

Edgar Filing: INTEGRAMED AMERICA INC - Form 10-Q

INTEGRAMED AMERICA INC  
Form 10-Q  
August 14, 2001

=====

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

FORM 10-Q

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

For the quarterly period ended June 30, 2001

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  
Commission File No. 1-11440

INTEGRAMED AMERICA, INC.  
(Exact name of Registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

06-1150326  
(I.R.S. employer identification no.)

One Manhattanville Road  
Purchase, New York  
(Address of principal executive offices)

10577  
(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  No

The aggregate number of shares of the Registrant's Common Stock, \$.01 par value, outstanding on July 31, 2001 was 2,993,486.

Edgar Filing: INTEGRAMED AMERICA INC - Form 10-Q

INTEGRAMED AMERICA, INC.  
FORM 10-Q

TABLE OF CONTENTS

	PAGE
	----
PART I - FINANCIAL INFORMATION	
Item 1. Financial Statements	
Consolidated Balance Sheets at June 30, 2001 (unaudited) and December 31, 2000.....	3
Consolidated Statements of Operations for the three and six-month periods ended June 30, 2001 and 2000 (unaudited)..	4
Consolidated Statements of Cash Flows for the six-month periods ended June 30, 2001 and 2000 (unaudited).....	5
Notes to Consolidated Financial Statements (unaudited).....	6-8
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	9-12
Item 3. Quantitative and Qualitative Disclosures About Market Risk.....	12
PART II - OTHER INFORMATION	
Item 1. Legal Proceedings.....	13
Item 2. Changes in Securities.....	13
Item 3. Defaults upon Senior Securities.....	13
Item 4. Submission of Matters to a Vote of Security Holders.....	13
Item 5. Other Information.....	13
Item 6. Exhibits and Reports on Form 8-K.....	13
SIGNATURES .....	14

-2-

PART I -- FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

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

Edgar Filing: INTEGRAMED AMERICA INC - Form 10-Q

ASSETS

Current assets:

Cash and cash equivalents .....	\$
Patient accounts receivable, less allowance for doubtful accounts of \$1,968 and \$1,457 in 2001 and 2000, respectively .....	
Business Service fees receivable .....	
Prepays and other current assets .....	
 Total current assets .....	
Fixed assets, net .....	
Intangible assets, net .....	
Other assets .....	
 Total assets .....	\$

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Accounts payable .....	\$
Accrued liabilities .....	
Due to Medical Practices .....	
Current portion of long-term notes payable and other obligations .....	
Patient deposits .....	
 Total current liabilities .....	

Long-term notes payable and other obligations .....

Shareholders' equity:

Preferred Stock, \$1.00 par value - 3,165,644 shares authorized in 2001 and 2000, 2,500,000 undesignated; 665,644 shares designated as Series A Cumulative Convertible of which 165,644 shares were issued and outstanding in 2001 and 2000, respectively .....	
Common Stock, \$.01 par value - 50,000,000 shares authorized in 2001 and 2000; and 5,473,571 and 5,413,571 shares issued in 2001 and 2000, respectively .....	
Capital in excess of par .....	
Accumulated deficit .....	
Restricted Stock Grants .....	
Treasury Stock, at cost - 2,480,085 and 1,600,013 shares in 2001 and 2000, respectively ....	
 Total shareholders' equity .....	
 Total liabilities and shareholders' equity .....	\$

See accompanying notes to the consolidated financial statements.

