LABORATORY CORP OF AMERICA HOLDINGS
Form 10-K
February 24, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2011
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 number - 1-11353

LABORATORY CORPORATION OF AMERICA HOLDINGS
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	13-3757370 (I.R.S. Employer Identification No.)
358 South Main Street, Burlington, North Carolina (Address of principal executive offices)	27215 (Zip Code)

(Registrant's telephone number, including area code) 336-229-1127

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Common Stock, $0.10 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant is well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [X] No [ ].

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes [ ] No [X].

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 (paragraph 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 [ ].

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ].

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 “small reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer [X]	Accelerated Filer [ ]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [ ]

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

As of June 30, 2011, the aggregate market value of the common stock held by non-affiliates of the registrant was approximately $9.8 billion, based on the closing price on such date of the registrant’s common stock on the New York Stock Exchange.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 97.2 million shares as of February 17, 2012.

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K into which the document is incorporated:
Portions of the Registrant’s Notice of Annual Meeting and Proxy Statement to be filed no later than 120 days following December 31, 2011 are incorporated by reference into Part III.

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PART I

Item 1. BUSINESS

Laboratory Corporation of America Holdings and its subsidiaries (the “Company”), headquartered in Burlington, North Carolina, is the second largest independent clinical laboratory company in the United States based on 2011 net revenues. Since the Company’s founding in 1971 as a Delaware corporation, it has grown into a national network of 54 primary laboratories and over 1,700 patient service centers (“PSCs”) along with a network of branches and STAT laboratories (which are laboratories that have the ability to perform certain routine tests quickly and report the results to the physician immediately). Through its national network of laboratories, the Company offers a broad range of clinical laboratory tests that are used by the medical profession in routine testing, patient diagnosis, and in the monitoring and treatment of disease. In addition, the Company has developed specialty testing operations, such as oncology testing, HIV genotyping and phenotyping, diagnostic genetics and clinical trials.

With over 31,000 employees worldwide, the Company processes tests on more than 450,000 patient specimens daily and provides clinical laboratory testing services to clients in all 50 states, the District of Columbia, Puerto Rico, Belgium, Japan, the United Kingdom, China, Singapore and three provinces in Canada. Its clients include physicians, hospitals, managed care organizations, governmental agencies, employers, pharmaceutical companies and other independent clinical laboratories that do not have the breadth of its testing capabilities. Several hundred of the Company’s tests are frequently used in general patient care by physicians to establish or support a diagnosis, to monitor treatment or to search for an otherwise undiagnosed condition. The most frequently-requested of these routine tests include blood chemistry analyses, urinalyses, blood cell counts, thyroid tests, Pap tests, HIV tests, microbiology cultures and procedures, and alcohol and other substance-abuse tests. The Company performs this core group of routine tests in its major laboratories using sophisticated and computerized instruments, with most results reported within 24 hours. In addition, the Company provides specialty testing services in the areas of allergy, clinical trials, diagnostic genetics, identity, forensics, infectious disease, oncology and occupational testing.

The Company’s Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports are made available free of charge through the Investor Relations section of the Company’s internet website at www.labcorp.com as soon as practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission. The matters discussed in this "Business" section should be read in conjunction with the Consolidated Financial Statements found under Item 8 of Part II of this annual report, which include additional financial information about the Company's total assets, revenue, measures of profit and loss, and other important financial information.

The Company is committed to providing the highest quality laboratory services to its clients in full compliance with all federal, state and local laws and regulations. The Company’s Code of Business Conduct and Ethics outlines ethics and compliance policies adopted by the Company to meet this commitment. These policies apply to all employees of the Company as well as the Company’s Board of Directors. The Code of Business Conduct and Ethics, as well as the Charters for the Audit, Compensation, Quality and Compliance, and Nominating and Corporate Governance Committees, and the Company’s Corporate Governance Guidelines, are posted on the Company’s website www.labcorp.com. The Company has established a Compliance Action hotline (1-800-801-1005), which provides a confidential and anonymous method to report a possible violation of a LabCorp compliance policy or procedure, or a federal or state law or regulation; a HIPAA Privacy hotline (1-877-234-4722), which provides a confidential and anonymous method to report a possible violation of a HIPAA privacy, security or billing policy or procedure; and an Accounting hotline (1-866-469-6893), which provides a confidential and anonymous method to report a possible violation of internal accounting controls or auditing matters.

The Clinical Laboratory Testing Industry and Competition

Laboratory tests and procedures are used generally by hospitals, physicians and other health care providers and commercial clients to assist in the diagnosis, evaluation, detection, therapy selection, monitoring and treatment of diseases and other medical conditions through the examination of substances in the blood, tissues and other specimens. Clinical laboratory testing is generally categorized as either clinical pathology testing, which is performed on body fluids including blood, or anatomical pathology testing, which is performed on histologic or cytologic samples (e.g., tissue and other samples, including human cells). Clinical and anatomical pathology procedures are frequently ordered as part of regular physician office visits and hospital admissions in connection with the diagnosis and treatment of illnesses. Certain of these tests and procedures are used in the diagnosis and management of a wide variety of medical conditions such as cancer, infectious disease, endocrine disorders, cardiac disorders and genetic disease.

The clinical laboratory industry consists primarily of three types of providers: hospital-based laboratories, physician-office laboratories and independent clinical laboratories, such as those owned by the Company. The Company believes that in 2010, the United States clinical laboratory testing industry generated revenues of approximately $55 billion based on Washington G-2 reports

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and other industry publications. The Centers for Medicare and Medicaid Services (“CMS”) of the Department of Health and Human Services ("HHS") has estimated that in 2010 there were approximately 5,400 independent clinical laboratories in the United States.

The clinical laboratory business is intensely competitive. There are presently two major national independent clinical laboratories: the Company and Quest Diagnostics Incorporated ("Quest"), which had approximately $7.5 billion in revenues in 2011. In addition, the Company competes with many smaller independent clinical and anatomical laboratories as well as laboratories owned by hospitals and physicians. The Company believes that health care providers in selecting a laboratory often consider the following factors, among others:

- accuracy, timeliness and consistency in reporting test results;
- reputation of the laboratory in the medical community or field of specialty;
- contractual relationships with managed care companies;
- service capability and convenience offered by the laboratory;
- number and type of tests performed;
- connectivity solutions offered; and
- pricing of the laboratory’s services.

The Company believes that consolidation will continue in the clinical laboratory testing business. In addition, the Company believes that it and the other large independent clinical laboratory testing companies will be able to increase their share of the overall clinical laboratory testing market due to a number of external factors including cost efficiencies afforded by large-scale automated testing, reimbursement reductions and managed health care entities that require cost efficient testing services and large service networks. In addition, legal restrictions on physician referrals and their ownership of laboratories as well as increased regulation of laboratories are expected to contribute to the continuing consolidation of the industry.

Effect of Market Changes on the Clinical Laboratory Business

Many market-based changes in the clinical laboratory business have occurred over the past several years, primarily as a result of the shift away from traditional, fee-for-service medicine to managed-cost health care. The growth of the managed care sector and consolidation of managed care companies present various challenges and opportunities to the Company and other independent clinical laboratories. During 2006, the Company signed a ten-year agreement with UnitedHealthcare to become its exclusive national laboratory. This agreement represented an industry first in terms of its length and exclusivity at a national level. In September of 2011, the Company extended this agreement for an additional two years through the end of 2018. The various managed care organizations (“MCOs”) have different contracting philosophies. Some MCOs contract with a limited number of clinical laboratories and negotiate fees charged by such laboratories. Other MCOs allow any willing provider to be contracted at specified rates. The Company’s ability to attract and retain managed care clients is critical given these evolving models. In addition, some MCOs have used capitated payment contracts in an attempt to fix the cost of laboratory testing services for their enrollees. Under a capitated payment contract, the clinical laboratory and the managed care organization agree to a per member, per month payment to pay for all authorized laboratory tests ordered during the month by the physician for the members, regardless of the number or cost of the tests actually performed. The Company makes significant efforts to ensure that its services are adequately compensated in its capitated arrangements, including in some instances provisions to reimburse esoteric tests (which are more sophisticated tests used to obtain information not provided by routine tests and generally involve a higher level of complexity and more substantial human involvement than routine tests) on a fee-for service basis, as an exclusion to the capitated payment. Capitated payment contracts shift the risks of increased test utilization to the clinical laboratory. For the year ended December 31, 2011, such capitated contracts accounted for approximately $163.4 million, or 2.9%, of the Company’s net sales.

In addition, Medicare (which principally services patients 65 and older), Medicaid (which principally services low-income patients) and insurers have increased their efforts to control the cost, utilization and delivery of health care services. Measures to regulate health care delivery in general and clinical laboratories in particular have resulted in reduced prices, added costs and decreased test utilization for the clinical laboratory industry by increasing complexity and adding new regulatory and administrative requirements. From time to time, Congress has also considered changes to the Medicare fee schedules, and the Company believes that pressure to reduce reimbursement for Medicare services will continue. In March 2010 comprehensive health care reform legislation, the Patient Protection and Affordable Care Act ("ACA"), was enacted, and among its provisions were reductions in the Medicare clinical laboratory fee schedule updates, one of which is a permanent reduction and the other to be applied in 2011 through 2015. On February 17, 2012, Congress passed legislation that will reduce payment rates under the Medicare clinical laboratory fee schedule by 2% effective January 1, 2013. This reduction will apply after adjustment of the fee schedule by the annual CPI update as reduced by the productivity adjustment (1.1-1.3%) and the 1.75% reduction under the ACA, and before the

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scheduled 2% sequestration reduction mandated by the Budget Control Act of 2011, which is also effective January 1, 2013. Similar pressure for reductions in the reimbursement rates of other third-party payers is likely to occur as well.

Despite the potential market changes discussed above, the Company believes that the volume of clinical laboratory testing will be positively influenced by several factors, including an expanded insured population under ACA, increased knowledge of the human genome leading to an enhanced appreciation of the value of gene-based diagnostic assays and the development of new therapeutics that have a “companion diagnostic” to help identify the sub-set of the population for whom it is effective or that may suffer adverse events.

The Company believes its enhanced esoteric menu and geographic footprint provide a strong platform for growth. Additional factors that may lead to future volume growth include an increase in the number and types of tests that are readily available (due to advances in technology and increased cost efficiencies) for testing and diagnosis of disease and the general aging of the population in the United States. The impact of these factors is expected to be partially offset by declines in volume as a result of increased controls over the utilization of laboratory services by Medicare and other third-party payers, particularly MCOs. In addition, movement by patients into consumer driven health plans may have an impact on the utilization of laboratory testing.

Company Strategy

The Company's strategic plan focuses on the disciplined execution of a five-pillar strategy to grow the business and increase shareholder value. These five strategic pillars are:

- Deploy capital first to acquisitions that enhance the Company's footprint and test menu, then to repurchase shares,
- Enhance IT capabilities to improve the physician and patient experience,
- Continue to improve efficiency to remain the most efficient and highest value provider of laboratory services,
- Continue scientific innovation to offer new tests at reasonable and appropriate pricing, and
- Participate in the development of alternative delivery models to improve patient outcomes and reduce the cost of care.

The Company believes that the successful execution of this five-pillar strategy will allow it to fulfill its core mission - to offer the highest quality laboratory testing and most compelling value to its customers.

Pillar One: Deploy capital first to acquisitions that enhance the Company's footprint and test menu, then to repurchase shares

The Company remains committed to growing its business through strategic acquisitions and licensing agreements. The Company has invested a total of $1,531.2 million over the past three years in strategic business acquisitions. These acquisitions have helped strengthen the Company's geographic presence along with expanding capabilities in the specialty testing operations. The Company believes the acquisition market remains attractive with a number of opportunities to strengthen its scientific capabilities, grow esoteric testing capabilities and increase presence in key geographic areas.

The Company believes that its acquisition of Genzyme Genetics[1] in December of 2010, combined with its existing genomic capabilities, created one of the premier genetics and oncology businesses in the laboratory industry. The acquisition allowed the Company to offer significant customer benefits in areas such as prenatal genetic tests, which are performed during pregnancy to screen for birth defects. The acquisition also provided its customers with broad access to novel testing technologies such as the SMA molecular genetics assay and the entire Reveal family of SNP Microarrays. As market demand for prenatal genetics increases, the Company believes it is well positioned to provide the broadest range of offerings, including the services of approximately 150 genetic counselors. In oncology, the

Company's broad molecular oncology test menu and specialized sales force complemented the strong pathology expertise of Genzyme Genetics.

In 2011, the Company continued to deploy cash and return value to shareholders through share repurchase. During the year, the Company acquired approximately 7.4 million LabCorp shares for $643.9 million. Since 2004, the Company has repurchased more than $3.9 billion in shares at an average price of approximately $65 per share.

1. Genzyme Genetics and its logo are trademarks of Genzyme Corporation and used by Esoterix Genetic Laboratories, LLC, a wholly-owned subsidiary of LabCorp, under license. Esoterix Genetic Laboratories and LabCorp are operated independently from Genzyme Corporation.

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Pillar Two: Enhance IT capabilities to improve the physician and patient experience

The Company introduced LabCorpBeacon order entry nationally in the third quarter, which enables customers to place electronic orders for essentially all of its brands and services. Combined with Beacon results delivery capability, customers can now place orders and receive results through a simple, customer-friendly portal. There has been significant growth in adoption of Beacon in 2011, making it the Company's fastest growing external software offering. With the addition of Apple and Android versions, Beacon capabilities are being introduced to the fast growing mobile device customer base.

Additionally, the Company completed development of the Beacon Patient Portal. This portal is a secure and easy-to-use online solution that enables patients to receive and share lab results, make lab appointments, pay bills, set up automatic alerts and notifications and manage health information for the entire family. The Company currently has active pilot participation and plans to launch nationwide during 2012.

The Company continues to improve its Electronic Medical Record (“EMR”) connectivity with more than 500 current EMR connections. The Company is working closely with leading EMR partners to streamline connectivity and enhance lab workflow, ensuring that clients can take advantage of these solutions. Over 6,000 new client EMR interfaces were added during 2011 - a 71% increase over 2010.

For 2012, the Company will continue its efforts to enhance the physician and patient experience by enhancing Beacon, Patient Portal, EMR connectivity and mobile solutions. Key enhancements will include decision support, enhanced results reporting and services aimed at speeding up the lab ordering and resulting process.

Pillar Three: Continue to improve efficiency to remain the most efficient and highest value provider of laboratory services

The Company's emphasis on continually improving productivity extends throughout all phases of its operations - from specimen collection to processing and testing, result reporting and billing. LabCorp Touch™ accessioning provides leading-edge automation at the Company's patient service center ("PSC") locations. LabCorp Touch allows the Company to deploy personnel more productively, and it is now installed in more than 1,100 sites, representing approximately 75 percent of the Company's PSC volume.

The Company's automation initiatives, improvements to its logistics network, and enhancements to its supply chain operations have increased its per-employee throughput in core laboratories by 40 percent since 2007. The Company has also improved its call center operations by improving call response time while reducing the number of facilities by over 65%. Further, the Company's service metrics, customer satisfaction ratings, and turnaround times are at historically high levels.

The Company's expansion of the Powell Center for Esoteric Testing in Burlington, North Carolina leverages LEAN principles to conduct testing more efficiently and consolidate satellite locations. LEAN strategies have also proven effective in creating process improvements in the Company's billing and collection operations.

Pillar Four: Continue scientific innovation to offer new tests at reasonable and appropriate pricing

Innovative tests continue to be an important growth driver for the Company. In 2011, the Company introduced a total of 104 new assays, collaborating with leading companies and academic institutions to provide physicians and patients with the most scientifically advanced testing in the industry.

