LINCOLN EDUCATIONAL SERVICES CORP
Form 10-Q
August 06, 2012

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

Form 10-Q

(Mark One)

ý 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

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

For the transition period from _____ to _____

Commission File Number 000-51371

LINCOLN EDUCATIONAL SERVICES CORPORATION
(Exact name of registrant as specified in its charter)

New Jersey (State or other jurisdiction of incorporation or organization)	57-1150621 (IRS Employer Identification No.)
200 Executive Drive, Suite 340 West Orange, NJ (Address of principal executive offices)	07052 (Zip Code)

(973) 736-9340
(Registrant's telephone number, including area code)

No change
(Former name, former address and former fiscal year, if changed since last report)

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 o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

As of August 1, 2012, there were 22,803,530 shares of the registrant's common stock outstanding.

LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES

INDEX TO FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2012

Index

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)
(Unaudited)

	June 30, 2012	December 31, 2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$19,994	$ 26,524
Accounts receivable, less allowance of $16,879 and $20,194 at June 30, 2012 and December 31, 2011, respectively	18,600	19,696
Inventories	3,174	3,051
Prepaid income taxes and income taxes receivable	21,339	11,743
Deferred income taxes, net	8,016	8,725
Prepaid expenses and other current assets	2,143	2,919
Total current assets	73,266	72,658
PROPERTY, EQUIPMENT AND FACILITIES - At cost, net of accumulated depreciation and amortization of $132,377 and $122,274 at June 30, 2012 and December 31, 2011, respectively	162,453	180,014
OTHER ASSETS:		
Noncurrent receivables, less allowance of $1,434 and $1,664 at June 30, 2012 and December 31, 2011, respectively	4,800	5,572
Deferred finance charges	909	329
Deferred income taxes, net	3,600	1,877
Goodwill	83,856	97,371
Other assets, net	4,717	4,430
Total other assets	97,882	109,579
TOTAL	$333,601	$ 362,251

See notes to unaudited condensed consolidated financial statements.

Index

LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)
(Unaudited)
(Continued)

	June 30, 2012	December 31, 2011
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt and lease obligations	$419	$ 481
Unearned tuition	39,714	43,242
Accounts payable	12,804	15,468
Accrued expenses	14,482	11,296
Other short-term liabilities	277	631
Total current liabilities	67,696	71,118
NONCURRENT LIABILITIES:		
Long-term debt and lease obligations, net of current portion	35,828	36,027
Pension plan liabilities, net	6,694	6,594
Accrued rent	8,743	8,365
Other long-term liabilities	1,056	1,122
Total liabilities	120,017	123,226
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, no par value - 10,000,000 shares authorized, no shares issued and outstanding at June 30, 2012 and December 31, 2011	-	-
Common stock, no par value - authorized 100,000,000 shares at June 30, 2012 and December 31, 2011, issued and outstanding 28,714,071 shares at June 30, 2012 and 28,548,274 shares at December 31, 2011	141,377	141,377
Additional paid-in capital	21,041	19,535
Treasury stock at cost - 5,910,541 shares at June 30, 2012 and December 31, 2011, respectively	(82,860)	(82,860)
Retained earnings	140,742	167,689
Accumulated other comprehensive loss	(6,716)	(6,716)
Total stockholders' equity	213,584	239,025
TOTAL	$333,601	$ 362,251

See notes to unaudited condensed consolidated financial statements.

Index

LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
REVENUE	$100,365	$128,224	$205,236	$273,582
COSTS AND EXPENSES:				
Educational services and facilities	49,769	54,619	101,579	113,635
Selling, general and administrative	55,017	64,237	112,201	132,124
(Gain) loss on sale of assets	(10)	30	(40)	9
Impairment of goodwill and long-lived assets	23,683	-	23,683	-
Total costs & expenses	128,459	118,886	237,423	245,768
OPERATING (LOSS) INCOME	(28,094)	9,338	(32,187)	27,814
OTHER:				
Interest income	-	2	2	5
Interest expense	(1,047)	(1,094)	(2,362)	(2,186)
Other income	2	8	10	13
(LOSS) INCOME BEFORE INCOME TAXES	(29,139)	8,254	(34,537)	25,646
(BENEFIT) PROVISION FOR INCOME TAXES	(8,431)	3,324	(10,775)	10,360
NET (LOSS) INCOME	$(20,708)	$4,930	$(23,762)	$15,286
Basic				
Net (loss) income per share	$(0.93)	$0.22	$(1.07)	$0.70
Diluted				
Net (loss) income per share	$(0.93)	$0.22	$(1.07)	$0.68
Weighted average number of common shares outstanding:				
Basic	22,183	21,990	22,160	21,966
Diluted	22,183	22,561	22,160	22,490

See notes to unaudited condensed consolidated financial statements.