Edgar Filing: INTEGRAMED AMERICA INC - Form 10-Q

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

	For the three-month period ended June 30,	
	2001	2000
	(unaudited)	
Revenues, net .....	\$ 18,287	\$ 13,527
Cost of services incurred:		
Employee compensation and related expenses .....	7,433	5,370
Direct materials .....	3,958	2,680
Occupancy costs .....	873	847
Depreciation .....	300	345
Other expenses .....	3,116	2,206
Total cost of services incurred .....	15,680	11,448
Contribution .....	2,607	2,079
General and administrative expenses .....	1,880	1,390
Amortization of intangible assets .....	225	214
Interest income .....	(44)	(35)
Interest expense .....	77	103
Total other expenses .....	2,138	1,672
Income before income taxes .....	469	407
Provision for income taxes .....	63	39
Net income .....	\$ 406	\$ 368
Less: Dividends paid and/or accrued on Preferred Stock .....	33	33
Net income applicable to Common Stock .....	\$ 373	\$ 335
Basic and diluted earnings per share of Common Stock .....	\$ 0.12	\$ 0.08
Weighted average shares - basic .....	2,993	4,163
Weighted average shares - diluted .....	3,105	4,226

See accompanying notes to the consolidated financial statements.

Edgar Filing: INTEGRAMED AMERICA INC - Form 10-Q

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

	six-
	end
	-----
	200
	-----
	(
Cash flows from operating activities:	
Net income .....	\$ 7
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization .....	1,2
Change in assets and liabilities -- Decrease (increase) in assets:	
Patient accounts receivable .....	(6
Business Services fees receivable .....	2
Other current assets .....	3
Other assets .....	
(Decrease) increase in liabilities:	
Accounts payable .....	
Accrued liabilities .....	(8
Due to Medical Practices .....	1,1
Patient deposits .....	1,5
	-----
Net cash provided by operating activities .....	4,0
	-----
Cash flows used in investing activities:	
Purchase of fixed assets and leasehold improvements .....	(1,2
Payment for exclusive business service rights .....	(2
Proceeds from sale of fixed assets and leasehold improvements .....	--
	-----
Net cash used in investing activities .....	(1,5
	-----
Cash flows used in financing activities:	
Principal repayments on debt .....	(5
Principal repayments under capital lease obligations .....	(
Repurchase of Common Stock .....	(2,0
Proceeds from exercise of Common Stock warrants .....	
Dividends paid on Convertible Preferred Stock .....	(
	-----
Net cash used in financing activities .....	(2,6
	-----
Net decrease in cash .....	(1
Cash at beginning of period .....	5,3
	-----
Cash at end of period .....	\$ 5,1
	=====

Edgar Filing: INTEGRAMED AMERICA INC - Form 10-Q

See accompanying notes to the consolidated financial statements.

-5-

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

NOTE 1 -- INTERIM RESULTS:

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, accordingly, do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the accompanying unaudited interim financial statements contain all adjustments (consisting only of normal recurring accruals) necessary to present fairly the financial position at June 30, 2001, and the results of operations and cash flows for the interim period presented. Operating results for the interim period are not necessarily indicative of results that may be expected for the year ending December 31, 2001. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

NOTE 2 -- EARNINGS PER SHARE:

The reconciliation of the numerators and denominators of the basic and diluted EPS from continuing operations computations for the three and six-month periods ended June 30, 2001 and 2000 is as follows (000's omitted, except for per share amounts):

	For the three-month period ended June 30,		For six-month ended
	2001	2000	2001
	(unaudited)		(unau
<b>Numerator</b>			
-----			
Net Income .....	\$ 406	\$ 368	\$ 765
Less: Preferred Stock dividends paid .....	(33)	(33)	(66)
	-----	-----	-----
Net income available to common stockholders .....	\$ 373	\$ 335	\$ 699
	=====	=====	=====
<b>Denominator</b>			
-----			
Weighted average shares basic .....	2,993	4,163	3,109
Effect of dilutive options and warrants .....	112	63	41
	-----	-----	-----
Weighted average shares and dilutive potential common shares .....	3,105	4,226	3,150
	=====	=====	=====

Edgar Filing: INTEGRAMED AMERICA INC - Form 10-Q

Basic EPS .....	\$ 0.12	\$ 0.08	\$ 0.22
Diluted EPS .....	\$ 0.12	\$ 0.08	\$ 0.22

