

ALLIANCE IMAGING INC /DE/
Form 10-Q/A
August 01, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

(Amendment No. 1)

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

For Quarter Ended: June 30, 2006

Commission File Number: 1-16609

ALLIANCE IMAGING, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

33-0239910

(IRS Employer
Identification Number)

1900 South State College Boulevard
Suite 600
Anaheim, California 92806

(Address of principal executive office)

(714) 688-7100

(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

Indicate by check mark whether the registrant is a large accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of July 31, 2006:

Common Stock, \$.01 par value, 49,871,449 shares

ALLIANCE IMAGING, INC.

FORM 10-Q/A

For the Fiscal Quarter Ended June 30, 2006

Explanatory Note

Alliance Imaging, Inc. (the Company) is filing this Amendment No. 1 to its Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 (the 10-Q), originally filed on August 9, 2006, to restate its condensed consolidated balance sheets as of June 30, 2006 and December 31, 2005, and its condensed consolidated statements of operations and comprehensive income for the quarter and six months ended June 30, 2006 and 2005, and its condensed consolidated statements of cash flows for the six months ended June 30, 2006 and 2005, and the related disclosures. Please refer to Note 14 to the accompanying condensed consolidated financial statements for additional information.

Subsequent to the filing of the 10-Q, the Company identified an error with respect to the accounting for interest rate swap agreements. The swap agreements were executed in 2004 and mature at various dates in 2007. Since inception the Company had recorded the unrealized gains and losses in fair value of the swap agreements through other comprehensive income (loss). The Company has determined that these transactions do not meet the requirements for hedge accounting treatment and any unrealized gains or losses should have been recognized through earnings.

This Amendment No. 1 does not result in a change in the Company's previously reported revenues, cash flow from operations or total cash and cash equivalents shown in its condensed consolidated financial statements. Furthermore, the Company has not modified or updated disclosures presented in this Form 10-Q/A, except as required to reflect the effects of the items discussed above. Accordingly, this Form 10-Q/A does not reflect events occurring after the filing of the 10-Q or modify or update those disclosures affected by subsequent events or discoveries. Information not affected by these restatements is unchanged and reflects the disclosures made at the time of the original filing of the 10-Q on August 9, 2006. Events occurring after the filing of the 10-Q or other disclosures necessary to reflect subsequent events are addressed in the Company's Quarterly Report in Form 10-Q/A for the quarterly period ended September 30 2006, the Company's Annual Report on Form 10-K/A for the fiscal period ended December 31, 2006 and in the Company's Quarterly Report in Form 10-Q/A for the quarterly period ended March 31, 2007, which will be filed with the Securities and Exchange Commission concurrently with this 10-Q/A.

The following items have been amended as a result of the restatements described above:

Part I Item 1 Financial Statements

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

Part I Item 3 Quantitative and Qualitative Disclosures About Market Risk

Part I Item 4 Controls and Procedures

ALLIANCE IMAGING, INC.
FORM 10-Q/A

June 30, 2006

Index

	Page
<u>PART I FINANCIAL INFORMATION</u>	
<u>Item 1 Financial Statements:</u>	
<u>Condensed Consolidated Balance Sheets</u>	
<u>December 31, 2005 and June 30, 2006 (Unaudited) (as restated)</u>	3
<u>Condensed Consolidated Statements of Operations and Comprehensive Income</u>	
<u>Quarter and six months ended June 30, 2005 and 2006 (Unaudited) (as restated)</u>	4
<u>Condensed Consolidated Statements of Cash Flows</u>	
<u>Six months ended June 30, 2005 and 2006 (Unaudited) (as restated)</u>	5
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	6
<u>Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	21
<u>Item 3 Quantitative and Qualitative Disclosures about Market Risk</u>	31
<u>Item 4 Controls and Procedures</u>	32
<u>PART II OTHER INFORMATION</u>	
<u>Item 1 Legal Proceedings</u>	33
<u>Item 1A Risk Factors</u>	33
<u>Item 2 Unregistered Sales of Equity Securities and Use of Proceeds</u>	33
<u>Item 3 Defaults Upon Senior Securities</u>	33
<u>Item 4 Submission of Matters to a Vote of Security Holders</u>	33
<u>Item 5 Other Information</u>	34
<u>Item 6 Exhibits</u>	34
<u>SIGNATURES</u>	38

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ALLIANCE IMAGING, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(in thousands)