The Company is playing an important role in many aspects of this emerging model of care in which treatments and therapeutics are tailored to an individual, often based on his or her genetic signature (or that of a particular tumor/strain of virus). LabCorp was a leader in HIV genotyping, one of the first major advances in personalized medicine, which was used to test for resistance to specific drugs. The Company continues to build on this legacy through the development of new tests and/or resources such as the January 2011 release of the Virology Report on the Company's research web page, the acquisition of new and/or expanded capabilities such as the 2010 and 2009 acquisitions of Genzyme Genetics and Monogram Biosciences, Inc. (“Monogram”), respectively.

In 2011, the Company added to its industry-leading suite of companion diagnostic testing by being the first national lab to introduce assays that can help physicians appropriately prescribe the drugs Zelboraf™ and XALKORI® in the treatment of certain types of cancer. The FDA recently approved Zelboraf for use with patients with metastatic melanoma that carry the BRAF V600E gene mutation. The companion diagnostic test the Company provides is essential for identifying patients who have this mutation and may benefit from this therapy. Also in 2011, XALKORI received FDA approval for use in a subset of non-small cell lung

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cancer patients classified as ALK-positive. The Company's clinically validated companion diagnostic identifies these ALK-positive patients that should benefit from XALKORI.

In 2011, the Company launched a series of hepatitis C ("HCV") drug resistance assays developed to support the clinical evaluation of anti-viral agents and their effective use in the management of HCV infection. These tests add to the Company's industry leading suite of HCV testing.

Through its clinical trials division, the Company has taken a leadership role in working with pharmaceutical companies to develop companion diagnostics. The Company's capabilities in assay development, its access to a broad spectrum of testing platforms, and its experience with clinical trials has positioned LabCorp as a market leader. The Company continues to add capabilities to strengthen this companion diagnostics offering. The Company opened a new state-of-the-art biorepository for sample storage and retention in 2009. In 2011, the Company acquired Clearstone Central Laboratories, a global central laboratory specializing in drug development and pharmaceutical services. This acquisition provides the Company with access to Clearstone's global network of labs, including China, Europe, Singapore and Canada. The pharmaceutical industry is increasingly conducting work outside of North America and the Company is expanding its ability to perform work internationally.

Beyond clinical trials, there are also many examples where companion diagnostics have moved into the commercial setting and are helping improve care, such as: (1) assisting in determining the efficacy of a drug for an individual; (2) helping the physician select the correct dosage; and (3) reducing adverse events. The Company will continue to play an important role in both bringing new companion diagnostics to the market and making them commercially available once the drug has been approved.

Pillar Five: Participate in the development of alternative delivery models to improve patient outcomes and reduce the cost of care

With new health policy mandates and a need to control costs, the Company believes the healthcare system will continue to move away from traditional fee-for-service payment models. As the most efficient, highest value provider of laboratory services, the Company believes it is positioned to prosper in a market environment increasingly focused on the efficient delivery of quality services.

Laboratory Testing Operations and Services

The Company has a national network of primary testing laboratories, specialty testing laboratories, branches, PSCs and STAT laboratories. A branch is a central facility that collects specimens in a region for shipment to one of the Company's laboratories for testing. A branch is also frequently used as a base for sales and distribution staff. Generally, a PSC is a facility maintained by the Company to serve the patients of physicians in a medical professional building or other strategic location. The PSC collects the specimens for testing if requested by the physician. The specimens are collected from physicians offices and PSCs and sent, principally through the Company's in-house courier system (and, to a lesser extent, through independent couriers), to one of the Company's primary testing facilities for testing. Some of the Company's PSCs also function as STAT labs, which are laboratories that have the ability to perform certain routine tests quickly and report results to the physician immediately. Patient specimens are typically delivered to the Company accompanied by a test request form (electronic or hard copy). These forms, which are completed by the client or transcribed by a Company patient service technician from a client order, indicate the tests to be performed and provide the necessary billing information.

Each specimen and related request form is checked for completeness and then given a unique identification number. The unique identification number assigned to each specimen helps to ensure that the results are attributed to the

correct patient. The test request forms are sent to a data entry operator who ensures that a file is established for each patient and the necessary testing and billing information is entered. Once this information is entered into the software system, the tests are performed and the results are entered through an electronic data interchange interface or manually, depending upon the tests and the type of equipment involved. Most of the Company's automated testing equipment is connected to the Company's information systems. Most routine testing is completed by early the next morning and test results are in most cases electronically delivered to clients via LabCorp Beacon, smart printers, personal computer-based products or computer interfaces.

Testing Services

Routine Testing

The Company offers a broad range of clinical laboratory tests and procedures. Several hundred of these are frequently used in general patient care by physicians to establish or support a diagnosis, to monitor treatment or medication, or to search for an otherwise undiagnosed condition. The most frequently requested tests include blood chemistry analyses, urinalyses, blood cell

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counts, thyroid tests, Pap tests, microbiology cultures and procedures and alcohol and other substance-abuse tests. These routine procedures are most often used by physicians in their outpatient office practices. Physicians may elect to send such procedures to an independent laboratory or they may choose to establish their own laboratory to perform some of the tests.

The Company performs this core group of routine tests in each of its primary laboratories. This testing constitutes a majority of the tests performed by the Company. The Company generally performs and reports most routine procedures within 24 hours, utilizing a variety of sophisticated and computerized laboratory testing instruments.

Specialty Testing

While the information provided by many routine tests may be used by nearly all physicians, regardless of specialty, many other procedures are more specialized. One of the growth strategies of the Company is the continued expansion of its specialty testing operations, which involve certain types of unique testing capabilities and/or client requirements. In general, the specialty testing operations serve two market segments: (i) markets that are not typically served by the standard clinical testing laboratory; and (ii) markets that are served by the clinical testing laboratory and offer the possibility of adding related services (such as clinical trials or occupational drug testing) from the same supplier. The Company's research and development group continually seeks new and improved technologies for a variety of diagnostic and prognostic indications. For example, the Company's Center for Molecular Biology and Pathology (“CMBP”) is a leader in molecular diagnostics, utilizing the polymerase chain reaction (“PCR”) as well as other molecular technologies, which are often able to provide earlier, more reliable and detailed information about cancer, genetic diseases, HIV and other viral and bacterial diseases. The Company's subsidiary, National Genetics Institute, Inc. (“NGI”), is a leader in the development of PCR assays for detection of pathogens in biologic products, and its Viro-Med Laboratories, Inc. subsidiary offers molecular microbial testing using real time PCR platforms. DIANON Systems, Inc. is a leader in anatomic pathology testing and US LABS is a leader in anatomic pathology and oncology testing services. The Company's subsidiary, Esoterix, is a leading provider of specialty reference testing and Litholink is a nationally-recognized kidney stone analysis laboratory known for its extensive stone management program. The Company believes these technologies represent potential significant savings to the healthcare system either by increasing the detection of early stage (treatable) diseases or by more effectively managing chronic disease conditions. In August 2009, the Company acquired Monogram, an industry leader in HIV resistance testing, which has developed new technologies in oncology such as the accurate measurement of proteins involved in cancer development and/or progression. In December 2010, the Company acquired Genzyme Genetics, a leading provider of complex reproductive and oncology testing services and the preferred provider for such services to maternal fetal medicine specialists and obstetrician/gynecologists nationally. The Company now provides reproductive genetic testing services under the name Integrated Genetics, and oncology genetic testing services under the name Integrated Oncology. The Company's expansive menu of complex tests offered includes technologies that span the continuum of care, ranging from maternal serum screening and prenatal diagnostics to carrier screening and postnatal testing services. Integrated Genetics also has a broad network of board-certified geneticists and genetic counselors, offering infertility and prenatal genetic counseling expertise to physicians and patients.

The following are some of the specific areas of specialty testing provided by the Company.

Infectious Disease. The Company provides complete HIV testing services including viral load measurements, genotyping and phenotyping and host genetic factors (e.g., such as its HLAB5701 test) that are all important tools in managing and treating HIV infections. The addition of the Monogram resistance tests, PhenoSense, PhenoSenseGT and Trofile, complement the existing HIV GenoSure assay and provide an industry leading, comprehensive portfolio of HIV resistance testing services. The Company also provides extensive testing services for HCV infections including both viral load determinations and strain genotyping and host genetic factors (e.g., such as its IL-28B test) at

CMBP, NGI and ViroMed. The Company continues to develop other molecular assays for influenza viruses including H1N1. In January 2011, the Company published on its website a comprehensive virology report that detailed the results from hundreds of thousands of infectious disease tests performed every year. The report analyzes the vast amount of data gathered at the Company to inform clinicians, public health authorities and other laboratory scientists regarding viral frequencies, distributions, trends, genotypes and associations.

Endocrinology. The Company has emerged as a leading provider of advanced hormone/steroid testing including comprehensive services for the Endocrine specialist. The Company has expanded its menu in esoteric endocrine testing and has launched a companywide initiative to develop steroid testing utilizing Mass Spectrometry technology. Mass Spectrometry is quickly becoming the gold standard for detection of low levels of small molecule steroids including testosterone in women, children and Hypogonadal men. The Company additionally offers several endocrine related genetic tests that include CYP21 mutation for Congenital Adrenal Hyperplasia, SHOX gene for short stature, as well as the RET mutation for thyroid cancer.

Diagnostic Genetics. The Company offers cytogenetic, molecular cytogenetic, biochemical and molecular genetic tests. The biochemical genetics offerings include a variety of prenatal screening options including integrated and sequential prenatal assays for more sensitive assessment of Down syndrome risk. The Company has expanded its cytogenetics offerings through

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the use of whole genome SNP microarray technology, which provides enhanced detection of subtle chromosomal changes associated with the etiology of mental retardation, developmental delay and autism. The molecular genetics services have been expanded to include multiplex analyses of a variety of disorders and a focus on gene sequencing applications for both somatic and germ-line alterations. The addition of Genzyme Genetics in December 2010 provides the Company with the most comprehensive genetic test menu in the industry as well as a complement of approximately 150 genetic counselors to work with the Company's physician clients in optimizing patient outcomes.

Oncology Testing. The Company offers an extensive series of testing technologies that aid in diagnosing and monitoring certain cancers and predicting the outcome of certain treatments, including hematopathology, dermatopathology and uropathology. Applications for molecular diagnostics continue to increase in oncology for both the analysis of leukemia as well as the assessment of solid tumors. In cancers such as colon and lung cancer, assays such as K-ras, BRAF and EGFR mutation analysis are associated with appropriate therapy choices for a given patient.

Clinical Trials Testing. The Company regularly performs clinical laboratory testing for pharmaceutical and diagnostics companies conducting clinical research trials on new drugs or diagnostic assays. This testing often involves periodic testing of patients participating in the trial over several years. In 2011, the Company acquired Clearstone Central Laboratories, a global central laboratory specializing in drug development and pharmaceutical services. The Company has made a concerted effort in companion diagnostics to translate predictive biomarkers used in clinical trials into clinical practice.

Identity Testing. The Company provides forensic identity testing used in connection with criminal proceedings and parentage evaluation services which are used to assist in determining parentage for child support enforcement proceedings and determining genetic relationships for immigration purposes. Parentage testing involves the evaluation of immunological and genetic markers in specimens obtained from the child, the mother and the alleged father. The Company also provides testing services in reconstruction cases, which assist in determining parentage without the presence of the parent in question. In 2011, the Company acquired Orchid Cellmark, Inc. ("Orchid"), a leader in the forensic and paternity testing business for over 30 years.

Occupational Testing Services. The Company provides testing services for the detection of drug and alcohol abuse for private and government customers. These testing services are designed to produce forensic quality test results that satisfy the rigorous requirements for admissibility as evidence in legal proceedings. The Company also provides other analytical testing and a variety of management support services.

The specialized testing services noted above, as well as other complex procedures, are sent to designated facilities where the Company has concentrated the resources for performing these procedures so that quality and efficiency can be most effectively monitored. CMBP, NGI, ViroMed, Dianon, Integrated Oncology, Esoterix, Monogram and Integrated Genetics also specialize in new test development and related education and training.
Represents current assets less current liabilities. (4) In December 2006, we determined that we no longer needed a valuation allowance related to deferred tax assets generated by net operating loss carry-forwards of prior years. As a result, we recorded a tax benefit of $821,000 for the year ended December 31, 2006.

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Summary Operating Data

The following table sets forth our summary operating data for the years ended December 31, 2006, 2007 and 2008 and for the nine months ended September 30, 2008 and 2009. This summary operating data is unaudited. Historical results are not necessarily indicative of future performance.

	Year Ended December 31,			Nine Months Ended September 30,	
	2006	2007	2008	2008	2009
Summary operating data:					
Partner fertility centers[1]	8 Partners	9 Partners	11 Partners	11 Partners	11 Partners
Fresh IVF cycles	11,142	12,483	13,554	10,216	10,610
Consumer Services Affiliates[1]	22 Affiliates	20 Affiliates	23 Affiliates	22 Affiliates	25 Affiliates
Vein clinics[1],[2]	N/A	26 clinics	32 clinics	30 clinics	34 clinics
Vein clinics procedures[2],[3]	N/A	7,865	9,273	7,157	9,467

[1] As of the last day of the reported period.

[2] Our Vein Clinics Division began operations on August 8, 2007 with our purchase of VCA.

[3] One vein care procedure represents a corrective procedure performed on a leg.

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RISK FACTORS

Investing in our common stock involves a high degree of risk. Before you invest in our common stock, you should carefully consider the various risks of the investment, including those described below, together with all of the other information included in this prospectus. Additional risks may also impair our business operations and adversely affect our prospects. If any of the following risks actually occur, our business, financial condition or operating results could be adversely affected. In that case, the trading price of our common stock could decline and you could lose all or part of your investment.

Risks Related to Our Business

The loss of one or more of our Partner fertility centers would lead to a decline in our revenues and profit.

The contracts that we enter into with our Partner fertility centers typically have terms that range from 10 to 25 years and contain automatic renewal provisions. Some of these agreements also contain provisions that allow the Partner fertility center to terminate the agreement, upon 12 months prior notice, at any time after five years from the agreement s effective date. Our two largest Partner fertility centers provided approximately 34% of our Fertility Centers Division revenues for the year ended December 31, 2008. If either of these Partner fertility centers, or any of our other Partner fertility centers, were to terminate its agreement with us, we would lose all of the revenues associated with such Partner fertility center, but would not experience any meaningful reduction in our infrastructure costs.

We may not be able to find suitable Partner candidates or successfully integrate the operations of the fertility centers with which we enter into Partner contracts.

A key part of our business strategy is to enter into additional Partner contracts. We cannot assure you that we will be able to find suitable Partner candidates or that the fertility centers that we enter into Partner contracts with will be successful. Even if suitable Partner candidates are identified, negotiation over suitable terms and conditions may be protracted and unsuccessful, and we may not be able to achieve planned increases in the number of Partner centers. Further, achieving the anticipated benefits of current and possible future Partner contracts will depend in part upon whether we can integrate the operations of those fertility centers with our operations in a timely and cost-effective manner. The process of integrating the operations of Partner fertility centers with our operations is complex, expensive and time consuming and involves a number of risks, including, but not limited to:

- difficulties in integrating or retaining key medical providers of the Partner fertility center;
- difficulties in integrating the operations of the Partner fertility center, such as information technology resources and financial and operational data;
- diversion of our management s attention; and
- potential incompatibility of cultures.

We are dependent on the medical providers in our fertility centers and vein clinics to successfully execute our business strategy.

Although we manage our fertility centers and vein clinics, the medical providers at those centers and clinics provide medical services directly to patients and we do not have control over their medical activities. We cannot guarantee any medical provider s ability to generate positive patient outcomes, build a positive reputation for their practice or to comply with our expectations. If the medical providers in our fertility centers and vein clinics act negligently or unethically, allow their medical

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practices to deteriorate or do not meet our growth expectations, it could diminish the value of our brand and our results of operations could be adversely affected.

We may have difficulty attracting and retaining physicians for our fertility centers and vein clinics.