For the three and six-month period ended June 30, 2001, the effect of the assumed exercise of options to purchase approximately 247,000 and 473,000 shares of Common Stock, respectively, at exercise prices ranging from \$4.50 to \$5.38 and from \$4.00 to \$5.38, respectively, per share were excluded in computing the diluted per share amount because the exercise prices of the options were greater than the average market price of the shares of Common Stock, therefore causing these options to be antidilutive. For the three and six-month period ended June 30, 2001, the effect of the assumed exercise of warrants to purchase approximately 25,000 and 62,000 shares of Common Stock, respectively, at exercise prices ranging from \$5.13 to \$7.24 and \$4.12 to \$7.24, respectively, per share were excluded in computing the diluted per share amount because the exercise prices of the warrants were greater than the average market price of the shares of Common Stock, therefore causing these warrants to be antidilutive.

-6-

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

For the three and six-month periods ended June 30, 2000, the effect of the assumed exercise of options to purchase approximately 550,000 shares of Common Stock at exercise prices ranging from \$3.19 to \$5.00 per share were excluded in computing the diluted per share amount because the exercise prices of the options were greater than the average market price of the shares of Common Stock, therefore, causing these options to be antidilutive. For the three and six-month periods ended June 30, 2000, the effect of the assumed exercise of warrants to purchase approximately 103,000 shares of Common Stock at exercise prices ranging from \$4.12 to \$8.54 per share were excluded in computing the diluted per share amount because the exercise prices of the warrants were greater than the average market price of the shares of Common Stock, therefore, causing these warrants to be antidilutive.

For the three month and six month periods ended June 30, 2001 and 2000, approximately 133,000 shares of Common Stock from the assumed conversion of Preferred Stock were excluded in computing the diluted per share amount as they were antidilutive.

NOTE 3 -- SEGMENT INFORMATION:

The Company is principally engaged in providing products and services to the fertility market. For disclosure purposes, the Company recognizes Business Services offered to its network of Reproductive Science Centers and its pharmaceutical distribution operations as separate reporting segments as follows (000's omitted):

	Corporate -----	Business Services -----
For the three months ended June 30, 2001		
Revenues .....	\$ --	\$ 14,685

Edgar Filing: INTEGRAMED AMERICA INC - Form 10-Q

Cost of Services .....	--	12,245
Contribution .....	--	2,440
	-----	-----
General and administrative expenses .....	1,880	--
Amortization of intangibles .....	1	222
Interest, net .....	42	(6)
	-----	-----
Income before income taxes .....	(1,923)	2,224
Depreciation expense included above .....	108	300
Capital expenditures .....	104	410
For the six months ended June 30, 2001		
Revenues .....	\$ --	\$ 27,715
Cost of Services .....	--	23,066
Contribution .....	--	4,649
Other costs .....	3,569	--
Amortization of intangibles .....	2	435
Interest, net .....	86	(17)
	-----	-----
Income before income taxes .....	(3,657)	4,231
Depreciation expense included above .....	214	574
Capital expenditures .....	161	1,130

-7-

	Corporate	Business Services
	-----	-----
For the three months ended June 30, 2000		
Revenues .....	\$ --	\$11,524
Cost of Services .....	--	9,500
	-----	-----
Contribution .....	--	2,024
General and administrative expenses .....	1,390	--
Amortization of intangibles .....	1	211
Interest, net .....	71	1
	-----	-----
Income before income taxes .....	(1,462)	1,812
Depreciation expense included above .....	118	345
Capital expenditures .....	29	193
For the six months ended June 30, 2000		
Revenues .....	--	23,262
Cost of Services .....	--	19,333
	-----	-----
Contribution .....	--	3,929
Other costs .....	2,739	--
Amortization of intangibles .....	12	418
Interest, net .....	130	10
	-----	-----



