,191 |
| Cost of Services and Sales | 48,537 | 21,992 | | 70,529 |
| Contribution | 4,594 | 1,068 | | 5,662 |
| Operating margin | 8.61 % | 4.6 % | 0.0 % | 7.4 % |
| | | | | |
| General and Administrative | - | - | 4,537 | 4,537 |
| Interest, net | - | - | 60 | 60 |
| Income before income taxes | $4,594 | $1,068 | $(4,597 ) | $ 1,065 |
| | | | | |
| Depreciation expense included above | $1,060 | $658 | $184 | $ 1,902 |
| Capital Expenditures | $1,247 | $2,640 | $181 | $ 4,068 |
| Total Assets | $40,247 | $59,761 | $63,172 | $ 163,180 |

INTEGRAMED AMERICA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

| | Attain Fertility Centers | | Vein Clinics | | Corp G&A | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| For the six months ended June 30, 2012 | | | | | | | | |
| Total Revenues, net | $104,388 | | $42,629 | | | | $ 147,017 | |
| Cost of Services and Sales | 95,525 | | 40,710 | | | | 136,235 | |
| Contribution | 8,863 | | 1,919 | | | | 10,782 | |
| Operating margin | 8.5 | % | 4.5 | % | 0.0 | % | 7.3 | % |
| | | | | | | | | |
| General and Administrative | | | | | 7,421 | | 7,421 | |
| Interest, net | | | | | 123 | | 123 | |
| Income before income taxes | $8,863 | | $1,919 | | $(7,544 | ) | $ 3,238 | |
| | | | | | | | | |
| Depreciation expense included above | $2,058 | | $1,267 | | $339 | | $ 3,664 | |
| Capital Expenditures | $2,673 | | $3,564 | | $621 | | $ 6,858 | |
| Total Assets | $40,247 | | $59,761 | | $63,172 | | $ 163,180 | |
| | | | | | | | | |
| For the three months ended June 30, 2011 | | | | | | | | |
| Total Revenues, net | $49,653 | | $19,398 | | | | $69,051 | |
| Cost of Services and Sales | 45,481 | | 18,206 | | | | 63,687 | |
| Contribution | 4,172 | | 1,192 | | | | 5,364 | |
| Operating margin | 8.4 | % | 6.1 | % | 0.0 | % | 7.8 | % |
| | | | | | | | | |
| General and Administrative | | | | | 3,001 | | 3,001 | |
| Legal settlement | | | | | 1,650 | | 1,650 | |
| Interest, net | (37 | ) | | | 120 | | 83 | |
| Income before income taxes | $4,209 | | $1,192 | | $(4,771 | ) | $630 | |
| | | | | | | | | |
| Depreciation expense included above | $1,008 | | $526 | | $165 | | $1,699 | |
| Capital Expenditures | $1,104 | | $849 | | $109 | | $2,062 | |
| Total Assets | $44,060 | | $57,199 | | $57,624 | | $158,883 | |
| | | | | | | | | |
| For the six months ended June 30, 2011 | | | | | | | | |
| Total Revenues, net | $98,251 | | $35,059 | | | | $133,310 | |
| Cost of Services and Sales | 89,645 | | 33,618 | | | | 123,263 | |
| Contribution | 8,606 | | 1,441 | | | | 10,047 | |
| Operating margin | 8.8 | % | 4.1 | % | 0.0 | % | 7.5 | % |
| | | | | | | | | |
| General and Administrative | - | | | | 6,042 | | 6,042 | |
| Legal settlement | | | | | 1,650 | | 1,650 | |
| Interest, net | (70 | ) | | | 247 | | 177 | |
| Income before income taxes | $8,676 | | $1,441 | | $(7,939 | ) | $2,178 | |
| | | | | | | | | |
| Depreciation expense included above | $1,983 | | $970 | | $334 | | $3,287 | |

| | | | | |
|---|---|---|---|---|
| Capital Expenditures | $2,534 | $3,384 | $294 | $6,212 |
| Total Assets | $44,060 | $57,199 | $57,624 | $158,883 |