Index

LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(In thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net (loss) income	$(20,708)	$4,930	$(23,762)	$15,286
Other comprehensive (loss) income				
Employee pension plan adjustments, net of taxes	-	-	-	-
Comprehensive (loss) income	$(20,708)	$4,930	$(23,762)	$15,286

See notes to unaudited condensed consolidated financial statements.

Index

LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(In thousands, except share amounts)
(Unaudited)

	Common Stock		Additional Paid-in	Treasury	Retained	Accumulated Other Comprehensive	
	Shares	Amount	Capital	Stock	Earnings	Loss	Total
BALANCE - January 1, 2012	28,548,274	$ 141,377	$ 19,535	$ (82,860)	$ 167,689	$ (6,716)	$ 239,025
Net loss	-	-	-	-	(23,762)	-	(23,762)
Stock-based compensation expense							
Restricted stock	190,285	-	1,824	-	-	-	1,824
Stock options	-	-	173	-	-	-	173
Tax deficiency of stock-based awards and cancels	-	-	(279)	-	-	-	(279)
Net share settlement for equity-based compensation	(24,488)	-	(212)	-	-	-	(212)
Cash dividend of $0.07 per common share	-	-	-	-	(3,185)	-	(3,185)
BALANCE - June 30, 2012	28,714,071	$ 141,377	$ 21,041	$ (82,860)	$ 140,742	$ (6,716)	$ 213,584

See notes to unaudited condensed consolidated financial statements.

Index

LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	$(23,762)	$15,286
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	13,984	13,688
Amortization of deferred finance charges	80	181
Deferred income taxes	(1,031)	887
(Gain) loss on disposition of assets	(40)	9
Impairment of goodwill and long-lived assets	23,683	-
Provision for doubtful accounts	9,549	14,119
Stock-based compensation expense	1,997	2,130
Tax benefit associated with exercise of share based payments	-	(83)
Deferred rent	510	437
(Increase) decrease in assets, net of acquisition of business:		
Accounts receivable	(7,616)	407
Inventories	(76)	334
Prepaid income taxes and income taxes receivable	(9,858)	(13,486)
Prepaid expenses and current assets	1,004	(741)
Other assets	(112)	531
Increase (decrease) in liabilities, net of acquisition of business:		
Accounts payable	(2,664)	(2,858)
Accrued expenses	3,039	(10,110)
Pension plan liabilities	(370)	(133)
Unearned tuition	(4,400)	(1,251)
Other liabilities	49	(198)
Total adjustments	27,728	3,863
Net cash provided by operating activities	3,966	19,149
CASH FLOWS FROM INVESTING ACTIVITIES:		
Restricted cash	-	693
Capital expenditures	(4,778)	(24,057)
Proceeds from sale of property and equipment	71	28
Acquisition of business, net of cash acquired	(1,472)	-
Net cash used in investing activities	(6,179)	(23,336)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on borrowings	-	(20,000)
Proceeds from exercise of stock options	-	228
Tax benefit associated with exercise of share based payments	-	83
Net share settlement for equity-based compensation	(212)	(378)
Dividends paid	(3,185)	(11,252)
Payment of deferred finance fees	(659)	-
Principal payments under capital lease obligations	(261)	(198)

Net cash used in financing activities	(4,317)	(31,517)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,530)	(35,704)
CASH AND CASH EQUIVALENTS—Beginning of period	26,524	65,995
CASH AND CASH EQUIVALENTS—End of period	$19,994	$30,291

See notes to unaudited condensed consolidated financial statements.

Index

LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)
(Continued)

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	$2,081	$2,090
Income taxes	$226	$23,057
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Cash paid during the year for:		
Fair value of assets acquired	$2,876	$-
Net cash paid for the acquisition	(1,472)	-
Liabilities assumed	$1,404	$-
Liabilities accrued for the purchase of fixed assets	$184	$2,476

See notes to unaudited condensed consolidated financial statements.