Edgar Filing: INTEGRAMED AMERICA INC - Form 10-Q

Income before income taxes .....	(2,881)	3,501
Depreciation expense included above .....	236	679
Capital expenditures .....	51	537

NOTE 4 -- NEW ACCOUNTING PRONOUNCEMENTS:

In July 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, Business Combinations ("FAS 141") and No. 142, Goodwill and Other Intangible Assets ("FAS 142"). FAS141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. Under FAS 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed annually (or more frequently if impairment indicators arise) for impairment. Separable intangible assets that are not deemed to have indefinite lives will continue to be amortized over their useful lives (but with no maximum life). The amortization provisions of FAS 142 apply to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, the Company is required to adopt FAS 142 effective January 1, 2002 and is currently evaluating the effect that adoption of the provisions of FAS 142 will have on its results of operations and financial position.

-8-

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the consolidated financial statements and notes thereto included in this quarterly report and with the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

IntegraMed America, Inc. (the "Company") offers products and services to patients, providers, payors and pharmaceutical manufacturers in the fertility industry. The IntegraMed Network is comprised of twenty-two fertility centers in major markets across the United States, a pharmaceutical distribution subsidiary, a financing subsidiary, the Council of Physicians and Scientists, and a leading fertility portal ([www.integrated.com](http://www.integrated.com)). Seventeen of these fertility centers have access to the Company's FertilityDirect Program. Five of the fertility centers are designated as "Reproductive Science Centers(R)" and as such, have access to the Company's FertilityDirect Program in addition to being provided with a full range of services including: (i) administrative services, including accounting and finance, human resource functions, and purchasing of supplies and equipment; (ii) access to capital; (iii) marketing and sales; (iv) integrated information systems; (v) assistance in identifying best clinical practices; and (vi) laboratory services (collectively, "Business Services").

The Company's strategy is to align information, technology and finance for the benefit of fertility patients, providers, payors and pharmaceutical manufacturers. The primary elements of the Company's strategy include: (i) selling additional FertilityDirect contracts to leading fertility centers in major markets; (ii) selling Shared Risk Refund Treatment Packages to patients of contracted fertility centers and managing the risk associated with the programs; (iii) selling additional Reproductive Science Center Business Service contracts; (iv) increasing revenues at Reproductive Science Centers; (v) increasing sales

## Edgar Filing: INTEGRAMED AMERICA INC - Form 10-Q

of pharmaceutical products and services; (vi) expanding clinical research opportunities; and (vii) establishing Internet-based access to patient-specific information on treatment process and outcomes.

In December 2000, the Company's agreement with the medical center based Reproductive Science Center was terminated early. The Company received \$1.44 million in liquidated damages pursuant to an early termination agreement. The amount received was recorded as deferred revenue at December 31, 2000, as the Company has certain transition obligations through December 2001, and accordingly is being amortized ratably into income in 2001. It is anticipated that the cost of the transition obligations incurred to date, and those expected to be incurred during the remainder of the transition period, will be immaterial.

The Company is under pressure to reduce the fees it charges to the Reproductive Science Centers for Business Services and may be forced to reduce such fees. Cost containment measures which the Company may implement may not be enough to offset these fee reductions. In addition, as the Company implements its strategy to become a marketing-oriented in addition to a service-based company, costs of implementation may be incurred prior to achieving the related revenues. As a result of these issues, near term income levels may be reduced and the Company may not achieve the earnings level experienced in the first two quarters of 2001.

-9-

### Results of Operations

The following table shows the percentage of revenues represented by various expense and other income items reflected in the Company's Consolidated Statement of Operations.