INTEGRAMED AMERICA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 4 – CASH AND CASH EQUIVALENTS:

To the extent that cash balances exceed short term operating needs, excess cash is invested in short term interest bearing instruments. It is our policy to restrict our investments to high-quality securities with fixed principal amounts and maturity dates of one year or less. As of June 30, 2012 and December 31, 2011, our entire cash balances were held in accounts with depository institutions or were invested in certificate of deposits and are considered cash or cash equivalents.

NOTE 5 – PATIENT AND OTHER RECEIVABLES, NET:

Patient and other receivables are principally comprised of patient and insurance receivables from our Vein Clinics division which represent outstanding balances due for patient treatments less estimated allowances for uncollectible balances. Reserves for uncollectable accounts are based on both historical trends and specific identification of specific accounts. As of June 30, 2012 and December 31, 2011, we believe that our receivable reserves were adequate to provide for any collection issues.

The composition of our patient and other receivables is as follows (000's omitted):

| | June 30, 2012 (unaudited) | December 31, 2011 |
|---|---|---|
| Vein Clinic patient and insurance receivables | $7,503 | $7,045 |
| Reserve for uncollectible accounts | (487) | (769) |
| Subtotal Vein Clinic receivables, net | $7,016 | $6,276 |
| Other receivables | 217 | 96 |
| Total Patient and other receivables, net | $7,233 | $6,372 |

NOTE 6 – DIRECT RESPONSE ADVERTISING:

Direct Response Advertising Costs are included in other current assets in the accompanying consolidated balance sheet and were $3.8 million and $1.3 million as of June 30, 2012 and December 31, 2011, respectively. These costs consist of capitalized advertising costs which have met the criteria outlined in Accounting Standards Codification (ASC) 340, including; probable future benefit, the ability to uniquely track individual responses to specific advertisements, and the absence of material selling or marketing expenses expected to occur after the advertisement. These capitalized direct response advertising costs are amortized and recognized as an expense over a seven or six month useful life (depending on the segment that the advertising relates to). These amounts (which relate primarily to specific broadcast and internet based advertisements) are capitalized and begin to amortize at the time of use, based on the broadcast date or month of usage and are amortized over the expected period that revenue will be generated as a result of these costs.

NOTE 7 – INTANGIBLE ASSETS:

As of June 30, 2012 and December 31, 2011, our financial statements contained intangible assets totaling approximately $60 million and $59 million, respectively, as per the table below (000's):

INTEGRAMED AMERICA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

| | June 30, 2012 | | December 31, 2011 | |
|---|---|---|---|---|
| Goodwill | | $30,334 | | $30,334 |
| Trademarks | | 4,442 | | 4,442 |
| Business Service Rights - Refundable | 13,437 | | 12,167 | |
| Business Service Rights - Non-Refundable, net | 11,408 | 24,845 | 11,947 | 24,114 |
| | | | | |
| | | $59,621 | | $58,890 |

In evaluating the recoverability of our intangible assets, we follow the guidance contained in FASB ASU 2011-08 Intangibles – Goodwill and Other (Topic 350), which provides for a qualitative assessment of intangible asset valuation, followed by a quantitative two-step process to determine impairment if necessary.

Based on a review of relevant events, circumstances and expected trends as contained in FASB ASU 2011-08 section 350-20-35-3C, as well as other qualifiers, we concluded that as of June 30, 2012, it is more likely than not that the carrying value of our goodwill and intangible assets, in whole and individually, is less than their fair value, and no impairment has occurred.

If the fair value is less than the carrying amount, an impairment loss would be recognized in an amount equal to the excess of the carrying amount of the intangible assets over their fair values. To date we have not recorded any impairment losses.