	December 31, 2005 (as restated, see Note 14)	June 30, 2006 (as restated, see Note 14)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 13,421	\$ 12,423
Accounts receivable, net of allowance for doubtful accounts	48,236	53,478
Deferred income taxes	6,186	18,157
Prepaid expenses and other current assets	3,686	4,998
Other receivables	8,983	11,074
Total current assets	80,512	100,130
Equipment, at cost	752,128	760,475
Less accumulated depreciation	(393,179)	(404,275)
Equipment, net	358,949	356,200
Goodwill	154,656	154,612
Other intangible assets, net	39,071	38,155
Deferred financing costs, net	8,236	7,628
Other assets	33,918	25,104
Total assets	\$ 675,342	\$ 681,829
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current liabilities:		
Accounts payable	\$ 23,672	\$ 14,646
Accrued compensation and related expenses	14,088	15,954
Accrued interest payable	4,561	4,689
Income taxes payable	87	76
Other accrued liabilities	29,064	31,248
Current portion of long-term debt	7,781	7,016
Total current liabilities	79,253	73,629
Long-term debt, net of current portion	418,260	398,158
Senior subordinated notes	153,541	153,541
Minority interests and other liabilities	4,400	4,229
Deferred income taxes	60,144	79,073
Total liabilities	715,598	708,630
Commitments and contingencies (Note 11)		
Stockholders' deficit:		
Common stock	496	498
Additional paid-in deficit	(11,876)	(9,647)
Accumulated comprehensive income	1,515	2,340
Accumulated deficit	(30,391)	(19,992)
Total stockholders' deficit	(40,256)	(26,801)
Total liabilities and stockholders' deficit	\$ 675,342	\$ 681,829

See accompanying notes.

ALLIANCE IMAGING, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME
(Unaudited)
(in thousands, except per share amounts)

	Quarter Ended June 30, 2005 (as restated, see Note 14)	2006 (as restated, see Note 14)	Six Months Ended June 30, 2005 (as restated, see Note 14)	2006 (as restated, see Note 14)
Revenues	\$ 108,434	\$ 115,305	\$ 214,398	\$ 230,648
Costs and expenses:				
Cost of revenues, excluding depreciation and amortization	53,892	62,593	107,828	122,460
Selling, general and administrative expenses	13,677	13,611	25,363	27,367
Employment agreement costs	92		366	
Severance and related costs		47		536
Depreciation expense	20,463	20,919	40,926	41,920
Amortization expense	901	1,229	1,782	2,473
Interest expense, net of interest income	10,442	10,022	17,069	19,796
Other (income) and expense, net	(55)	(256)	(387)	472
Total costs and expenses	99,412	108,165	192,947	215,024
Income before income taxes, minority interest expense, and earnings from unconsolidated investees	9,022	7,140	21,451	15,624
Income tax expense	3,795	3,556	8,901	7,207
Minority interest expense	544	495	956	1,035
Earnings from unconsolidated investees	(912)	(1,977)	(1,596)	(3,017)
Net income	\$ 5,595	\$ 5,066	\$ 13,190	\$ 10,399
Comprehensive income, net of taxes:				
Net income	\$ 5,595	\$ 5,066	\$ 13,190	\$ 10,399
Unrealized (loss) gain on hedging transactions, net of taxes	(584)	273	701	825
Comprehensive income	\$ 5,011	\$ 5,339	\$ 13,891	\$ 11,224
Earnings per common share:				
Basic	\$ 0.11	\$ 0.10	\$ 0.27	\$ 0.21
Diluted	\$ 0.11	\$ 0.10	\$ 0.26	\$ 0.21
Weighted average number of shares of common stock and common stock equivalents:				
Basic	49,286	49,758	49,210	49,684
Diluted	50,270	50,232	50,290	50,107

See accompanying notes.

ALLIANCE IMAGING, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	Six Months Ended June 30, 2005 (as restated, see Note 14)	2006 (as restated, see Note 14)
Operating activities:		
Net income	\$ 13,190	\$ 10,399
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for doubtful accounts	1,478	1,593
Non-cash share-based compensation	126	1,308
Depreciation and amortization	42,708	44,393
Amortization of deferred financing costs	1,462	794
Adjustment of swaps to fair value	(1,500)	(494)
Distributions greater than (less than) equity in undistributed income of investees	271	(188)
Deferred income taxes	7,836	6,552
(Gain) loss on sale of assets	(387)	472
Changes in operating assets and liabilities:		
Accounts receivable	(1,203)	(6,903)
Prepaid expenses and other current assets	(1,554)	(1,312)
Other receivables	(2,901)	(2,091)
Other assets	(2,243)	(848)
Accounts payable	(11,977)	(8,915)
Accrued compensation and related expenses	(1,379)	1,866
Accrued interest payable	2,737	128
Income taxes payable	(63)	(11)
Other accrued liabilities	3,802	1,934
Minority interests and other liabilities	342	(259)
Net cash provided by operating activities	50,745	48,418
Investing activities:		
Equipment purchases	(28,948)	(43,035)
Decrease in deposits on equipment	3,419	10,388
Proceeds from sale of assets	1,251	2,322
Net cash used in investing activities	(24,278)	(30,325)
Financing activities:		
Principal payments on equipment debt	(2,972)	(1,934)
Principal payments on term loan facility	(25,000)	(2,675)
Principal payments on revolving loan facility	(15,000)	(28,825)
Proceeds from revolving loan facility	15,000	13,500
Payments of debt issuance costs	(211)	(186)
Proceeds from exercise of employee stock options	1,052	1,029
Net cash used in financing activities	(27,131)	(19,091)
Net decrease in cash and cash equivalents	(664)	(998)
Cash and cash equivalents, beginning of period	20,721	13,421