Index

LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED JUNE 30, 2012 AND 2011
(In thousands, except share and per share amounts and unless otherwise stated)
(Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activities – Lincoln Educational Services Corporation and Subsidiaries (the "Company") is a provider of diversified career-oriented post-secondary education. The Company offers recent high school graduates and working adults degree and diploma programs in five principal areas of study: Health Science, Automotive Technology, Skilled Trades, Business and Information Technology and Hospitality Services. The Company currently has 46 schools and five training sites in 17 states across the United States.

Basis of Presentation – The accompanying unaudited condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission and in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Certain information and footnote disclosures normally included in annual financial statements have been omitted or condensed pursuant to such regulations. These statements, which should be read in conjunction with the December 31, 2011 consolidated financial statements of the Company, reflect all adjustments, consisting solely of normal recurring adjustments including impairments, necessary to present fairly the consolidated financial position, results of operations, and cash flows for such periods. The results of operations for the three and six months ended June 30, 2012 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2012.

The unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates in the Preparation of Financial Statements – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. On an ongoing basis, the Company evaluates the estimates and assumptions, including those related to revenue recognition, bad debts, fixed assets, goodwill and other intangible assets, stock-based compensation, income taxes, benefit plans and certain accruals and contingencies. Actual results could differ from those estimates.

Stock-Based Compensation –The accompanying condensed consolidated statements of operations include stock-based compensation expense of approximately $1.1 million and $0.8 million for the three months ended June 30, 2012 and 2011, respectively, and $2.0 million and $2.1 million for the six months ended June 30, 2012 and 2011, respectively. The Company uses the Black-Scholes valuation model for stock options and utilizes straight-line amortization of compensation expense over the requisite service period of the grant. The Company makes an estimate of expected forfeitures at the time options are granted.

New Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board ("FASB") issued an amendment to an existing accounting standard which requires companies to present net income and other comprehensive income in one continuous statement or in two separate, but consecutive, statements. In addition, in December 2011, the FASB issued an amendment to an existing accounting standard which defers the requirement to present components of reclassifications of other comprehensive income on the face of the income statement. The Company early adopted this amendment and has presented statements of comprehensive income. Comprehensive (loss) income is impacted by employee pension plan adjustments, net of taxes.

In September 2011, the FASB issued a revised standard on testing for goodwill impairment. The revised standard allows an entity to first assess qualitatively whether it is necessary to perform step one of the two-step annual goodwill impairment test. An entity is required to perform step one only if the entity concludes that it is more likely than not that a reporting unit's fair value is less than its carrying amount, a likelihood of more than 50 percent. An entity can choose to perform the qualitative assessment on none, some, or all of its reporting units. Moreover, an entity can bypass the qualitative assessment for any reporting unit in any period and proceed directly to step one of the impairment test, and then perform the qualitative assessment in any subsequent period. The revised standard is effective for the Company for annual and interim goodwill impairment tests performed beginning after January 1, 2012 for the Company. The Company does not believe this guidance will have any impact on its consolidated financial position, results of operations, or cash flows.

Index

2. WEIGHTED AVERAGE COMMON SHARES

The weighted average number of common shares used to compute basic and diluted (loss) income per share for the three and six months ended June 30, 2012 and 2011 was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Basic shares outstanding	22,183,043	21,989,756	22,160,053	21,966,466
Dilutive effect of stock options	-	571,582	-	523,226
Diluted shares outstanding	22,183,043	22,561,338	22,160,053	22,489,692

For the three and six months ended June 30, 2012, options to acquire 27,995 and 19,858 shares, respectively, were excluded from the above table because the Company reported a net loss for the quarter and the six months and therefore their impact on reported earnings per share would have been antidilutive. For the three and six months ended June 30, 2011, options to acquire 304,333 shares were excluded from the above table because they have an exercise price that is greater than the average market price of the Company's common stock and therefore their impact on reported earnings per share would have been antidilutive.

On April 29, 2011, the Company issued certain employees performance shares that vest when certain performance conditions are met. These performance conditions were not met as of December 31, 2011 with respect to the Company's performance shares. As a result, the Company has determined these shares to be contingently issuable. Accordingly, 134,131 shares of outstanding performance shares have been excluded from the computation of diluted earnings per share for the three and six months ended June 30, 2012. Refer to Note 6 for more information on performance shares.