NOTE 8 – DUE TO FERTILITY MEDICAL PRACTICES:

Due to Fertility Medical Practices is comprised of the net amounts owed by us to fertility practices contracted for full service practice management services. We do not consolidate the results of the Fertility Medical Practices into our accounts (as discussed in Note 2 of the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2011). This balance is comprised of amounts due to us by the medical practices for funds which we advance for use in financing their accounts receivable and selected other transactions, less balances owed to the fertility practices by us for undistributed physician earnings and patient deposits which we hold on behalf of the fertility practices.

While we are responsible for the management and collection of the fertility practices' accounts receivable, as part of the business services we provide, the credit and collection risk for these receivables remains with the fertility practice. We generally finance the receivables with full recourse. Amounts financed relating to uncollectible accounts are recovered from the fertility practice in the month uncollectible reserves are established or accounts are written-off.

As of June 30, 2012 and December 31, 2011, Due to Fertility Medical Practices was comprised of the following balances (000's omitted):

| | June 30, 2012 (unaudited) | December 31, 2011 |
|---|---|---|
| Advances to Partner fertility practices | $(18,363) | $(17,552) |
| Undistributed Physician Earnings | 7,594 | 5,508 |
| Physician Practice Patient Deposits | 30,252 | 26,273 |
| Due to Fertility Medical Practices, net | $19,483 | $14,229 |

INTEGRAMED AMERICA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 9 – NOTES PAYABLE AND OTHER OBLIGATIONS:

Notes payable and other obligations as of June 30, 2012 and December 31, 2011 consisted of the following (000's omitted):

| | June 30, 2012 (unaudited) | December 31, 2011 |
|---|---|---|
| Note payable to bank | $9,024 | $10,904 |
| Derivative fair valuation adjustment | 46 | 66 |
| Obligations under capital leases | - | 33 |
| Total notes payable and other obligations | $9,070 | $11,003 |
| Less — current portion | (9,070) | (3,816) |
| Long-term notes payable and other obligations | $- | $7,187 |

Note payable to Bank —

In May, 2010, we entered into a syndicated amended and restated financing arrangement with Bank of America, N.A., TD Bank, N.A., and Webster Bank, N.A. and secured a $35 million three-year revolving credit facility (amounts available to be borrowed are based on eligible patient receivables and as of June 30, 2012, approximately $14.5 million of the $35 million line of credit was available) and a $25 million three-year term loan. Both the term loan and the revolving credit facility mature in May 2013. Interest on the term loan and revolving loans are payable based on a tiered pricing structure related to a defined leverage ratio. As of June 30, 2012 interest on the term loan was payable at a rate of approximately 3.5%. As of June 30, 2012, the company had a $90 thousand letter of credit against the revolving credit facility and the unused balance bore a commitment fee of 0.25%.

Our credit facility is collateralized by substantially all of our assets. As of June 30, 2012, we were in full compliance with all of our applicable debt covenants.

NOTE 10 – STOCK-BASED EMPLOYEE COMPENSATION:

We currently have stock option plans which have been previously approved by the stockholders, the details of which are described more fully in Note 19 of the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2011. Under these plans, stock options and stock grants may be granted to employees, directors and such other persons as the Board of Directors determines will contribute to our success. Vesting periods are set by the Board of Directors and stock options are generally exercisable during a five or ten-year period following the date of grant. The Board of Directors has the authority to accelerate the maturity of any stock option or grant at its discretion, and all stock options and grants have anti-dilution provisions. Under all of our plans, options expire three months from the date of the holder's termination of employment or twelve months in the event of disability or death. As of June 30, 2012, there were 690,064 shares available for granting under these Plans.

The following table sets forth information about the weighted-average fair value of options granted in periods below. No options were granted in the three months ended June 30, 2012.

| | For the three-month period Ended June 30, | | For the six-month period Ended June 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Fair value of options granted | | | $ 6.06 | |
| Dividend yield | % | % | % | % |
| Expected volatility | % | % | 47% | % |
| Risk free interest rate | | | | |