	For the three-month period ended June 30,		For the six-month pe ended June	
	2001	2000	2001	2000
	(unaudited)		(unaudited)	
Revenues, net.....	100.0%	100.0%	100.0%	100.0%
Cost of services incurred:				
Employee compensation and related expenses.....	40.7	39.7	39.2	39.2
Direct materials.....	21.6	19.8	22.4	22.4
Occupancy costs.....	4.8	6.3	5.4	5.4
Depreciation.....	1.7	2.5	1.7	1.7
Other expenses.....	17.0	16.3	17.1	17.1
	85.8	84.6	85.8	85.8
Total cost of services incurred.....				
Contribution.....	14.2	15.4	14.2	14.2
General and administrative expenses.....	10.3	10.3	10.2	10.2
Amortization of intangible assets.....	1.2	1.6	1.3	1.3
Interest income.....	(0.2)	(0.3)	(0.3)	(0.3)
Interest expense.....	0.4	0.8	0.5	0.5

## Edgar Filing: INTEGRAMED AMERICA INC - Form 10-Q

Total other expenses.....	11.7	12.4	11.7
Income before income taxes.....	2.5	3.0	2.5
Provision for income taxes.....	0.3	0.3	0.3
	-----	-----	-----
Net income.....	2.2%	2.7%	2.2%
	=====	=====	=====

### Three Months Ended June 30, 2001 Compared to Three Months Ended June 30, 2000

Revenues for the three months ended June 30, 2001 (the second quarter of 2001) were approximately \$18.3 million as compared to approximately \$13.5 million for the three months ended June 30, 2000, an increase of 35.2%. Approximately 66% of the increase in revenues is attributable to same market growth in reimbursed costs and business service fees in the Reproductive Science Centers. Approximately 34% of the increase in revenues is attributable to sales increases in the Company's pharmaceutical distribution division.

Total costs of services as a percentage of revenues were 85.8% in the second quarter of 2001, compared to 84.6% in the second quarter of 2000. Employee compensation increased as a percentage of revenues due to expansion of services provided and increases in patient volume at the Company's Network locations. Direct materials increased as a percentage of revenues, primarily due to the cost of products sold at the pharmaceutical distribution division. Depreciation expense decreased as a percentage of revenues as the existing asset base is sufficient to service the growing patient volume. Other expenses increased as a percentage of revenues due to higher support costs, and higher volume generated administrative costs related to the Company's pharmaceutical distribution division.

Contribution was approximately \$2.6 million in the second quarter of 2001 as compared to \$2.1 million in the second quarter of 2000, an increase of approximately 25.4%. This increase is the result of (i) improving margins at various Reproductive Science Centers, a result of economies of scale attained by increased volume, and (ii) improving volume and margins in the pharmaceutical distribution division.

-10-

General and administrative expenses for the second quarter of 2001 were approximately \$1.9 million as compared to approximately \$1.4 million in the second quarter of 2000, an increase of 35.3%. The increase was largely due to increases in staffing and compensation attributable to implementation of initiatives related to the Company's internet marketing strategy, as well as higher information systems support costs.

Amortization of intangible assets was \$225,000 in the second quarter of 2001 as compared to \$214,000 in the second quarter of 2000, a increase of 5.1%. This increase was attributable to the purchase of additional business service rights to physician practices affiliated with one of the Company's Network locations.

Interest income for the second quarter of 2001 increased to \$44,000 from \$35,000 for the second quarter of 2000, due to higher available cash balances. Interest expense for the second quarter of 2001 decreased to \$77,000 from \$103,000 in the second quarter of 2000, due to scheduled payments of debt on the Company's line of credit.

The provision for income taxes primarily related to state taxes. The provision for income taxes increased to \$63,000 in the second quarter of 2001

## Edgar Filing: INTEGRAMED AMERICA INC - Form 10-Q

from \$39,000 in the second quarter of 2000 in line with increased earnings at network site locations.

Net income was \$406,000 in the second quarter of 2001 as compared to \$368,000 in the second quarter of 2000, an increase of 10.3%. The increase was primarily due to (i) improving margins at the Reproductive Science Centers and the Company's pharmaceutical distribution division, offset by increases in general and administrative expenses at the Company's headquarters, and (ii) decreases in interest expense related to the pay-down of debt.