A key part of our business strategy is to enter into additional Partner contracts and open new vein clinics. The success of our fertility centers is dependent upon our ability to retain the key medical providers associated with those centers. If one or more key medical providers were to depart from a fertility center, our business could suffer. Our ability to open new vein clinics is dependent upon identifying, recruiting and retaining qualified physicians to perform procedures at these clinics. We have had difficulties staffing new vein clinics because some third-party payors require that the physicians performing procedures at these clinics have certain specified credentials. We will not be able to implement successfully our business strategy if we are unable to properly staff our fertility centers and vein clinics.

A reduction in reimbursements or an inability to negotiate attractive reimbursement rates from third-party payors for the services that our Partner centers or vein clinics provide could adversely affect our revenues and growth.

A significant portion of our fertility Partner and vein clinic revenues depends on reimbursements to the underlying physician practices from third-party payors. These third parties include private health insurers and other organizations, such as health maintenance organizations, as well as government authorities. Third parties are systematically challenging prices charged for medical treatment. A third-party payor may deny or reduce reimbursement if it determines that a prescribed treatment is not used in accordance with cost-effective treatment methods, as determined by the payor, or is experimental, unnecessary or inappropriate. In addition, although third parties may approve reimbursement, such approvals may be under terms and conditions that discourage use of our services, even if those services are safer or more effective than alternative services. A reduction in reimbursements from third-party payors, whether in the form of changes to reimbursement contracts, such as by limiting reimbursement for certain procedures to specialists, loss of reimbursement contracts, solvency issues on the part of the payors, or in the case of our vein clinics, changes in Medicare reimbursement, would cause patients to reduce their treatments or obtain services from other providers and could reduce our revenues and profitability. Our ability to profitably open vein clinics in new markets also significantly depends on our ability to obtain attractive reimbursement rates from third-party payors in those new markets. If we are unable to obtain satisfactory reimbursement rates from third-party payors for vein clinics in new markets, our growth would suffer.

In early 2009, one of our top fertility centers in the Midwest terminated a reimbursement contract with an important third-party payor. Contribution from this fertility center in 2008 was approximately $2.3 million and this third-party payor represented approximately 20% of this contribution, or approximately $460,000.

Health care reform could impact the demand for our services.

There are currently numerous proposals on the federal and state levels for comprehensive reforms relating to health care that could affect payment and reimbursement for health care services in the United States. The U.S. Congress is considering legislation that could dramatically overhaul the health care system, including the possibility of a government health care plan. We cannot predict whether any such reforms will ultimately be adopted or the impact that such reforms may have on the demand or payment for our services. Because our Attain IVF programs are self-pay programs for patients that do not have insurance coverage for fertility treatments, health care reform that increases insurance coverage for fertility treatments could lead to a decrease in demand for our Attain IVF programs.

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We face competition from existing providers, as well as new providers entering our markets.

Our business divisions operate in highly competitive areas. Our fertility centers compete with national, regional and local physician practice fertility centers, hospitals and university medical centers, some of which have programs that compete with our Attain IVF programs. Our fertility centers may also compete with fertility centers located outside of the United States, due to the self-pay nature of IVF treatment. Our vein clinics compete with other vein care clinic providers, dermatologist and surgical clinics that provide ELT and sclerotherapy as an ancillary offering, vascular surgeons and interventional radiologists. Barriers to entry in the vein care industry are low. New health care providers that enter our markets impact our market share, patient volume and growth rates. Increased competitive pressures require us to commit resources to marketing efforts, which impacts our margins and profitability. There can be no assurance that our fertility centers or vein clinics will be able to compete effectively with existing providers in our markets or that new competitors will not enter into our markets. These existing and new competitors may have greater financial and other resources than we or our fertility centers or vein clinics do. Increased competition could also make it more difficult for us to expand our business by entering into new contracts with fertility centers or opening new vein clinics.

The development of alternative treatments could diminish demand for our services.

The fertility and vein care industries are dynamic, and new, technologically intensive treatments are constantly under development. New treatments that are more effective or provide better reimbursement could decrease patient demand or profitability for the treatments that our fertility centers or vein clinics currently offer. If our fertility centers or vein clinics do not adopt new treatments as they are developed, patients could seek treatment elsewhere.

If we are found not to be in compliance with applicable laws and regulations, we could be subject to significant fines or penalties, be forced to curtail certain of our operations or rearrange material agreements to our detriment.

We are subject to numerous federal and state laws and regulations, including, but not limited to, federal and state anti-kickback laws, controlled substances laws, the federal Stark law and state self-referral laws, false claims laws, the Health Insurance Portability and Accountability Act of 1996 (HIPAA), Medicare and Medicaid regulations and laws regulating the business of insurance. These laws and regulations are extremely complex and could be subject to various interpretations. Our fertility centers and vein clinics are also subject to these statutes, but we do not oversee, nor are we responsible for, their compliance with these laws. Many aspects of our business, to date, have not been the subject of federal or state regulatory review and we, and any of our fertility centers or vein clinics, may not have been in compliance at all times with all applicable laws and regulations. If we, or our fertility centers or vein clinics, are found by a court or regulatory authority to have violated any applicable laws or regulations, we could be subject to significant fines or penalties or be forced to curtail certain of our operations.

Further, the laws of many states prohibit physicians from splitting fees with non-physicians, or other physicians, and prohibit non-physician entities from practicing medicine. These laws vary from state to state and are enforced by the courts and by regulatory authorities with broad discretion. Many aspects of our business, to date, have not been the subject of judicial or regulatory interpretation; thus, a review of our business by courts or regulatory authorities may result in determinations that could adversely affect our operations. In addition, the health care regulatory environment could change so as to restrict our existing operations or their expansion. State corporate practice of medicine laws may be interpreted as prohibiting corporations or associations from exercising control over physicians or employing nurse practitioners or physician assistants and may prohibit physicians from practicing medicine in partnership with, or as employees of, any person not licensed to practice medicine.

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State regulators may seek to challenge the arrangements that we have with our fertility centers and vein clinics. A determination in any state that we are engaged in the corporate practice of medicine or any unlawful fee-splitting arrangement could render any management agreement between us and a practice located in such state unenforceable or subject to modification, which could have an adverse effect on our financial condition and results of operations. Regulatory authorities or other parties may assert that we are or a practice is engaged in the corporate practice of medicine or that the management fees paid to us by the managed practices constitute unlawful fee-splitting or the corporate practice of medicine. If such a claim were asserted successfully, we could be subject to civil and criminal penalties, managed physicians could have restrictions imposed upon their licenses to practice medicine, parts or all of our existing management agreements could be rendered unenforceable and we could be required to restructure our contractual arrangements with the managed practices, all of which could have an adverse effect on our financial condition and results of operations.

Although we view our Attain IVF Refund program as a guaranty or warranty of our fertility centers performance and our Attain IVF Multi-Cycle program as a lower-cost alternative, our Attain IVF Refund program and our Attain IVF Multi-Cycle program each have several characteristics that are present in an insurance contract. As such, an insurance regulator in a particular state may find that we have been and are engaged in the business of insurance without a license, which could subject us to criminal and civil liabilities and would subject either or both of our Attain IVF programs to substantial regulation in that state as an insurance contract, including burdensome reserve requirements. In addition, in states that prohibit physicians from splitting professional fees with non-physicians, we could be required to restructure our Attain IVF programs if a state concluded that our Attain IVF programs constituted fee splitting because we retain a portion of the payments patients pay directly to us for their medical treatment by our fertility centers. The imposition of any such liabilities and any such changes in our method of doing business would likely reduce revenues and contribution from our Consumer Services Division.

Additionally, our management agreements with our vein clinics provide that the vein clinics will pay us a fee equal to 150% of our expenses of operating and managing the vein clinics. These fees have historically exceeded the operating margin generated by any particular vein clinic prior to payment of the management fee. Accordingly, each vein clinic only pays the portion of the management fee that is equal to the amount of revenue generated by the clinic annually up to the 150% amount. As a result, our vein clinics do not generate any net profits at year end. A state regulator could find that such a compensation model is actually based on a percentage of the revenue of a particular vein clinic or that our management fee is not commensurate with the services we provide, in which case our management agreements would be violating fee-splitting laws of certain states where we operate vein clinics. We could be forced to restructure the fee structure under the management agreements to our material financial detriment or the providers affiliated with our vein clinics who have been found to violate the fee-splitting statutes or regulations may be subject to disciplinary action or criminal sanctions, which could lead to the closure of one or more of our vein clinics.

Our arrangements with our fertility centers and vein clinics may trigger the application of federal and various state franchise laws. We have never sought to comply with any such franchise laws, nor have we ever sought any exemptions from such laws. The U.S. Federal Trade Commission could bring an enforcement action against us for failure to comply with federal franchise laws and could impose significant fines against us, order us to pay restitution to the fertility centers and vein clinics that are found to be franchisees (and the physicians that own or operate them) and/or seek criminal sanctions against us. Under the laws of certain of the states in which we operate, the physicians that own or operate our fertility centers and vein clinics may bring private causes of actions against us for violating such laws. In many of these jurisdictions, in addition to a judgment for actual damages, a court could award the physicians rescission, attorney s fees and costs and treble damages. Additionally, we could be subject to fines and criminal sanctions. Even if we were to comply with these federal and state franchise

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laws, we would still be potentially liable for prior violations that occurred prior to the time we came into compliance with such laws.

New or enhanced laws and regulations affecting the fertility industry could increase our costs of compliance and force us to alter certain of our operations.

A number of high profile events have occurred recently related to ART and fertility practices generally, such as the implantation of a greater than recommended number of embryos, resulting in extraordinarily high-order multiple births, or the implantation of incorrect patient embryos. Federal and state regulators may more carefully scrutinize the fertility industry as a result of these events, and may adopt more stringent laws and regulations that could increase our compliance costs or force us to alter certain of our operations.

We and our Partner fertility centers and vein clinics may not have sufficient liability insurance to cover potential claims.

The medical procedures performed by physicians and other medical personnel in our network of fertility centers and vein clinics can involve significant complications, including genetically defective births, embryo loss and patient death. We are likely to be, and from time to time have been, named as a party in legal proceedings involving medical malpractice or other injuries that occur at one of our fertility centers or vein clinics, particularly in those fertility centers where we provide the services of a physician assistant or nurse practitioner. A successful malpractice claim could exceed the limits of insurance that we maintain, in which case we would have to fund any settlement in excess of our insurance coverage. We also maintain medical malpractice insurance coverage for our Partner fertility centers and vein clinics, and a successful malpractice claim against one of those centers or clinics in excess of the coverage we maintain for them would adversely affect the revenues we derive from those centers and clinics. In addition, the captive insurance company that provides a portion of our insurance coverage does not maintain reserves in amounts that would be required of other, larger insurers, and therefore may not have adequate capital to fund a claim against us or the Partner fertility centers covered by the captive insurance company. A malpractice claim, whether or not successful, could be costly to defend, could consume management resources and could adversely affect our reputation and business and the reputations and businesses of our Partner fertility centers and vein clinics. We also cannot assure you that we or our Partner fertility centers or vein clinics will be able to obtain insurance coverage in the future on commercially reasonable terms, or at all.

Our success depends on retaining key members of our management team.

The success of our business strategy depends on the continued contribution of key members of our management team. The loss of key members of this team could disrupt our growth plans and our ability to implement our business strategy.

We rely on a limited number of third-party vendors for medicine and supplies.

Our fertility centers and vein clinics rely on a limited number of third-party vendors that produce medications and supplies vital to patient treatment, such as AngioDynamics, Inc., which provides the only U.S. Food and Drug Administration approved solution used in sclerotherapy. If any of these vendors were to experience a supply shortage or cease doing business, and we were unable to find an alternative third-party vendor, we might not be able to properly serve our patients.

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Our credit agreement contains covenants that impose restrictions on us that may limit our operating flexibility, prevent us from entering into extraordinary transactions that benefit our stockholders and limit our growth.

Our credit agreement contains covenants that restrict our flexibility to conduct business. These covenants prohibit or limit, among other things:

- the payment of dividends to our stockholders;
- the incurrence of additional indebtedness;
- the making of certain types of restricted payments and investments;
- sales of assets; and
- consolidations, mergers and transfers of all or substantially all of our assets.

The credit agreement also requires that we maintain certain leverage and fixed charge ratios and minimum levels of earnings before interest, taxes, depreciation and amortization. Our failure to comply with any of these covenants could cause the lenders to declare a default and accelerate amounts due to them under the credit agreement.

In addition, our credit agreement places certain restrictions on our ability to acquire the business, assets or capital stock of fertility centers. For example, our credit agreement prevents us from acquiring a fertility center for a purchase price in excess of $5.5 million (increasing to $6.0 million after August 31, 2010) without the prior written consent of our lender. In addition, our credit agreement prevents us from making acquisitions of fertility centers that aggregate in excess of $11 million for the period from August 1, 2009 through July 31, 2010, or that exceed $12 million for the period after August 1, 2010. If we identify fertility centers that we want to acquire in excess of limits in our credit agreement and do not obtain the consent of our lender to those acquisitions, we may not be able to execute on our strategy.

Our failure to maintain effective internal control over financial reporting could lead to inaccuracies in our reported financial results.

On October 28, 2009, management concluded that our audited financial statements for the years ended December 31, 2006, 2007 and 2008 needed to be restated for the correction of errors. In addition, we identified a material weakness in the design of our internal control over financial reporting in connection with the accounting for our Attain IVF Refund Program. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. If our independent registered public accounting firm were to determine that this deficiency were to still exist, or another new or related deficiency were to develop, or if we were otherwise unable to achieve and maintain effective internal controls on a timely basis, management would not be able to conclude that we have effective internal control over financial reporting for purposes of Section 404 of the Sarbanes-Oxley Act of 2002. In addition, our independent registered public accounting firm would not be able to certify as to the effectiveness of our internal control over financial reporting. Moreover, any failure to establish and maintain effective systems of internal control and procedures may impair our ability to accurately report our financial results. Such failures and the reporting that our system of internal controls over financial reporting was not effective could result in a restatement of our financial statements and cause investors to lose confidence in the reliability of our financial statements, which could result in a decline in our stock price.

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We may not have adequate protection for our intellectual property rights.

Trade secrets and other proprietary information not protected by patents are critical to our business. Our sole means of protecting this information is to utilize confidentiality agreements with employees, third parties and consultants. If these agreements are breached, another entity could obtain our trade secrets and proprietary information and attempt to replicate our business model, which could have an adverse effect on our business.

We could be subject to additional income tax liabilities.

We are subject to income taxes in various states within the United States. Judgment is often required in evaluating our provision for income taxes. During the ordinary course of business, there are certain transactions for which the ultimate tax determination is uncertain. For example, certain taxing authorities may take the position that we are providing services in jurisdictions where our Partner fertility centers operate. The final determination of tax audits and any related litigation could be materially different from our historical income tax provisions and accruals. The results of an audit or litigation could have a material effect on our operating results or cash flows.

Risks Relating to an Investment in our Common Stock

The trading price of our common stock could be subject to volatility.

The average daily trading volume of our shares of common stock on the Nasdaq Global Market for the nine months ended September 30, 2009 was approximately 7,158 shares. Because the shares of our common stock are lightly traded, they are subject to volatile price fluctuations, which may make it difficult for you to sell our common stock when you want or at prices you find attractive. In the past, following periods of volatility in the market price of a company s securities, securities class action litigation has often been instituted. A securities class action suit against us could result in substantial costs, potential liabilities and the diversion of management s attention and resources, and could have a material adverse effect on our financial condition.

Future sales or the potential for future sales of our common stock may cause the trading price of our common stock to decline.