3. BUSINESS ACQUISITION

On April 18, 2012, the Company acquired all of the rights, title and interest in certain assets and liabilities of Florida Medical Training Institute, Inc. ("FMTI") for total consideration of $1.7 million, net of cash acquired. FMTI has five locations in Florida: Melbourne, Jacksonville, Tampa, Miami and Coral Springs. FMTI currently offers certificate programs in the fields of Emergency Medical Technician, Paramedic, EKG/Phlebotomy, Nursing Assistant, Fire Fighter and Associate of Science Degrees in Emergency Medical Services and Fire Science Technology.

4. GOODWILL AND LONG-LIVED ASSETS

The Company reviews intangible assets for impairment when indicators of impairment exist. Annually, or more frequently if necessary, the Company evaluates goodwill and intangible assets with indefinite lives for impairment, with any resulting impairment reflected as an operating expense. The Company concluded that the decrease in the Company's market capitalization as of June 30, 2012 was a triggering event and, accordingly, the Company tested goodwill for impairment. The tests indicated that five of the Company's reporting units were impaired as a result of lower than expected student population, which resulted in a pre-tax non-cash charge of $15.4 million in the second quarter of 2012. The fair values of these reporting units were estimated using the expected present value of future cash flows.

The Company reviews long-lived assets for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The Company concluded that as of June 30, 2012 there was a triggering event and, accordingly, the Company tested long-lived assets for impairment and determined that 10 of the Company's assets groups were impaired. This resulted in a pre-tax non-cash charge of $8.3 million which included leasehold improvements of $8.1 million and definite–lived intangible assets of $0.2 million.

Index

The carrying amount of goodwill at June 30, 2012 is as follows:

Balance as of January 1, 2012		
Goodwill	$	115,303
Accumulated impairment losses		(17,932)
		97,371
Goodwill acquired pursuant to business acquisition-FMTI		1,837
Goodwill impairment		(15,352)
Balance as of June 30, 2012		
Goodwill		117,140
Accumulated impairment losses		(33,284)
	$	83,856

Intangible assets, which are included in other assets in the accompanying condensed consolidated balance sheets, consist of the following:

	Student Contracts	Indefinite Trade Name	Trade Name	Accreditation	Curriculum	Non-compete	Total
Gross carrying amount at December 31, 2011	$ -	$ 180	$ 509	$ 1,268	$ 1,150	$ 1,980	$ 5,087
Acquisition of FMTI	25	-	25	-	224	200	474
Impairment	-	-	(168)	-	(250)	-	(418)
Gross carrying amount at June 30, 2012	25	180	366	1,268	1,124	2,180	5,143
Accumulated amortization at December 31, 2011	-	-	262	-	620	1,952	2,834
Amortization	11	-	45	-	67	36	159
Impairment	-	-	(127)	-	(85)	-	(212)
Accumulated amortization at June 30, 2012	11	-	180	-	602	1,988	2,781
Net carrying amount at June 30, 2012	$ 14	$ 180	$ 186	$ 1,268	$ 522	$ 192	$ 2,362
Weighted average amortization period (years)	1	Indefinite	7	Indefinite	9	3	

Amortization of intangible assets was approximately $0.1 million and $0.2 million for the three months ended June 30, 2012 and 2011, respectively, and approximately $0.2 million and $0.5 million for the six months ended June 30, 2012 and 2011, respectively.

The following table summarizes the estimated future amortization expense:

Year Ending December 31,		
Remainder of 2012	$	131
2013		225
2014		224
2015		156
2016		112
Thereafter		66
	$	914

Index

5. LONG-TERM DEBT AND LEASE OBLIGATIONS

Long-term debt and lease obligations consist of the following:

	June 30, 2012	December 31, 2011
Credit agreement (a)	$ -	$ -
Credit agreement (b)	-	-
Finance obligation (c)	9,672	9,672
Auto loan	8	-
Capital lease-property (rate of 8.0%) (d)	26,534	26,715
Capital leases-equipment (rates ranging from 5.0% to 8.5%)	33	121
	36,247	36,508
Less current maturities	(419)	(481)
	$ 35,828	$ 36,027

(a) On April 5, 2012, the Company, as borrower, and certain of its wholly-owned subsidiaries, as guarantors, entered into a secured revolving credit agreement (the "Credit Agreement") with a syndicate of four lenders led by Bank of America, N.A., as administrative agent, swing line lender and letter of credit issuer, for an aggregate principal amount of up to $85 million. The Credit Agreement replaces the Company's prior $115 million Credit Facility with Bank of America, N.A. and other lenders, which was due to expire on December 1, 2012. The old Credit Agreement (as defined below) was terminated concurrently with the effective date of the Credit Agreement.