### Six Months Ended June 30, 2001 Compared to Six Months Ended June 30, 2000

Revenues for the six months ended June 30, 2001 were approximately \$34.8 million as compared to approximately \$27.1 million for the six months ended June 30, 2000, an increase of 28.2%. Approximately 58% of the increase in revenues is attributable to same market growth in reimbursed costs and business service fees in the Reproductive Science Centers. Approximately 42% of the increase in revenues is attributable to sales increases in the Company's pharmaceutical distribution division.

Total costs of services as a percentage of revenues were 85.8% for the first six months of 2001, compared to 85.1% during the first six months of 2000. Direct materials increased as a percentage of revenues, due to increased patient volumes at the network sites and higher volume of products sold at the pharmaceutical distribution division. Depreciation expense decreased as a percentage of revenues as the existing asset base is sufficient to service the growing patient volume. Other expenses decreased as a percentage of revenue, due to decreases in contract termination costs and non-payroll marketing and consulting expenses.

Contribution was approximately \$5.0 million for the first six months of 2001 as compared to \$4.0 million for the first six months of 2000, an increase of approximately 22.4%. This increase is the result of (i) increased asset leverage as a result of patient volume increases at various Reproductive Science Centers, (ii) improving margins in the pharmaceutical distribution division, the result of increased sales to patients at the various Network Sites, and (iii) elimination of operating losses at the Kansas City based Reproductive Science Center which was closed during the first quarter of 2000.

General and administrative expenses for the first six months of 2001 were approximately \$3.6 million as compared to approximately \$2.7 million for the first six months of 2000, an increase of 30.3%. The increase was largely due to increases in staffing and compensation attributable to implementation of initiatives related to the Company's internet marketing strategy. As a percentage of revenues, general and administrative expenses increased to approximately 10.2% in the first six months of 2001 from approximately 10.1% during the same period in 2000.

Amortization of intangible assets was \$441,000 during the first six months of 2001 as compared to \$434,000 for the same period in 2000, an increase of 1.6%. This increase was attributable to the purchase of additional management rights to physician practices affiliated with two of the Company's Network locations.

-11-

Interest income for the first six months of 2001 increased to \$98,000 from \$85,000 for the first six months of 2000, due to higher available cash balances. Interest expense for the first six months of 2001 decreased to \$163,000 from \$219,000 for the first six months of 2000, due to scheduled payments of debt on the Company's line of credit.

## Edgar Filing: INTEGRAMED AMERICA INC - Form 10-Q

The provision for income taxes primarily related to state taxes. The provision for income taxes increased to \$114,000 during the first six months of 2001 from \$84,000 in the same period in 2000 in line with increased earnings at network site locations.

Net income was \$765,000 for the first six months of 2001 as compared to \$658,000 for the same period in 2000, an increase of 16.3%. The increase was primarily due to (i) improving margins at the Reproductive Science Centers and the Company's pharmaceutical distribution division, offset by increases in general and administrative expenses at the Company's headquarters, (ii) decreases in interest expense related to the pay-down of debt, and (iii) the elimination of operational expenses related to the wind down of the Kansas City Reproductive Science Center operations.

### Liquidity and Capital Resources

Historically, the Company has financed its operations primarily through operating cash flow, sales of equity securities and bank financings. As of June 30, 2001, the Company had working capital of approximately \$2.5 million and cash and cash equivalents of approximately \$5.1 million, compared to working capital of approximately \$4.9 million and cash and cash equivalents of \$5.3 million at December 31, 2000. The net decrease in working capital at June 30, 2001 was principally due to (i) the repurchase of 880,072 shares of the Company's Common Stock for an aggregate purchase price of \$2.0 million, repayments of debt of \$0.5 million and acquisition of fixed assets of \$1.3 million and (ii) an increase in amounts due to physician practices for income earned at the Network Sites of \$1.2 million and an increase in patient deposits of \$1.6 million.