Sales of a substantial number of shares of our common stock by our two largest stockholders, or by any of our other significant stockholders, or the perception that these sales may occur, could cause the market price of our common stock to decline. Approximately 43.5% of our outstanding common stock is currently held by two investor groups. If either of these groups, or any other significant stockholders, were to attempt to sell all or part of their positions in the public market, our stock price could fall substantially.

In addition, our directors and executive officers and IAT, who beneficially owned an aggregate of 3,485,318 shares of our common stock as of February 1, 2010, are subject to lock-up agreements that restrict their ability to transfer their shares of our common stock for 90 days following the date of this prospectus. The market price of shares of our common stock may decrease if a significant number of these shares are sold when the restrictions on their sale lapse.

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We will have broad discretion in applying the net proceeds of this offering and may not use those proceeds in ways that will enhance the market value of our common stock.

We have significant flexibility in applying the net proceeds we will receive in this offering. Although we may use the net proceeds that we receive in this offering to accelerate the addition of new Partner fertility centers and the pace of opening new vein clinics, we have no obligation to do so and we may apply the net proceeds of this offering for working capital and general corporate purposes. As part of your investment decision, you will not be able to assess or direct how we apply these net proceeds. If we do not apply these funds effectively, we may lose significant business opportunities. Furthermore, our stock price could decline if the market does not view our use of the net proceeds from this offering favorably.

You will incur immediate and substantial dilution as a result of this offering.

The public offering price per share of our common stock in this offering is substantially higher than the net tangible book value per share of our outstanding common stock. As a result, you will incur immediate and substantial dilution of $7.31 per share, representing the difference between the public offering price of $7.50 per share and our tangible net book value per share of $0.19 as of September 30, 2009.

Our future capital needs could result in dilution of your investment.

Our board of directors may determine from time to time that there is a need to obtain additional capital through the issuance of additional shares of our common stock or other securities. These issuances would likely dilute the ownership interests of the investors in this offering and may dilute the net tangible book value per share of our common stock. Investors in subsequent offerings may also have rights, preferences and privileges senior to our current stockholders which may adversely impact our current stockholders.

We do not intend to pay cash dividends on our common stock for the foreseeable future.

We have not paid cash dividends on our common stock during the last two fiscal years, and we do not expect to pay cash dividends on our common stock at any time in the foreseeable future. The future payment of dividends directly depends upon our future earnings, capital requirements, financial requirements and other factors that our board of directors will consider. In addition, our credit agreement prohibits us from paying cash dividends on our common stock. Because we do not anticipate paying cash dividends on our common stock in the foreseeable future, the return on your investment on our common stock will depend solely on a change, if any, in the market value of our common stock.

Our certificate of incorporation, by-laws and Delaware law could limit another party s ability to acquire us, even if an acquisition would be beneficial to our stockholders.

A number of provisions in our certificate of incorporation and by-laws make it difficult for another company to acquire us, even if doing so would benefit our stockholders. For example, our certificate of incorporation authorizes our board of directors to issue blank check preferred stock, the terms of which may be established and shares of which may be issued without stockholder approval. The rights of holders of our common stock could be adversely affected by the terms of any preferred stock that may be issued in the future. In addition, our by-laws limit the ability of our stockholders to call special meetings or fill vacancies on the board.

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Also, Section 203 of the Delaware General Corporation Law generally limits our ability to engage in any business combination with certain persons who own 15% or more of our outstanding voting stock or any of our associates or affiliates who at any time in the past three years have owned 15% or more of our outstanding voting stock. These provisions may have the effect of entrenching our management team and may deprive you of the opportunity to sell your shares to potential acquirers at a premium over prevailing prices. This potential inability to obtain a control premium could reduce the price of our common stock.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The information included in this prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), the attainment of which involves various risks and uncertainties. All statements other than statements of historical fact included in this prospectus are forward-looking statements. Forward-looking statements may be identified by the use of forward-looking terminology, such as may, will, expect, believe, estim anticipate, continue or similar terms, variations of those terms or the negative of those terms.

These forward-looking statements are based on assumptions that we have made in light of our experience in the industry in which we operate, as well as our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances. As you read and consider this prospectus, you should understand that these statements are not guarantees of performance or results. They involve risks, uncertainties (some of which are beyond our control) and assumptions. Although we believe that these forward-looking statements are based on reasonable assumptions, you should be aware that many factors could affect our actual financial condition or results of operations and cause actual results to differ materially from those in the forward-looking statements. These factors include, among other things:

- termination of any of our Partner fertility center agreements for any reason;
- an inability to identify attractive candidates for our Partner Program, successfully negotiate contract acquisition terms with Partner candidates or effectively integrate new Partners;
- an inability to recruit or retain suitable physicians to open and operate our vein clinics;
- less than expected growth in the vein care market, especially for minimally invasive procedures in which our vein clinics specialize;
- termination or adverse changes to the terms of our reimbursement arrangements with third-party payors;
- decreases in reimbursement rates from third-party payors, either in markets where we and our Partner and Affiliate fertility centers and vein clinics currently operate or into which we plan to expand;
- adoption of new laws or regulations applicable to fertility centers or vein clinics, either in markets where we and our Partner and Affiliate fertility centers and vein clinics currently operate or into which we plan to expand;
- changing patterns of enforcement or new interpretations of existing laws and regulations;
- the occurrence of adverse medical outcomes at one or more of our Partner or Affiliate fertility centers or vein clinics, or other events that adversely affect the reputation of those centers or clinics or the physicians who work at those centers or clinics;
- development of new technologies that our Partner or Affiliate fertility centers or vein clinics do not adopt;

an increase in litigation against us, our Partner fertility centers or vein clinics or the physicians who work at those centers and clinics;

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an inability to obtain insurance on commercially reasonable terms, the adequacy of insurance to address claims to which we, or our Partner fertility centers or vein clinics, are subject, or the inability of an insurer to pay amounts owed to us or our Partner fertility centers or vein clinics for a claim;

an increase in the competition that we and our Partners fertility centers or vein clinics face; and

other factors discussed under the headings Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations and Business.

Because of these factors, we caution that you should not place undue reliance on any of our forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise from time to time, and it is impossible for us to predict these events or how they may affect us. We are under no obligation to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

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USE OF PROCEEDS

We estimate that the net proceeds to us from this offering will be approximately $17.0 million, or approximately $19.1 million if the underwriters exercise their over-allotment option in full, based on the offering price and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us related to this offering.

We currently intend to use all or part of the net proceeds of this offering (i) to accelerate the addition of new fertility centers to our Partner Program, and are targeting fertility centers with annual revenues of between $6 million and $25 million, and (ii) to accelerate the pace to target the opening of eight new vein clinics in 2010. However, we have no obligation to apply the net proceeds of this offering as set forth above and there can be no assurance that we will successfully identify any acquisition candidates or markets for new centers or clinics. If we do not apply the net proceeds of this offering as set forth above, we intend to use the net proceeds for general working capital and other corporate purposes.

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PRICE RANGE OF COMMON STOCK

Our common stock is traded on the Nasdaq Global Market under the symbol INMD. The following table sets forth, for the periods indicated, the high and low closing sales prices per share of our common stock, as reported on the Nasdaq Global Market:

	High	Low
2010		
First Quarter (through February 11, 2010)	$ 8.85	$ 7.95
2009		
Fourth Quarter	$ 9.37	$ 7.55
Third Quarter	$ 10.25	$ 7.03
Second Quarter	$ 7.99	$ 5.81
First Quarter	$ 7.45	$ 5.60
2008		
Fourth Quarter	$ 6.97	$ 4.80
Third Quarter	$ 8.17	$ 6.01
Second Quarter	$ 10.23	$ 7.07
First Quarter	$ 11.95	$ 8.50

On February 11, 2010, the closing sale price per share of our common stock was $8.42, as reported on the Nasdaq Global Market. On February 10, 2010, there were 107 holders of record of our common stock. This figure does not include persons or entities who hold their common stock in nominee or street name.

DIVIDEND POLICY

We have not paid cash dividends on our common stock during the last two fiscal years, and we currently anticipate retaining all available funds for use in the operation and expansion of our business. In addition, our credit agreement prohibits us from paying cash dividends on our common stock. Therefore, we do not anticipate paying any cash dividends on our common stock in the foreseeable future.

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CAPITALIZATION

The following table describes our capitalization as of September 30, 2009 on an actual basis and as adjusted to reflect our sale of 2,500,000 shares of common stock in this offering at an offering price of $7.50 per share after deducting underwriting discounts and commissions and estimated offering expenses payable by us related to this offering.

You should read this capitalization table together with the consolidated financial statements and related notes appearing elsewhere in this prospectus, as well as Use of Proceeds, Management s Discussion and Analysis of Financial Condition and Results of Operations and the other financial information included elsewhere in this prospectus.

	As of September 30, 2009	
	Actual	As Adjusted[1]
	(unaudited)	
	(in thousands, except share data)	
Debt:		
Current portion of long-term notes payable and other obligations	$ 11,335	$ 11,335
Long-term notes payable and other obligations	15,845	15,845
Total notes payable and other obligations[2]	27,180	27,180
Shareholders equity:		
Common stock, $0.01 par value; 15,000,000 shares authorized, actual and as adjusted; 8,781,150 shares issued and outstanding, actual; 11,281,150 shares issued and outstanding as adjusted[3]	88	113
Capital in excess of par	56,011	72,997
Other comprehensive loss	(222)	(222)
Treasury stock, at cost; 46,408 shares, actual and as adjusted	(375)	(375)
Retained earnings	1,084	1,084
Total shareholders equity	56,586	73,597
Total capitalization	$ 83,766	$ 100,777

(1) Assumes no exercise of the underwriters over-allotment option.

(2) As of September 30, 2009, we had $2,500,000 available under our line of credit that was unused.

(3) Excludes 209,685 shares of common stock issuable upon exercise of outstanding stock options as of September 30, 2009 at a weighted average exercise price of $5.98 per share and 458,777 shares of common stock reserved for issuance under our 2007 Long-Term Compensation Plan and our 2000 Long-Term Compensation Plan.

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RECENT FINANCIAL RESULTS (UNAUDITED)

The following tables set forth our recent financial results (unaudited) as of and for the periods presented. We and our auditors have not completed each of our and their normal audit finalization procedures for the year ended December 31, 2009 and there can be no assurance that our audited results for the periods presented will not differ from these results. In addition, these results should not be viewed as a substitute for full financial statements prepared in accordance with GAAP. Operating results for interim periods are not necessarily indicative of the results that may be expected for a full year period. You should read these financial results together with the consolidated financial statements and related notes appearing elsewhere in this prospectus, as well as Management s Discussion and Analysis of Financial Condition and Results of Operations and the other financial information included elsewhere in this prospectus. Historical results are not necessarily indicative of future performance.

We prepare our consolidated financial statements in accordance with GAAP, including FIN No. 46R. In accordance with FIN No. 46R, we do not consolidate the results of the fertility centers to which we provide services because we do not have a controlling financial interest in such centers and we are not the primary beneficiary or obligor of such centers financial results. We do, however, have a controlling financial interest in individual vein clinics where we are the primary beneficiary and obligor of their financial results. As such, we consolidate the financial condition, results of operations and cash flows of those clinics operations. See Management s Discussion and Analysis of Financial Condition and Results of Operations Off-Balance Sheet Arrangements.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended December 31,		Year Ended December 31,	
	2009	2008	2009	2008
	(unaudited)		(unaudited)	(restated)
	(all amounts in thousands, except per share amounts)			
Revenues:				
Fertility Centers	$ 35,771	$ 34,138	$ 145,309	$ 138,440
Consumer Services	5,584	5,396	20,826	19,763
Vein Clinics	13,337	10,686	50,625	39,950
Total Revenues	54,692	50,220	216,760	198,153
Costs of services and sales:				
Fertility Centers	32,846	31,539	133,706	128,224
Consumer Services	4,138	4,011	15,639	14,344
Vein Clinics	12,268	9,962	46,525	37,299
Total cost of services and sales	49,252	45,512	195,870	179,867
Contribution:				
Fertility Centers	2,925	2,599	11,603	10,216
Consumer Services	1,446	1,385	5,187	5,419
Vein Clinics	1,069	724	4,100	2,651

Total contribution	5,440	4,708	20,890	18,286
General and administrative expenses	2,822	2,703	12,155	10,654
Interest income	(63)	(59)	(250)	(383)
Interest expense	291	355	1,160	1,563
Total other expenses	3,050	2,999	13,065	11,834
Income before income taxes	2,390	1,709	7,825	6,452
Income tax provision	1,158	629	3,331	2,537
Net income	$ 1,232	$ 1,080	$ 4,494	$ 3,915
Basic and diluted net earnings per share:				
Basic earnings per share	$ 0.14	$ 0.13	$ 0.51	$ 0.45
Diluted earnings per share	$ 0.14	$ 0.12	$ 0.51	$ 0.45
Weighted average shares basic	8,783	8,618	8,773	8,618
Weighted average shares diluted	8,839	8,691	8,834	8,691

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CONSOLIDATED BALANCE SHEETS

	December 31, 2009 (unaudited)	December 31, 2008 (restated)
	(all amounts in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 28,865	$ 28,275
Patient and other receivables, net	6,964	6,681
Deferred tax assets	2,883	5,744
Other current assets	7,653	6,466
Total current assets	46,365	47,166
Fixed assets, net	16,705	16,618
Intangible assets, Business Service Rights, net	24,210	21,956
Goodwill	30,334	29,478
Trademarks	4,442	4,442
Other assets	2,253	1,781
Total assets	$ 124,309	$ 121,441
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 2,846	$ 2,853
Accrued liabilities	15,119	17,818
Current portion of long-term notes payable and other obligations	11,317	11,351
Due to Fertility Medical Practices, net	6,424	6,354
Attain IVF Refund Program and other patient deposits	13,362	11,237
Total current liabilities	49,068	49,613
Deferred tax liabilities	2,199	696
Long-term notes payable and other obligations	14,849	18,868
Total liabilities	66,116	69,177
Commitments and Contingencies Shareholders equity:		
Common stock	88	87
Capital in excess of par	56,354	54,943
Other comprehensive loss	(188)	(375)
Treasury stock	(375)	(211)
Retained earnings (accumulated deficit)	2,314	(2,180)
Total shareholders equity	58,193	52,264
Total liabilities and shareholders equity	$ 124,309	$ 121,441

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended December 31,		Year Ended December 31,	
	2009 (unaudited)	2008	2009 (unaudited)	2008 (restated)
	(all amounts in thousands)			
Cash flows from operating activities:				
Net income	$ 1,232	$ 1,080	$ 4,494	$ 3,915
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	1,737	1,829	7,119	7,288
Deferred income tax provision	4,269	(692)	3,433	(1,068)
Deferred stock based compensation	298	241	1,336	858
Changes in assets and liabilities				
Decrease (increase) in assets:				
Patient and other accounts receivable	626	65	(283)	(1,170)
Other current assets	(1,587)	(1,076)	(1,187)	(643)
Other assets	(323)	162	(473)	(162)
(Decrease) increase in liabilities:				
Accounts payable	797	371	(7)	958
Accrued liabilities	(3,706)	217	(2,864)	(1,097)
Due to medical practices	(4,127)	(664)	70	(2,689)
Attain IVF Refund Program patient deposits	366	(542)	2,125	677
Net cash provided by (used in) operating activities	(418)	991	13,763	6,867
Cash flows used in investing activities:				
Purchase of business service rights	(3,550)		(3,550)	(950)
Cash paid to purchase VCA, net of cash acquired				(119)
Other intangibles		160		50
Purchase of fixed assets and leasehold improvements	(1,444)	(1,799)	(5,910)	(5,695)
Net cash used in investing activities	(4,994)	(1,639)	(9,460)	(6,714)
Cash flows used in financing activities:				
Proceeds from issuance of debt		7,500		7,880
Principal repayments on debt	(915)	(912)	(3,750)	(3,648)
Common stock transactions, net	6	(111)	37	150
Net cash provided by (used in) financing activities	(909)	6,477	(3,713)	4,382
Net increase in cash and cash equivalents	(6,321)	5,829	590	4,535
Cash and cash equivalents at beginning of period	35,186	22,446	28,275	23,740
Cash and cash equivalents at end of period	$ 28,865	$ 28,275	$ 28,865	$ 28,275

Supplemental Information:				
Interest paid	$ 255	$ 620	$ 1,067	$ 1,632
Income taxes paid	$ 238	$ 43	$ 3,896	$ 1,526

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Fertility Centers Division

Fertility Centers Division revenue growth was driven by same-center patient revenue growth of 3.2% during the fourth quarter of 2009 and 3.2% in the full year 2009, as well as by improved operating efficiency across the division. Economic challenges continued to modestly temper consumer demand for high cost IVF treatments as patients substituted other treatments with better insurance coverage.