Under the Credit Agreement, the Company has the right to increase the aggregate amount available under the Credit Facility by up to $50 million upon satisfaction of certain conditions. The Credit Facility may be used to finance capital expenditures and permitted acquisitions, to pay transaction expenses, for the issuance of letters of credit and for general corporate purposes. The Credit Agreement includes a $5 million swing line sublimit and a $25 million letter of credit sublimit. Borrowings under the Credit Facility are secured by a first priority lien on substantially all of the tangible and intangible assets of the Company and its subsidiaries exclusive of real estate. The term of the Credit Facility is 36 months, maturing on April 5, 2015.

Amounts borrowed as revolving loans under the Credit Facility will bear interest, at the Company's option, at either (i) an interest rate based on LIBOR and adjusted for any reserve percentage obligations under Federal Reserve Bank regulations (the "Eurodollar Rate") for specified interest periods or (ii) the Base Rate (as defined in the Credit Agreement), in each case, plus an applicable margin rate as determined under the Credit Agreement. The "Base Rate", as defined under the Credit Agreement, is the highest of (a) the prime rate, (b) the Federal Funds rate plus 0.50% and (c) a daily rate equal to the one-month LIBOR rate plus 1.0%. Under the Credit Agreement, the margin interest rate is subject to adjustment within a range of 1.25% to 2.75% based upon changes in the Company's consolidated leverage ratio and depending on whether the Company has chosen the Eurodollar Rate or the Base Rate option. Swing line loans will bear interest at the Base Rate plus the applicable margin rate. Letters of credit will require a fee equal to the applicable margin rate multiplied by the daily amount available to be drawn under each issued letter of credit plus an agreed upon fronting fee and customary issuance, presentation, amendment and other processing fees associated with letters of credit. At June 30, 2012, the Company had outstanding letters of credit aggregating $1.6 million, which were primarily comprised of letters of credit for the Department of Education, or DOE, matters and real estate leases.

The Credit Agreement contains customary representations, warranties and covenants including consolidated adjusted net worth, consolidated leverage ratio, consolidated fixed charge coverage ratio, minimum financial responsibility composite score, cohort default rate and other financial covenants, certain restrictions on capital expenditures as well as affirmative and negative covenants and events of default customary for facilities of this type. In addition, the Company is paying fees to the lenders that are customary for facilities of this type.

As of June 30, 2012, the Company had no amounts outstanding under the Credit Agreement.

(b) The Company previously had a credit agreement (the “old Credit Agreement”) with a syndicate of banks which was terminated on April 5, 2012. Under the terms of the agreement, the syndicate provided the Company with a $115 million credit facility. The old Credit Agreement permitted the issuance of up to $25 million in letter of credit, the amount of which reduces the availability of permitted borrowings under the agreement. At December 31, 2011, the Company had outstanding letters of credit aggregating $1.6 million, which were primarily comprised of letters of credit for the DOE matters and real estate leases.

As of December 31, 2011, the Company had no amounts outstanding under the old Credit Agreement.

Index

(c) The Company completed a sale and a leaseback of several facilities on December 28, 2001. The Company retains a continuing involvement in the lease and, as a result, it is prohibited from utilizing sale-leaseback accounting. Accordingly, the Company has treated this transaction as a finance lease. The lease expires on December 31, 2016.

(d) In 2009, the Company assumed real estate capital leases in Fern Park, Florida and Hartford, Connecticut. These leases bear interest at 8% and expire in 2032 and 2031, respectively.

Scheduled maturities of long-term debt and lease obligations at June 30, 2012 are as follows:

Year ending December 31,	
2012	$419
2013	425
2014	452
2015	490
2016	688
Thereafter	33,773
	$36,247