The Company expects its cash flows from operating activities and bank financing capacity to be sufficient to fund its needs for asset acquisition, debt repayments, the Common Stock repurchase program and new service initiatives for the next year.

### Forward Looking Statements

This Form 10-Q and discussions and/or announcements made by or on behalf of the Company, contain certain forward-looking statements regarding events and/or anticipated results within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, the attainment of which involve various risks and uncertainties. Forward-looking statements may be identified by the use of forward-looking terminology such as, may, will, expect, believe, estimate, anticipate, continue, or similar terms, variations of those terms or the negative of those terms. The Company's actual results may differ materially from those described in these forward-looking statements due to the following factors: the Company's ability to acquire additional business service agreements, including the Company's ability to raise additional debt and/or equity capital to finance future growth, the loss of significant business service agreement(s), the profitability or lack thereof at Reproductive Science Centers serviced by the Company, increases in overhead due to expansion, the exclusion of infertility and ART services from insurance coverage, government laws and regulations regarding health care, changes in managed care contracting, the timely development of and acceptance of new infertility, ART and/or genetic technologies and techniques.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Edgar Filing: INTEGRAMED AMERICA INC - Form 10-Q

Part II - OTHER INFORMATION

Item 1. Legal Proceedings.

In July 1999, an action was filed in Middlesex Superior Court in Massachusetts, against the Company, the Reproductive Science Center of Boston (the "Center"), an independent genetic testing laboratory, and certain of their respective employees. The Complaint was served on the Company in March 2000. The action, filed by two former patients of the Center, arose out of Plaintiffs' participation during 1966 in an experimental program of pre-implantation genetic testing. The Plaintiffs had alleged professional negligence and breach of contract/warranties resulting in the birth of their child who suffers with cystic fibrosis. Plaintiffs sought damages of an undisclosed amount. The Company's insurance carrier appointed Massachusetts counsel to represent the Company in the matter that was settled in July 2001 with a payment by the carrier to Plaintiffs without any impact to the Company's financial position, results of operations or cash flows.

Item 2. Changes in Securities.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to Vote of Security Holders.

At an annual shareholders' meeting held on May 22, 2001, the following matter was approved:

- 1) election of six directors

The respective vote tabulations are detailed below:

Proposal 1 - Directors -----	For ---	Withhold Authority -----
Gerardo Canet	2,438,131	7,545
Michael J. Levy, M.D.	2,438,131	7,545
Sarason D. Liebler	2,438,131	7,545
Aaron S. Lifchez, M.D.	2,438,131	7,545
Lawrence Stuesser	2,438,131	7,545
Elizabeth E. Tallett	2,438,131	7,545

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K.

See Index to Exhibits on Page 15.

-13-

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the

Edgar Filing: INTEGRAMED AMERICA INC - Form 10-Q

undersigned thereunto duly authorized.

INTEGRAMED AMERICA, INC.  
(Registrant)

Date: August 14, 2001

By: /s/ John W. Hlywak, Jr.

-----  
John W. Hlywak, Jr.  
Senior Vice President and  
Chief Financial Officer  
(Principal Financial and  
Accounting Officer)

-15-

Exhibit  
Number  
-----

Exhibit  
-----

10.88(d) -- Amendment to Management Agreement between IntegraMed America,  
Inc. and MPD Medical Associates (MA) P.C. dated May 25, 2001.  
  
99.4 -- Registrant's Press Release dated May 2, 2001 (1)  
  
99.5 -- Registrant's Press Release dated August 1, 2001 (2)  
-----

(1) Filed as exhibit with identical exhibit number to Registrant's Report on  
Form 8-K dated May 2, 2001  
  
(2) Filed as exhibit with identical exhibit number to Registrant's Report on  
Form 8-K dated August 1, 2001

-15-