Consumer Services Division

The improved fourth quarter of 2009 results for the Consumer Services Division principally reflect the reestablishment of a third-party financing capability in the fourth quarter of 2009 following the termination of an earlier funding source during the second quarter of 2009, as well as the launch of our Attain IVF Multi-Cycle Program, which broadens the pool of patients who are eligible to enroll in our Attain IVF programs and has a lower price point than our Attain IVF Refund Program.

Consumer Services Division margins improved slightly on a quarter-over-quarter basis to 25.9% for the fourth quarter of 2009, but fell to 24.9% for the full year 2009 as compared to 27.4% for the full year 2008. The full year decline in margins is attributable to a reduction in pregnancy rates from 43.2% and 44.4% in the fourth quarter of 2008 and the full year 2008, respectively, to 39.8% and 43.8% in the fourth quarter of 2009 and the full year 2009, respectively. The variation of pregnancy rates, though within a normal range, will continue to be a meaningful factor in year-over-year margin comparisons.

Vein Clinics Division

Contribution from our Vein Clinics Division increased to $1.1 million in the fourth quarter of 2009 from $700,000 in the fourth quarter of 2008, representing a 48% increase. For the full-year period, contribution grew 55% to $4.1 million.

Margins in our Vein Clinics Division improved on a quarterly as well as full year basis to 8.0% in the fourth quarter of 2009 from 6.8% in fourth quarter of 2008 and to 8.1% for the full year 2009 from 6.6% for the full year 2008. The margin improvements were principally due to the impact of higher revenues on a relatively fixed overhead, as well as from the slower pace of new clinic openings during 2009, as start-up losses from the first several months of new clinics create a short-term drag on divisional operating performance.

Cash Flow and Balance Sheet

Our total assets grew to $124.3 million at December 31, 2009 from $121.4 million at December 31, 2008, with cash and cash equivalents increasing by 2% to $28.9 million at December 31, 2009 versus $28.3 million at December 31, 2008. The increase in cash and cash equivalents was achieved despite investments across our businesses, including approximately $3.6 million for acquisitions in our Fertility Centers Division. Cash provided by operating activities rose to $13.8 million for 2009, versus $6.9 million for 2008. We expect to use some of our cash and cash equivalents in the first quarter of 2010 to fund our growth strategy, as well as for fertility physician draw-downs of accrued compensation, upfront outlays for marketing, advertising and media purchases and for the payment of medical malpractice and other insurance premiums. In response to an inquiry from a state taxing authority, we accrued for additional tax obligations for taxes owed, as well as a reserve for potential tax obligations in an aggregate amount equal to $.02 of our earnings per share for the fourth quarter of 2009.

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SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth our selected consolidated financial data as of and for the periods presented. The selected consolidated financial data as of December 31, 2007 and 2008 and for each of the years ended December 31, 2006, 2007 and 2008 have been derived from our audited annual consolidated financial statements, which are included elsewhere in this prospectus. The selected consolidated financial data as of December 31, 2004, 2005 and 2006 and for each of the years ended December 31, 2004 and 2005 have been derived from our audited annual consolidated financial statements, which have not been included in this prospectus. The selected consolidated financial data as of and for the nine months ended September 30, 2008 and 2009 have been derived from our unaudited consolidated financial statements, which are included elsewhere in this prospectus. In the opinion of management, our unaudited consolidated financial statements include all adjustments, consisting only of normal recurring items, except as noted in the notes to the consolidated financial statements, necessary for a fair statement of interim periods. The financial information presented for the interim periods has been prepared in a manner consistent with our accounting policies described elsewhere in this prospectus, and should be read in conjunction therewith. Operating results for interim periods are not necessarily indicative of the results that may be expected for a full year period. You should read this data together with the consolidated financial statements and related notes appearing elsewhere in this prospectus, as well as Management s Discussion and Analysis of Financial Condition and Results of Operations and the other financial information included elsewhere in this prospectus. Historical results are not necessarily indicative of future performance.

We prepare our consolidated financial statements in accordance with GAAP, including FIN No. 46R. In accordance with FIN No. 46R, we do not consolidate the results of the fertility centers to which we provide services because we do not have a controlling financial interest in such centers and we are not the primary beneficiary or obligor of such centers financial results. We do, however, have a controlling financial interest in individual vein clinics where we are the primary beneficiary and obligor of their financial results. As such, we consolidate the financial condition, results of operations and cash flows of those clinics operations. See Management s Discussion and Analysis of Financial Condition and Results of Operations Off-Balance Sheet Arrangements.

	Year Ended December 31,					Nine Months Ended September 30,	
	2004 (restated)	2005 (restated)	2006 (restated)	2007[1] (restated)	2008 (restated)	2008 (unaudited)	2009
	(dollars in thousands, except per share amounts)						
Statement of Operations Data:							
Revenues, net:							
Fertility Centers	$ 86,079	$ 105,277	$ 112,767	$ 121,078	$ 138,440	$ 104,302	$ 109,538
Consumer Services	21,224	23,684	13,553	16,460	19,763	14,367	15,242
Vein Clinics	N/A	N/A	N/A	14,284	39,950	29,264	37,288
Total revenues	107,303	128,961	126,320	151,822	198,153	147,933	162,068
Costs of services and sales:							
Fertility Centers	77,534	95,931	104,357	111,059	128,224	96,685	100,860

Consumer Services	20,071	20,465	9,421	12,336	14,344	10,333	11,501
Vein Clinics	N/A	N/A	N/A	13,304	37,299	27,337	34,257
Total costs of services and sales	97,605	116,396	113,778	136,699	179,867	134,355	146,618
Contribution:							
Fertility Centers	8,545	9,346	8,410	10,019	10,216	7,617	8,678
Consumer Services	1,153	3,219	4,132	4,124	5,419	4,034	3,741
Vein Clinics	N/A	N/A	N/A	980	2,651	1,927	3,031
Total contribution	9,698	12,565	12,542	15,123	18,286	13,578	15,450

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	Year Ended December 31,					Nine Months Ended September 30,	
	2004 (restated)	2005 (restated)	2006 (restated)	2007[1] (restated)	2008 (restated)	2008 (unaudited)	2009
	(dollars in thousands, except per share amounts)						
General and administrative expenses	8,065	9,973	9,380	10,537	10,654	7,951	9,333
Interest income	(259)	(480)	(1,073)	(1,256)	(383)	(324)	(187)
Interest expense	295	288	695	1,136	1,563	1,208	869
Total other expenses	8,101	9,781	9,002	10,417	11,834	8,835	10,015
Income before income taxes	1,597	2,784	3,540	4,706	6,452	4,743	5,435
Income tax provision	641	1,053	1,291	1,662	2,537	1,909	2,173
Income tax benefit			(821)[4]				
Net income	$ 956	$ 1,731	$ 3,070[4]	$ 3,044	$ 3,915	$ 2,834	$ 3,262
Basic and diluted net earnings per share:							
Basic earnings per share	$ 0.12	$ 0.21	$ 0.38	$ 0.37	$ 0.45	$ 0.33	$ 0.37
Diluted earnings per share	$ 0.12	$ 0.21	$ 0.37	$ 0.36	$ 0.45	$ 0.33	$ 0.37
Weighted average shares basic	8,090	8,090	8,090	8,310	8,618	8,607	8,770
Weighted average shares diluted	8,194	8,194	8,194	8,410	8,691	8,685	8,833
Balance Sheet Data[2]:							
Working capital[3]	$ 1,157	$ 6,148	$ 11,685	$ (3,435)	$ (2,445)	$ (2,507)	$ (2,560)
Total assets	54,119	67,190	76,323	114,171	121,443	113,315	128,456
Total indebtedness	5,239	10,147	8,774	25,460	30,219	23,200	27,180
Retained earnings (accumulated deficit)	(13,940)	(12,209)	(9,139)	(6,095)	(2,178)	(3,260)	1,084
Total shareholders equity	33,933	36,298	40,178	47,634	52,266	51,251	56,586

(1) Our Vein Clinics Division began operations on August 8, 2007 with our purchase of VCA.

(2) As of the last day of the reported period.

(3) Represents current assets less current liabilities.

(4) In December 2006, we determined that we no longer needed a valuation allowance related to deferred tax assets generated by net operating loss carry-forwards of prior years. As a result, we recorded a tax benefit of $821,000 for the year ended December 31, 2006.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the historical consolidated financial statements and related notes and the other financial information appearing elsewhere in this prospectus. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results and timing of events could differ materially from those anticipated in the forward-looking statements as a result of many factors, including those discussed under the caption Risk Factors and elsewhere in this prospectus.

Overview

We manage highly specialized outpatient centers in emerging, technology-based, niche medical markets. Currently, we are a leading manager of fertility centers and vein clinics in the United States. We provide services and products through our three operating divisions (Fertility Centers, Consumer Services and Vein Clinics) and shared support services for providers through our corporate offices. Each of our operating divisions is presented as a separate segment for financial reporting purposes.

Our Fertility Centers Division is a provider network of 14 contracted fertility centers (including one fertility center in Utah that is scheduled to begin seeing patients in the first quarter of 2010), referred to as our Partner Program, serving 16 metropolitan markets across the United States. We offer products and services to these providers designed to support the fertility center s growth. All fertility Partners also have full access to our Consumer Services Division offerings. The division also sponsors a Council of Physicians and Scientists for fertility providers. Physicians affiliated with our Partner fertility centers obtain a portion of their malpractice insurance through ARTIC Assisted Reproductive Technology Insurance Company, a captive insurance company which we helped organize in 2005.

Our Consumer Services Division offers our Attain IVF programs to fertility patients. The division s Attain IVF programs are designed to make the treatment process easier and more affordable for patients. Currently, this division maintains a contracted network of 26 independent fertility centers (23 as of December 31, 2008) under its Affiliate Program, which is designed to distribute the division s products and services to a wider group of patients than those serviced by our Partner locations.

Our Vein Clinics Division began operations on August 8, 2007, with the purchase of Vein Clinics of America, Inc. (VCA), a company that had been in business since 1981. The Vein Clinics Division currently manages a network of 34 clinics (32 as of December 31, 2008) located in 13 states, which specialize in the treatment of vein disease and other vein disorders.

The primary elements of our business strategy include:

- Making selective contract acquisitions of Partner fertility centers;
- Expanding our network of Affiliate fertility centers;
- Developing de novo vein clinics;
- Increasing the total number of patients treated;
- Increasing the penetration of our Attain IVF programs; and

Continuing to improve operating efficiencies.

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Major Events Impacting Financial Condition and Results of Operations

2010

On January 12, 2010, we announced plans to open a new vein clinic in Chevy Chase, Maryland in early May 2010. This will be the 36th clinic in our Vein Clinics Division and our seventh clinic in the greater Baltimore/Washington D.C. region.

On January 8, 2010, we announced plans to open a new vein clinic in Columbia, Maryland in mid-2010. This will be the 35th clinic in our Vein Clinics Division and will add interventional radiology treatments to the full range of vein treatments provided at our existing vein clinics, enabling patients to undergo a host of additional procedures.

2009

On December 1, 2009, we acquired the rights to supply a complete range of business, marketing and facility services to three new Partner fertility centers in the western United States: the Nevada Center for Reproductive Medicine in Reno, Nevada; the Idaho Center for Reproductive Medicine in Boise, Idaho; and the Utah Fertility Center, which will be located in Pleasant Grove, Utah. The Idaho and Nevada fertility centers are established centers, and the Utah center is scheduled to begin seeing patients in the first quarter of 2010. Under the terms of these 25-year agreements, our service fees are comprised of a fixed percentage of revenues, reimbursed costs of services and an additional fixed percentage of each center s earnings. We also committed up to $1.0 million to fund any necessary capital needs of these three practices.

On October 28, 2009, management concluded and subsequently reported to the audit committee of our board of directors that our audited consolidated financial statements as of December 31, 2007 and 2008 and for the years ended December 31, 2006, 2007 and 2008 should no longer be relied upon and should be restated for the correction of errors due to an understatement in revenue recognized in connection with our Attain IVF Refund Program (formerly our Shared Risk Refund Program). As a result, we restated our audited consolidated financial statements as of December 31, 2007 and 2008 and for the years ended December 31, 2006, 2007 and 2008 with respect to the revenue recognized for our Attain IVF Refund Program within our Consumer Services Division. See Note 2 of our consolidated financial statements included elsewhere in this prospectus. The financial data included in this prospectus reflects this restatement.

On April 20, 2009, we announced the opening of a new vein clinic in Cleveland, Ohio. This represents the 34th clinic in our Vein Clinics Division, our entry into the Cleveland market and the expansion of our presence in the State of Ohio.

On April 1, 2009, we elected to exercise the option contained in our business service agreement with Arizona Reproductive Medicine Specialists, based in Phoenix, Arizona, and expand our service offerings from a limited range of services to those offered to our other fertility Partners.

On January 20, 2009, we announced the opening of a new vein clinic in Cincinnati, Ohio. This represents the 33rd clinic in our Vein Clinics Division and our first entry into the State of Ohio and the Cincinnati market.

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2008

From June 2008 through March 2009, our 2007 annual and our 2008 periodic interim Securities and Exchange Commission reports were the subject of a standard comment and review process by the Staff of the Division of Corporation Finance of the Securities and Exchange Commission. The application of generally accepted accounting principles to our Attain IVF Refund Program s multiple element revenue arrangements is complex and management s interpretation of the applicable authoritative literature related to the timing of the recognition of the fair value of revenues for the non-refundable portion of the Attain IVF Refund Program fees differed from that of the Securities and Exchange Commission, which caused us to re-evaluate our revenue recognition policies. As a result, we restated our prior financial statements for the correction of an error with respect to the timing of revenue recognition for our Attain IVF Refund Program within our Consumer Services Division. Our previous revenue recognition policy had generally recognized the non-refundable patient fees (generally 30% of the contract amount) as revenues upon the completion of the first treatment cycle. We now recognize the non-refundable fees based on the relationship of the fair value of each treatment to the total fair value of the treatment package available to each patient. We also recognize a warranty reserve representing the estimated cost of services to be provided in the event a qualified patient miscarries, as well as a reserve for potential refunds should a patient elect to discontinue participation in the program prior to full treatment. This restatement does not impact our cash flows from operations or the ultimate profits from our Attain IVF Refund Program, only the timing of the revenue recognition for the non-refundable portion of the Attain IVF Refund Program fees paid by patients. See Note 2 of our consolidated financial statements included elsewhere in this prospectus. The financial data included in this prospectus reflects this restatement.

On December 17, 2008, we announced the opening of a new vein clinic in Skokie, Illinois. This clinic represents our ninth vein care clinic in the greater Chicago metropolitan area and benefits from the operational and marketing leverage we have developed in that market.

On December 8, 2008, we announced the opening of a new vein clinic in Monroeville, Pennsylvania. This clinic is our first vein clinic in Pennsylvania and is designed to provide state-of-the-art vein care to patients in the greater Pittsburgh area.

On July 9, 2008, we entered into a business services agreement to provide discrete business services to Arizona Reproductive Medicine Specialists, based in Phoenix, Arizona. Under the terms of this 25-year agreement, our service fees were initially comprised of a fixed percentage of the fertility practice s net revenues. We also had the exclusive option, which we exercised on April 1, 2009, at any point during the life of the contract to expand our service offerings into a complete range of business, marketing and financial services. After we exercised the option on April 1, 2009, our fees also included a fixed percentage of the fertility practice s earnings.

On June 23, 2008, we announced that we entered into a new Affiliate services contract with the University of North Carolina (UNC) School of Medicine s Department of Obstetrics and Gynecology in Chapel Hill, North Carolina. As an Affiliate, UNC School of Medicine s Department of Obstetrics and Gynecology receives distribution rights to our consumer products and services. In addition, UNC School of Medicine s Department of Obstetrics and Gynecology has the right to receive other products and services uniquely designed to support the business needs of successful, high-growth fertility centers.

On June 5, 2008, we announced the opening of a new vein clinic in Marietta, Georgia. This clinic was our fourth vein clinic in Georgia.

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On April 29, 2008, we announced the opening of a new vein clinic in Alexandria, Virginia. This addition to our Vein Clinics Division provides focused vein care treatment solutions to the Washington, D.C. metropolitan area.

On April 24, 2008, we entered into a business service agreement to supply a complete range of business, marketing and facility services to Southeastern Fertility Centers, P.A., located in Mount Pleasant, South Carolina. Under the terms of this 25-year agreement, our service fees are comprised of reimbursed costs of services, a tiered percentage of revenues and an additional fixed percentage of the practice s earnings. We also committed up to $600,000 to fund any necessary capital needs of the practice.

On April 1, 2008, we entered into an Affiliate services contract with OU Physicians Reproductive Health in Oklahoma City, Oklahoma. As a result of this agreement, OU Physicians Reproductive Health provides another opportunity for our Consumer Services Division to distribute its product offerings.

2007

On August 30, 2007, we entered into a business service agreement to supply a complete range of business, marketing and facility services to the Center for Reproductive Medicine in Orlando, Florida. The Center for Reproductive Medicine is a fertility practice comprised of four physicians. Under the terms of this 25-year agreement, our service fees are comprised of reimbursed costs of services, a tiered percentage of revenues and an additional fixed percentage of the Center for Reproductive Medicine s earnings. We also committed up to $1.0 million to fund any necessary capital needs of the practice.

On August 8, 2007, we acquired all of the outstanding stock of VCA for a total cost of approximately $29 million in cash and common stock. The results of VCA are included in our financial statements from the date of the acquisition.

Also on August 8, 2007, we entered into an amended credit agreement with Bank of America, N.A. (Bank of America). The term loan under the amended credit agreement is in the amount of $25 million (the proceeds of which were applied to repay our original term loan and finance, in part, the VCA transaction). Interest on the new term loan is, at our option, at the prime rate less up to 0.50% or at LIBOR plus 2.00% to 2.75%, depending upon the level of the ratio of consolidated debt to earnings before interest, taxes, depreciation and amortization (EBITDA). The amended credit agreement also contains provisions for a revolving line of credit in the amount of $10 million. Interest on the revolving line of credit is at the prime rate less up to 0.50% or at LIBOR plus 1.5% to 2.5%, depending on the level of the ratio of consolidated debt to EBITDA.

Effective July 1, 2007, we expanded our fertility center Partner service arrangement with Shady Grove Fertility Reproductive Science Center, P.C. (Shady Grove) with the addition of the Fertility Center of the Greater Baltimore Medical Center (the Center) in Baltimore, Maryland, where we now provide a full range of business, marketing and financial services. Under the terms of this agreement, we purchased the assets of the Center from Greater Baltimore Medical Center and have committed additional resources to support further growth and development of the Center. Under the terms of this agreement, we are paid service fees comprised of reimbursed costs of services and a fixed percentage of revenues, plus an additional fixed amount of the Center s earnings.

On March 19, 2007, we declared a 25% common stock split effected in the form of a common stock dividend for all holders of record as of April 13, 2007. As a result of this dividend, 1,628,907 new shares of common stock were issued on the payment date of May 4, 2007. No fractional shares were issued as all fractional amounts were rounded up to the next whole share. All weighted average shares outstanding and earnings per share calculations in this prospectus have been restated to reflect this common stock dividend.

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2006

In December 2006, we determined that we no longer needed a valuation allowance related to deferred tax assets generated by net operating loss carry-forwards of prior years. As a result, we recorded a tax benefit of $821,000, which reduced our overall tax provision and increased net income by the same amount while adding $0.10 to earnings per share.

During October 2006, we provided notification that our financial statements for 2005 and the first two quarters of 2006 could not be relied on, and were restated due to an accounting error. The restatements consisted of non-cash adjustments to deferred tax and intangible balances and did not result in any changes to net income or earnings per share for any period. All periods affected by this error have been restated throughout this prospectus.

On May 22, 2006, we declared a 25% common stock split effected in the form of a common stock dividend for all holders of record as of June 7, 2006. As a result of this dividend, 1,291,368 new shares of common stock were issued on the payment date of June 21, 2006. No fractional shares were issued as all fractional amounts were rounded up to the next whole share. All weighted average shares outstanding and earnings per share calculations in this prospectus have been restated to reflect this common stock dividend.

Significant Accounting Policies and Use of Estimates

Our significant accounting policies are described in Note 3 of our consolidated financial statements included elsewhere in this prospectus.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States, including our significant accounting policies, 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 financial statements and the reported amounts of revenues and expenses during the reporting periods. On an ongoing basis, we evaluate our estimates and assumptions, including those related to revenue recognition, allowance for uncollectible accounts and contractual allowance reserves, contingencies and income taxes. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. The results of our analysis form the basis for making assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions, and the impact of such differences may be material to our consolidated financial statements. The most significant use of estimates and assumptions in the preparation of our consolidated financial statements relates to the determination of net revenues and accounts receivable and reserves for estimated refunds due to pregnancy losses in our Attain IVF Refund Program.

Contractual allowance and uncollectible reserve amounts are determined based on historical collection performance data and are reviewed and adjusted monthly as necessary. We make periodic estimates for pregnancy loss based upon Company specific data.

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Results of Operations

The following table shows the percentage of net revenues represented by various expenses and other income items reflected in our statements of operations for the nine months ended September 30, 2009 and 2008 and the years ended December 31, 2008, 2007 and 2006:

	Year Ended December 31,			Nine Months Ended September 30,	
	2008	2007[1]	2006	2009	2008
				(unaudited)	
Revenues, net:					
Fertility Centers	69.9%	79.8%	89.3%	67.6%	70.5%
Consumer Services	10.0%	10.8%	10.7%	9.4%	9.7%
Vein Clinics	20.1%	9.4%	N/A	23.0%	19.8%
Total revenues	100.0%	100.0%	100.0%	100.0%	100.0%
Costs of services incurred:					
Fertility Centers	64.7%	73.2%	82.7%	62.2%	65.4%
Consumer Services	7.3%	8.1%	7.4%	7.1%	7.0%
Vein Clinics	18.8%	8.7%	N/A	21.2%	18.4%
Total costs of services incurred	90.8%	90.0%	90.1%	90.5%	90.8%
Contribution:					
Fertility Centers	5.2%	6.6%	6.6%	5.4%	5.2%
Consumer Services	2.7%	2.7%	3.3%	2.3%	2.7%
Vein Clinics	1.3%	0.7%	N/A	1.8%	1.3%
Total contribution	9.2%	10.0%	9.9%	9.5%	9.2%
General and administrative expenses	5.4%	6.9%	7.4%	5.7%	5.4%
Interest income	(0.2)%	(0.8)%	(0.9)%	(0.1)%	(0.2)%
Interest expense	0.8%	0.8%	0.6%	0.5%	0.8%
Total other expenses	6.0%	6.9%	7.1%	6.1%	6.0%
Income from operations before income taxes	3.2%	3.1%	2.8%	3.4%	3.2%
Income tax provision	1.2%	1.1%	0.4%[2]	1.3%	1.3%
Net income	2.0%	2.0%	2.4%[2]	2.1%	1.9%

[1] Our Vein Clinics Division began operations on August 8, 2007 with our purchase of VCA.

[2] In December 2006, we determined that we no longer needed a valuation allowance related to deferred tax assets generated by net operating loss carry-forwards of prior years. As a result, we recorded a tax benefit of $821,000 for the year ended December 31, 2006.

Revenues

For the nine months ended September 30, 2009, total revenues of $162.1 million increased approximately $14.1 million, or 9.6%, from the same period in 2008. Approximately $8.0 million of this increase was generated by our Vein Clinics Division, $5.2 million from our Fertility Centers Division and $0.9 million from our Consumer Services Division.

For the year ended December 31, 2008, total revenues of $198.2 million increased approximately $46.3 million, or 30.5%, from the year ended December 31, 2007. We experienced year-over-year

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organic revenue increases in both of our fertility business segments. Our Fertility Centers Division revenues increased as a result of growth within our existing medical practices, as well as the addition of two new Partner arrangements and the full year of results of a Partner added in the third quarter of 2007. Expansion continued in our Consumer Services Division, driven by the continued expansion of our Attain IVF Refund Program. In addition to growth in our two fertility segments, our performance for the year ended December 31, 2008 included full year results from our Vein Clinics Division which was purchased on August 8, 2007.

For the year ended December 31, 2007, total revenues of $151.8 million increased approximately $25.5 million, or 20.2%, from the year ended December 31, 2006. Our Fertility Centers Division revenues increased as a result of growth within the underlying medical practices, the addition of one new Partner arrangement and the expansion of the Shady Grove contract. Expansion continued in our Consumer Services Division, driven by the growth of our Attain IVF Refund Program. In addition to growth within our two fertility segments, on August 8, 2007, we acquired VCA. VCA, which we believe has the single largest network of vein care providers in the United States, became our third operating segment and contributed $14.3 million to our 2007 revenues.

A segment-by-segment discussion is presented below.

Fertility Centers Segment

In providing clinical care to patients, each of our Partner fertility centers generates patient revenues which we do not report in our financial statements. Although we do not consolidate the Partner fertility center practice financials with our own, these financials do directly affect our revenues.

Generally, the components of our revenues from our Partner fertility centers are:

A base service fee calculated as a percentage of patient revenues as reported by the Partner fertility center (this percentage generally varies from 6% down to 3% depending on the level of patient revenues);

Cost of services equal to reimbursement for the expenses which we advanced to the Partner fertility center during the month (representing substantially all of the expenses incurred by the center); and

Our additional fees which represent our share of the net income of the Partner fertility center (which varies from 10% to 20% or a fixed amount depending on the underlying center, subject to limits in some circumstances).

However, our revenues from our Fertility Centers of Illinois, S.C. (FCI) Partner fertility center are not based on this three-part structure. Rather, effective as of November 1, 2009, our revenues from FCI are generally equal to the operating expenses associated with managing FCI s medical practice plus 9.5% of such expenses. Our revenues from FCI prior to November 1, 2009 were, pursuant to our current Partner agreement with FCI, set at a fixed annual amount paid monthly.

In addition to these revenues generated from our fertility centers, we often receive miscellaneous other revenues related to providing services to medical practices. From the total of our revenues, we subtract the annual amortization of our business service rights under most agreements, which are the rights to provide business services to each of the centers.

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During the first nine months of 2009, Fertility Centers Division revenues increased by $5.2 million, or 5.0%, relative to the same period in the prior year. This increase was the result of service fees assessed on a 2.2% rise in same-center patient revenue, as well as a comparable 4.2% rise in center contribution. These increases are net of the reduction in business at one of our top fertility centers in the Midwest as a result of termination of a contract with one of the center s third-party payors, as well as a slight moderation in demand that we believe is attributable to the prolonged recession. Contribution from this facility in 2008 was approximately $2.3 million and this third-party payor represented approximately 20% of this contribution, or approximately $460,000.

Fertility Centers Division revenues in the year ended December 31, 2008 increased by $17.4 million, or 14.3%, from the year ended December 31, 2007. This compares to an increase of $8.3 million, or 7.4%, for the year ended December 31, 2007 versus the year ended December 31, 2006. During 2008 and 2007, growth was largely attributable to same center year-over-year growth in our network of underlying medical practices. Influencing this growth is our focus on increasing patient revenues through effective multi-faceted marketing programs, as well as our continued focus on expense management, which drives operational efficiency and higher contribution margins. Revenues for the year ended December 31, 2008 also benefited from:

- the inclusion of a new fertility Partner in Mount Pleasant, South Carolina, which contributed $3.5 million to our net revenues from its addition in April 2008 through December 31, 2008;

- full year results from our Orlando, Florida Partner added in September 2007; and

- the full year impact from the expansion of Shady Grove into the Baltimore, Maryland market in July 2007.

In July 2008, we also entered into a 25-year contract with Arizona Reproductive Medicine Specialists, based in Phoenix, Arizona. Under the terms of this agreement, we phased in the implementation of our full suite of Partner services over time. Under this arrangement, our fees were originally calculated as a fixed percentage of the center s revenues with an option to expand into our standard three-tiered fee structure, in line with expanded Partner services, based upon the center meeting certain performance targets. We exercised this option on April 1, 2009.

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The table below illustrates the components of the Fertility Centers Division revenues in relation to the Partner fertility center practice financials for the nine months ended September 30, 2009 and 2008 and the years ended December 31, 2008, 2007 and 2006 (in thousands):

	Year Ended December 31,			Nine Months Ended September 30,	
	2008	2007	2006	2009	2008
Partner Fertility Center Financials					
(a) Patient revenues	$ 192,380	$ 168,653	$ 152,632	$ 149,365	$ 142,973
(b) Cost of services	125,156	109,132	102,625	98,603	94,442
(c) Base service fee	8,798	7,791	7,170	7,005	6,555
(d) Practice contribution (a-b-c)	58,426	51,730	42,837	43,757	41,976
(e) Physician compensation	52,863	46,678	38,577	38,943	37,813
(f) IntegraMed additional fee	5,563	5,052	4,260	4,814	4,163
IntegraMed Financials					
(g) IntegraMed gross revenues (b+c+f)	139,517	121,975	114,055	110,422	105,160
(h) Amortization of business service rights	(1,300)	(1,343)	(1,495)	972	972
(i) Other revenues[1]	223	446	207	88	114
(j) IntegraMed fertility services revenues (g+h+i)	$ 138,440	$ 121,078	$ 112,767	$ 109,538	$ 104,302

[1] Other revenues includes administrative fees we receive from ARTIC, the captive insurance company, fees from Arizona Reproductive Medicine Specialists, as well as other miscellaneous fees.

The following summarized quarterly data for the nine months ended September 30, 2009 and the years ended December 31, 2008, 2007 and 2006 is presented for additional analysis and demonstration of the slight seasonality of our Fertility Centers Division. New patients visits are an indicator of initial patient interest in fertility treatment and IVF cases completed are an indicator of billable charges. IVF cases completed in the fourth quarter of each year are typically lower, as many patients do not wish to undergo the IVF procedure during the year end holidays. Contributing to the lower number of IVF cases completed are voluntary laboratory closures at year end at several of our laboratories in order to undergo normal maintenance (in thousands, except new patient visits and IVF cases completed).

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	Revenues, Net				Contribution			
	2009	2008	2007	2006	2009	2008	2007	2006
First quarter	$ 36,284	$ 32,746	$ 29,092	$ 27,497	$ 2,640	$ 2,304	$ 2,315	$ 2,059
Second quarter	37,290	35,051	29,728	28,648	3,057	2,570	2,526	2,031
Third quarter	35,964	36,505	31,046	28,256	2,979	2,743	2,714	2,174
Fourth quarter	N/A	34,138	31,212	28,366	N/A	2,599	2,464	2,146
Total year	$ 109,538	$ 138,440	$ 121,078	$ 112,767	$ 8,676	$ 10,216	$ 10,019	$ 8,410

	New Patient Visits				IVF Cases Completed			
	2009	2008	2007	2006	2009	2008	2007	2006
First quarter	6,979	6,765	5,917	5,303	3,643	3,141	3,038	2,433
Second quarter	7,090	7,093	5,867	5,452	3,543	3,314	3,088	2,630
Third quarter	7,063	7,186	5,930	5,578	3,424	3,474	3,069	2,750
Fourth quarter	N/A	7,173	6,279	5,400	N/A	3,219	2,971	2,652
Total year	21,132	28,217	23,993	21,733	10,610	13,148	12,166	10,465

Consumer Services Segment

Revenues from our Consumer Services Division increased by 6.1%, or $900,000, for the nine months ended September 30, 2009 versus the same period in the prior year. Attain IVF program revenues accounted for approximately 93% of the division s revenues during the first nine months of 2009, which was comparable with the same period in 2008. Patients enrolled in our Attain IVF Refund Program pay us an up-front fee (deposit) in return for up to six treatment cycles (consisting of three fresh IVF cycles and three frozen embryo transfers). Any non-refundable portion of these fees is recognized as revenues based on the relative fair value of each treatment cycle completed relative to the total fair value of the contracted treatment package available to the patient. The refundable portion of the program contract amount is recognized as revenue when the patient becomes pregnant. At the time of pregnancy, we establish a reserve for future medical costs should the patient miscarry and require additional contracted treatment cycles, as well as a reserve for potential refunds should a patient elect to discontinue participation in the program prior to full treatment. The two main factors that impact Attain IVF Refund Program financial performance are:

- the number of patients enrolled and receiving treatment, and
- clinical pregnancy rates.

Patients enrolled in our Attain IVF Multi-Cycle Program pay us a single fee, which is slightly less than the average cost of two fresh IVF cycles, in return for up to four treatment cycles (consisting of two fresh IVF cycles and two frozen embryo transfers). Our Attain IVF Multi-Cycle Program offers a refund ranging from 10% to 85% of the contract amount depending on where in the process either we or the patient elects to terminate the program, as long as termination is prior to a second fresh IVF cycle. With respect to our Attain IVF Multi-Cycle Program, we recognize a pro rata share of the contract amount as revenue as each treatment cycle is completed. The refundable portion of the

program contract amount is recognized as revenue when the patient becomes pregnant. Under such revenue recognition methodology, we never recognize more revenue than the potential refundable amount under the program. At the time of pregnancy, we establish a reserve for future medical costs should the patient miscarry and

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require additional contracted treatment cycles. The main factor that impacts Attain IVF Multi-Cycle Program financial performance is the number of patients enrolled and receiving treatment.

During the first nine months of 2009, the loss, in the second quarter of 2009, of a primary third-party lender that provided financing programs for Attain IVF patients and a general tightening of credit standards and higher interest rates caused a decline in new patient enrollments that adversely affected the program. In October 2009, we entered into a referral agreement with a new third-party lender to provide financing options for Attain IVF patients, as well as for certain other fertility treatments.

Our Affiliate Program generated revenues of $941,000 during the first nine months of 2009, up slightly from $894,000 for the prior year period. This increase in revenues is attributable to pricing adjustments for the program s services. Although our Affiliate Program produces revenues on a stand alone basis, the primary value of the Affiliate Program is to serve as a distribution channel for our Attain IVF programs and as an introduction to our services for medical practices that may become full fertility Partners. As of September 30, 2009, this network was comprised of 25 independent fertility centers, three more than the year earlier period.

Pharmaceutical revenues for the nine months ended September 30, 2009 were $35,000 compared to $85,000 for the same period in the prior year. Our pharmaceutical revenues are comprised of marketing support fees we earn based upon underlying product margin as reported by a third-party pharmaceutical distributor. Over the past several years we have seen flat or declining revenues due to pharmaceutical cost increases which the distributor has been unable to pass on to the consumer as a result of competitive pressures. We view these pricing and margin developments as longer-term structural elements within the pharmaceutical market and do not expect significant improvement. As such we did not renew our contract with the third-party distributor when it expired on June 30, 2009 and we anticipate no further revenues from this source during the last quarter of 2009 and beyond.

For the year ended December 31, 2008, revenues of $18.4 million from our Attain IVF Refund Program represented approximately 93.1% of our Consumer Services Division revenues. This compares to revenues of $15.1 million, or slightly over 91.8%, of Consumer Services Division revenues in 2007. Revenue growth in our Attain IVF Refund Program of $3.3 million, or 21.8%, in 2008 compared to 2007 was the result of enrolling more patients into the program and increasing patient throughput by maintaining high pregnancy success rates. Similarly, Attain IVF Refund Program revenue growth of $3.2 million, or 26.6%, in 2007 versus 2006 was also attributable to expanded enrollments relative to the earlier year, coupled with high pregnancy rates. From the beginning of 2005 through the end of 2008, while pregnancy success rates have either been maintained or increased, enrollments in our Attain IVF Refund Program grew at a compound annual rate of 32.8%. Because the patients in our Attain IVF Refund Program prepay for their suite of services, and a significant portion of the fees received by us are not recognized until the patient achieves pregnancy, our Attain IVF Refund Program deposits and deferred revenue balance continues to grow each year the number of enrolled patients grows.

Our Affiliate Program generated revenues of $1.2 million for the year ended December 31, 2008, which is approximately unchanged from the years ended December 31, 2007 and 2006. During 2008, four independent fertility centers joined our Affiliate Program and two left in Partner related transactions for a net increase of two centers. For the year ended December 31, 2007, our Affiliate Program had a net reduction of one center as one practice moved to our Partner Program.

Pharmaceutical revenues of $154,000 for the year ended December 31, 2008 were approximately equal to pharmaceutical revenues for the year ended December 31, 2007, and down from $400,000 in 2006 due to the pharmaceutical cost increases discussed above.

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The following summarized Consumer Services Division quarterly data for the nine months ended September 30, 2009 and the years ended December 31, 2008, 2007 and 2006 is presented for additional analysis and demonstration of the fluctuations of enrollments and pregnancies in our Attain IVF programs (in thousands, except enrollments and pregnancies).

	Revenues, Net				Contribution			
	2009	2008	2007	2006	2009	2008	2007	2006
First quarter	$ 5,225	$ 4,196	$ 3,235	$ 3,036	$ 1,512	$ 1,235	$ 751	$ 765
Second quarter	5,004	4,807	4,179	3,127	1,161	1,446	1,125	1,266
Third quarter	5,013	5,364	4,557	3,512	1,068	1,352	1,171	1,081
Fourth quarter	N/A	5,396	4,489	3,878	N/A	1,386	1,077	1,020
Total year	$ 15,242	$ 19,763	$ 16,460	$ 13,553	$ 3,741	$ 5,419	$ 4,124	$ 4,132

	Enrollments				Pregnancies			
	2009	2008	2007	2006	2009	2008	2007	2006
First quarter	253	212	250	159	219	167	114	111
Second quarter	239	280	241	194	203	189	167	113
Third quarter	288	307	247	227	180	217	173	134
Fourth quarter	N/A	250	222	207	N/A	205	183	150
Total year	780	1,049	960	787	602	778	637	508

Vein Clinics Segment

Revenues in this segment are generated from direct billings to patients or their insurer for vein disease treatment services and these revenues are consolidated directly into our financials.

Revenues for the nine months ended September 30, 2009 were $37.3 million, up 27.4%, or $8.0 million from the comparable period in 2008. During the first nine months of 2009, we opened new vein clinic locations in Cincinnati and Cleveland, marking our entry into the State of Ohio and these two markets. These additional clinics brought our total number of vein clinics to 34, or three new clinics since the end of the third quarter of 2008. These three clinics accounted for $1.5 million of the growth in revenues for the nine months ended September 30, 2009, with the remaining $6.9 million generated by legacy clinics.

Revenues for the year ended December 31, 2008 were approximately $40.0 million versus partial year revenues of $14.3 million in 2007. Revenues for the year ended December 31, 2007 represent operating results only since VCA was purchased on August 8, 2007.

We continue progress towards opening additional new vein clinics in locations across the United States and have targeted several new markets; however this pace could be affected by challenges in physician recruitment. To address this issue we have assembled a physician recruitment task force to develop a strategy and plan to raise the profile of the vein care career opportunity to high-quality physicians across the United States.

New consultations, which are an indication of patient interest in vein care treatment, rose 43% for the first nine months of 2009 versus the year earlier period. First leg starts, which signify the beginning of a billable treatment cycle, rose 32% for the first nine months of 2009 versus the year earlier period. We have included the results of VCA in our financial statements since the date of its acquisition on August 8,

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2007. Vein Clinics Division quarterly data for the nine months ended September 30, 2009 and the years ended December 31, 2008 and 2007 appear below (in thousands, except first leg starts).

	Revenues, Net			Contribution			First Leg Starts		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
First quarter	$ 10,846	$ 8,842	N/A	$ 754	$ 322	N/A	1,574	1,208	N/A
Second quarter	13,821	10,062	N/A	1,282	713	N/A	2,085	1,572	N/A
Third quarter	12,621	10,360	$ 4,580	995	892	$ 542	1,959	1,500	1,266(1)
Fourth quarter	N/A	10,686	9,704	N/A	724	438	N/A	1,187	1,127
Total year	$ 37,288	$ 39,950	$ 14,284	$ 3,031	$ 2,651	$ 980	5,618	5,467	2,393

(1) Includes the period from July 1, 2007 through August 7, 2007, which is prior to the VCA acquisition.

Our Vein Clinics Division managed 34 clinics as of September 30, 2009, 32 clinics as of December 31, 2008 and 28 clinics as of December 31, 2007.

Contribution

For the first nine months of 2009, contribution increased by $1.9 million, or 13.8%, from the same period in 2008, driven primarily by growth in our Fertility Centers and Vein Clinics Divisions.

For the year ended December 31, 2008, total contribution of $18.3 million was up approximately $3.2 million, or 20.9%, from the year ended December 31, 2007. Increased contribution in our Fertility Centers Division in 2008 was the result of increased profitability in our platform of existing centers as well as the addition of contract acquisition related results. The continued growth of our Attain IVF Refund Program and full year results from our Vein Clinics Division were also major contributors to the improvement.

For the year ended December 31, 2007, contribution growth was $2.6 million, or 20.6%, versus the year ended December 31, 2006. The increase in contribution in 2007, versus 2006, was fueled mainly by organic growth in our Fertility Centers Division coupled with partial year results from our Vein Clinics Division acquired in August 2007. Contribution results for our Consumer Services Division in 2007 were essentially even with 2006, as growth in our Attain IVF Refund Program was offset by declining fees from pharmaceutical sales.

A segment-by-segment discussion is presented below.

Fertility Centers Segment

Fertility Centers Division contribution for the first nine months of 2009 was $8.7 million, up $1.1 million from the prior year period based on a $5.2 million increase in revenues. Period-to-period contribution growth for our legacy centers, those open prior to January 1, 2008, was up 9.3% for the nine months based on a combination of organic growth and expense management.

Fertility Centers Division contribution of $10.2 million for the year ended December 31, 2008 increased approximately $200,000, or 2.0%, from prior year levels. Although this segment experienced revenue growth of 14.3% in 2008, versus the prior year, margin growth was tempered by additional division level infrastructure investments. These investments, which totaled $1.2 million during 2008, were designed to support continuing growth

and new contract acquisitions within this segment.

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Fertility Centers Division contribution for 2007 increased approximately $1.6 million, or 19.1%, from 2006. This increase was primarily attributable to the continued revenue and margin growth of our existing fertility centers, and entry into new fertility markets in Baltimore, Maryland and Orlando, Florida. Contribution growth rates for our existing Partners averaged 14.9% in 2007, versus the prior year. The new markets entered into during the second half of 2007 generated contribution of more than $400,000 during that year.

Consumer Services Segment

Contribution from our Consumer Services Division for the nine months ended September 30, 2009 was $3.7 million versus $4.0 million in the year earlier period. This decrease reflects slowing enrollments into the program resulting from the loss of our financing partner and disruptions in the credit markets, which make it more difficult for patients to finance treatments.

Contribution from our Consumer Services Division grew by $1.3 million to $5.4 million for the year ended December 31, 2008 versus a contribution of $4.1 million in the year ended December 31, 2007. This growth was driven by our Attain IVF Refund Program in which the two key profitability metrics, the number of patients receiving treatment and pregnancy success rates, showed year-over-year improvement in 2008 versus 2007.

Contribution from both our Affiliate and pharmaceutical programs in 2008 were on par with results in 2007. Although our Affiliate Program grew by a net of two fertility centers during 2008, the underlying value of this program is to serve as a distribution channel for our Attain IVF programs, as well as a source of future Partner fertility centers. Also, the market for pharmaceutical products in which we participate has been subject to external pricing pressures which have restricted revenues and profitability.

For the year ended December 31, 2007, contribution of $4.1 million from our Consumer Services Division was even with contribution of $4.1 million earned in the prior year. While enrollments in our Attain IVF Refund Program grew in 2007 versus 2006, pregnancy rates during 2007 were at the low end of our expected range and impacted the amount of revenues recognized as we record the bulk of our revenues at the time of pregnancy.

In 2007, contribution from our pharmaceutical line was down $400,000, or 71.3%, from 2006 due to the previously mentioned unfavorable pricing and reimbursement environment.

Vein Clinics Segment

For the first nine months of 2009, Vein Clinics Division contribution of $3.0 million was $1.1 million, or 57.3%, higher then the prior year period. The improved performance for the nine-month period was largely attributable to the additional operational and marketing infrastructure put in place during 2008. This infrastructure allowed the division to conduct ongoing direct-to-consumer marketing initiatives and provided the resources necessary to service the resulting increase in patient flow.

For the year ended December 31, 2008, contribution from our Vein Clinics Division of $2.7 million was up $1.7 million from 2007. Year versus year comparisons for this segment are not directly comparable as 2007 results only include contribution generated since we acquired VCA in August 2007.

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General and Administrative Expenses

General and administrative expenses are comprised of salaries and benefits, administrative, regulatory compliance and operational support costs defined as our Shared Services group, which are not specifically related to individual center or clinic operations or other product offerings.

General and administrative expenses totaled $9.3 million for the first nine months of 2009, an increase from the $8.0 million recorded in the same period of the prior year. The increased general and administrative expenses in the nine-month period is attributable to higher service and infrastructure activities designed to provide operational support to our three growing business segments. We measure our performance in part by relating general and administrative expenses to operating contribution. For the nine months ended September 30, 2009, general and administrative expenses were 60.4% of contribution compared to a ratio of 58.6% for the nine months ended September 30, 2008.

General and administrative expenses totaled $10.7 million in 2008, $10.5 million in 2007 and $9.4 million in 2006. For the year ended December 31, 2008, general and administrative expenses were 58.2% of contribution which compares favorably to ratios of 69.7% and 74.8% in 2007 and 2006, respectively. We continue to actively manage general and administrative expenses in an effort to leverage our Shared Services group and extract economies of scale as those opportunities arise.

Interest

Net interest expense was $682,000 for the first nine months of 2009 as compared to net interest expense of $884,000 for the first nine months of 2008. The reduction in net interest expense for the nine-month period is the result of scheduled debt repayments which reduced our outstanding loan balances coupled with lower market interest rates on certain portions of the remaining balances.

Net interest expense for the year ended December 31, 2008 totaled $1.2 million, compared to net interest income of $100,000 for the year ended December 31, 2007, and net interest income of $400,000 for the year ended December 31, 2006. The change in net interest income/expense for the three years ended December 31, 2008 is primarily the result of utilizing cash on hand and additional borrowings as the principal means of financing our acquisition of VCA in August 2007. This acquisition used approximately $14 million of cash from our balance sheet in addition to us obtaining $17 million of new borrowings.

Coupled with this cash outlay is a reduction in the general level of interest rates as well as a slow-down in various credit markets which has resulted in restrictions on the interest income we are able to earn on our cash balances. Subject to interest rate fluctuations, we anticipate interest expense to decrease gradually in the coming quarters as scheduled debt repayments reduce our outstanding principal balances.

Interest income of $400,000 for the year ended December 31, 2008 was below that of the prior year by $900,000, or a reduction of 69.5%, primarily as a result of lower market interest rates and conditions in the credit markets which limited investment opportunities. Interest expense of $1.6 million for the year ended December 31, 2008 exceeded that of the prior year by $400,000, or 37.5%, primarily due to interest charges on new borrowings done in August 2007, associated with the VCA acquisition.

For the year ended December 31, 2007, interest income increased $200,000, or 17.1%, from the year ended December 31, 2006, as a result of earnings on idle cash balances during the first seven months of 2007. Interest expense of $1.1 million for the year ended December 31, 2007 increased by $400,000 from the year ended December 31, 2006 as a result of mid-year borrowings associated with the VCA acquisition.

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Income Tax Provision

Our provision for income tax was approximately $2.2 million for the nine months ended September 30, 2009, or 40% of pre-tax income. This compared to $1.9 million, or 40.2% of pre-tax income, for the nine months ended September 30, 2008. Our effective tax rates for 2009 and 2008 reflect provisions for both current and deferred federal and state income taxes. The effective tax rates for the nine months ended September 30, 2009 and 2008 include additional interest for tax exposure items. We expect the effective tax rate to approximate 40% for the full year ending December 31, 2009.

Our provision for income tax was approximately $2.5 million, $1.7 million and $470,000 for the three years ended December 31, 2008, 2007 and 2006, respectively, or 39.3%, 35.3% and 13.3% of pre-tax income, respectively. Our effective tax rates for all periods reflect provisions for both federal and state income taxes. The low effective tax rate of 13.3% for the year ended December 31, 2006 was mainly due to an $821,000 tax benefit related to the elimination of the valuation allowance on deferred tax assets. The lower effective tax rate of 35.3% for the year ended December 31, 2007 was mainly due to benefits received from tax-exempt interest income.

We file income tax returns in the U.S. federal jurisdiction and various states. For federal income tax purposes, our 2007 and 2008 tax years remain open for examination by the tax authorities under the normal three year statute of limitations. A federal income tax examination for tax years through 2006 was completed during 2008 resulting in no adjustment to our income tax liability. For state tax purposes, our 2004 through 2008 tax years remain open for examination.

Off-Balance Sheet Arrangements

FASB Interpretation No. 46 (revised 2003) (FIN No. 46R), Consolidation of Variable Interest Entities addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and accordingly should consolidate the entity. For all periods subsequent to August 8, 2007, as a result of our acquisition of VCA, we have controlling financial interests in individual vein clinics where we are the primary beneficiary and obligor of their financial results. As such, we have consolidated these vein clinic operations in our financial statements in accordance with the provisions of FIN No. 46R. Because we do not have a controlling financial interest in individual fertility centers and we are not the primary beneficiary or obligor of their financial results, we do not consolidate the results of the fertility centers in our accounts. Also, since we do not have a controlling interest in the captive insurance company, and we are not the primary beneficiary or obligor of the captive insurance company s financial results, we do not consolidate the results of the captive insurance company in our accounts.

Liquidity and Capital Resources

As of September 30, 2009, we had approximately $35.2 million in cash and cash equivalents on hand as compared to $28.3 million as of December 31, 2008. We had a working capital deficit of approximately $2.6 million as of September 30, 2009, approximately the same as the working capital deficit of $2.5 million as of December 31, 2008.

Attain IVF program deferred revenue and other patient deposits, which are reflected as a current liability, represent funds received from patients in advance of treatment cycles and are an indication of future Consumer Services Division revenues. These deposits totaled approximately $13.0 million and $11.2 million as of September 30, 2009 and December 31, 2008, respectively. The increase in deposits

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is a direct result of patient enrollment, and through-put, in our treatment programs. These deposits are a significant source of cash flow and represent interest-free financing for us.

As of September 30, 2009, we did not have any significant contractual commitments for the acquisition of fixed assets or construction of leasehold improvements. However, we currently anticipate upcoming capital expenditures of approximately $5 million for 2010. These expenditures are primarily related to medical equipment, information system infrastructure and leasehold improvements.

We believe that working capital, specifically cash and cash equivalents, remains at adequate levels to fund our operations and our commitments for fixed asset acquisitions. We also believe that the cash flows from our operations plus our available revolving line of credit will be sufficient to provide for our future liquidity needs over the next 12 months.

In August 2007, as part of our acquisition of VCA, we entered into a new financing arrangement with Bank of America and secured a $25 million five-year variable interest rate term loan. Our previous term loan of $7.7 million was paid off in its entirety as part of entering into our new financing arrangement. After deducting the previous loan amount, interest and fees, our net funding from Bank of America was $17.0 million. In order to mitigate the interest rate risk associated with this term loan, we also entered into an interest rate swap agreement on 50% of the principal amount through August 2010. This swap transaction acts as an effective hedge fixing the interest rate on half of our term loan at 5.39% plus the applicable margin for the life of the swap. Other features of this credit facility include a $10 million five-year revolving line of credit.

Each component of our amended credit facility bears interest by reference, at our option, to Bank of America s prime rate minus a margin or to LIBOR plus a margin. The margin is dependent upon a leverage test, ranging from 2.00% to 2.75% in the case of LIBOR-based term loans and 0.00% to 0.50% in the case of prime-based term loans. Interest on the revolving line of credit is at the prime rate less up to 0.50% or at LIBOR plus 1.50% to 2.50%, depending on a leverage test. Interest on the prime-based loans became payable quarterly beginning on November 8, 2007 and interest on LIBOR-based loans is payable on the last day of each applicable interest period. As of September 30, 2009 and December 31, 2008, interest on the term loan was payable at a rate of approximately 2.57% and 2.71%, respectively.

Availability of borrowings under the revolving line of credit is based on eligible accounts receivable, as defined in the amended credit facility. As of both September 30, 2009 and December 31, 2008, under the revolving line of credit, the full amount of $10.0 million was available, of which $7.5 million was outstanding. Unused amounts under the revolving line of credit bear a commitment fee of 0.25% and are payable quarterly.

Our amended credit facility with Bank of America is collateralized by substantially all of our assets, including the capital stock of our subsidiaries. As of both September 30, 2009 and December 31, 2008, we were in full compliance with all applicable debt covenants under our amended credit facility. We also continuously review our credit agreements and may renew, revise or enter into new agreements from time to time as deemed necessary.

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Significant Contractual Obligations and Other Commercial Commitments

The following summarizes our contractual obligations and other commercial commitments at December 31, 2008, and the effect such obligations are expected to have on our liquidity and cash flows in future periods.

	Payments Due by Period				
	Total	Less Than 1 Year	1 3 Years	4 5 Years	After 5 Years
			(in thousands)		
Notes payable	$ 22,418	$ 3,768	$ 18,650	$	$
Line of credit outstanding	7,500	7,500			
Capital lease obligations	301	83	218		
Interest on debt	2,972	1,067	1,905		
Operating leases	60,353	4,708	17,793	15,425	22,427
Fertility Partners capital and other obligations	5,747	5,747			
Total contractual cash obligations	$ 99,291	$ 22,873	$ 38,566	$ 15,425	$ 22,427

	Amount of Commitment Expiration Per Period				
	Total	Less Than 1 Year	1 3 Years	4 5 Years	After 5 Years
			(in thousands)		
Unused lines of credit	$ 2,500	$	$ 2,500	$	$

We also have commitments to provide working capital financing to member centers in our Fertility Centers Division that are not included in the above table. A significant portion of these commitments relate to our transactions with the medical practices themselves. Our responsibilities to the these medical practices are to provide financing for their accounts receivable and to hold patient deposits on their behalf, as well as undistributed physician earnings. Disbursements to the medical practices generally occur monthly. The medical practice s repayment hierarchy consists of the following:

We provide a cash credit to the practice for billings to patients and insurance companies;

We reduce the cash credit for center expenses that we have incurred on behalf of the practice;

We reduce the cash credit for the base portion of our service fee which relates to the Partner revenues;

We reduce the cash credit for the variable portion of our service fee which relates to the Partner earnings; and

We disburse to the medical practice the remaining cash amount which represents the physician s undistributed earnings.

We are also responsible for the collection of the Partner accounts receivables, however, there is no recourse to us if such accounts receivable become uncollectible. We continuously fund these needs from

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our cash flows from operations, the collection of prior months receivables and deposits from patients in advance of treatment. If delays in repayment are incurred, which have not as yet been encountered, we could draw on our existing revolving line of credit. We also make payments on behalf of the Partner for costs incurred by the Partner, for which we are reimbursed in the short-term. These payments are not included in the table above. Other than these payments, as a general course, we do not make other advances to the medical practices. Other than as described or included in this paragraph or in the table above, we have no funding commitments to the Partner centers.

Quantitative and Qualitative Disclosures About Market Risk

In the normal course of business our interest income and expense items are sensitive to changes in the general level of interest rates. During the third quarter of 2007 we entered into an interest rate swap agreement designed to hedge 50% of our $25 million variable interest rate term loan maturing in 2012. As a result of this swap transaction we have partially shielded ourselves from a portion of the interest rate risks associated with that portion of the term loan, as the swap transaction essentially converts that portion of the term loan to a fixed rate instrument at 5.39% plus the applicable margin through the maturity of the swap agreement in August 2010. We are currently subject to interest rate risks associated with the remaining 50% of our term loan, as well as our short term investments and certain advances to our fertility centers, all of which are tied to either short term interest rates, LIBOR or the prime rate. As of both December 31, 2008 and September 30, 2009, a 1% change in interest rates would have impacted our pre-tax income by approximately $100,000 annually.

Recently Issued Accounting Pronouncements

Please see Note 3 (under the subheading Recently Issued Accounting Pronouncements) of the notes to our consolidated financial statements included elsewhere in this prospectus for a discussion on recently issued accounting pronouncements.

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BUSINESS

We manage highly specialized outpatient centers in emerging, technology-based, niche medical markets. Currently, we are a leading manager of fertility centers and vein clinics in the United States. We provide services and products through our three operating divisions (Fertility Centers, Consumer Services and Vein Clinics) and shared support services for providers through our corporate offices. We provide our fertility centers and vein clinics with administrative services such as finance, accounting, human resources, risk management, legal and purchasing support; marketing and sales support; internet marketing and website support; access to integrated information systems; in some instances, non-physician practitioners; and access to capital for financing clinic operations and expansion.

Fertility Centers Division

Our Fertility Centers Division provides business and management services to a network of 14 contracted fertility centers in our Partner Program (including one fertility center in Utah that is scheduled to begin seeing patients in the first quarter of 2010), serving 16 metropolitan markets across the United States. We believe these 14 Partner centers are the largest managed network of fertility centers in the United States, with 66 locations and 100 physicians and PhD scientists, accounting for approximately 14% of the total in vitro fertilization (IVF) procedures performed in the United States in 2007, which is the latest period for which third-party data are available. The division supports fertility centers operations and growth by providing access to information systems such as our proprietary ARTworks electronic medical records software as well as medical equipment and facilities, non-physician personnel and marketing and financial support services. All fertility Partners have full access to our Attain IVF programs, which are described below. We do not employ or control the physicians who provide or direct the treatment of patients.

Our fertility centers offer a range of diagnostic and fertility treatment options to patients. The fertility centers physicians perform diagnostic tests on both women and men to determine the cause of infertility and each fertility center has an endocrine and andrology laboratory on site in order to perform and expedite infertility analyses. Once the cause of infertility is identified, several treatment options are offered to patients, including IVF treatment, frozen embryo transfer, intrauterine insemination and minimally invasive surgery to correct anatomical reproductive problems. All of our fertility centers have on-site IVF laboratories in order to maintain the integrity of the IVF processes. Fertility centers are typically staffed by six to seven physicians, a scientist, embryologists, nurses, support staff and ultrasound technicians.

Insurance and managed care payors, depending on the plan under which a patient is covered, reimburse certain services that our Partners provide, such as diagnostic testing, surgeries and, in certain circumstances, fertility treatments. However, the charges for assisted reproduction technology (ART) services our Partners primarily provide are often paid directly by patients, including through programs such as our Attain IVF programs. Several states mandate offering certain benefits of varying degrees for ART services. For example, in Massachusetts, Rhode Island, Maryland and Illinois, the mandate requires coverage for many, but not necessarily all, ART services provided by our Partners. Approximately 50% of our Partner centers payments were derived from third-party payors for the first nine months of 2009, all of which was provided by private payors. Contractual arrangements with third-party payors typically are for a term of one year, may be terminated by either party upon 90 days notice any time after the initial one-year term and contain automatic annual renewal provisions. Contractual arrangements with third-party payors also typically include payment terms and schedules of rates, although those payment terms and schedules of rates are subject to renegotiation after the initial term of the contract. During the first nine months of 2009, in accordance with the terms of our contractual arrangements with them, third-party payors paid approximately 51% of the charges billed to them by

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our Partner centers. We are unaware of efforts to expand mandated coverage to additional states. If in the future mandates are enacted by additional states, we expect the impact on our Partner fertility centers to be neutral to positive, as such mandates would likely increase the market for fertility center services, but at payment rates that are lower than the amounts typically paid directly by patients.

When establishing a Partner relationship, we typically acquire the assets of a fertility center, enter into a long-term comprehensive business service agreement with the center and assume most administrative and financial functions of the center. The acquisition of a Partner agreement generally obligates us to pay a fixed sum for the exclusive right to service the fertility center. These agreements are typically for terms of 10 to 25 years and contain automatic renewal provisions. Some of these agreements also contain provisions that allow the Partner fertility center to terminate the agreement, upon 12 months prior notice, at any time after five years from the agreement s effective date. Partners typically have obligations upon termination in certain circumstances, such as purchasing the assets used in operating the fertility center and making payments based on recent revenues. Partners also agree to promote their practices by, among other things, participating in marketing programs we develop for them. Typically, the fertility center contracting with us is a professional corporation in which the key physicians are the shareholders. Generally, no shareholder of a Partner fertility center may assign his or her interest in the Partner fertility center without our written consent.

We require each professional corporation operating in our Partner fertility centers to enter into employment agreements with all key physicians at that center. These employment agreements typically have five-year terms and contain provisions prohibiting the key physicians from practicing reproductive endocrinology, infertility medicine or assisted reproductive technology in competition with us, within a specified area, for the term of the agreement and for 12 to 24 months thereafter. Although it is unclear whether these non-competition provisions would be enforceable if challenged, we have not experienced significant competition from physicians who formerly practiced at our Partner centers. We also usually enter into a personal responsibility agreement directly with each physician shareholder of the practice. The personal responsibility agreement obligates a physician shareholder to repay us a proportionate amount of the exclusive right to service fee payment received by that physician shareholder if he or she leaves the practice sooner than five years after the payment.

Generally, under our current Partner agreements, as compensation for our services, we receive a three-part fee comprised of: a tiered percentage of net revenues, generally between 3% and 6%; reimbursed costs of services (costs incurred in providing services to a fertility center and any costs paid on behalf of the fertility center); and either a fixed amount or a percentage of the center s earnings, which currently ranges from 10% to 20%, but may be subject to limits. However, under our current Partner agreement with Fertility Centers of Illinois, S.C. (FCI), we do not receive a three-part fee. Rather, we receive a fee that is generally equal to the operating expenses associated with managing FCI s medical practice plus 9.5% of such expenses.

Our Fertility Centers Division also supports a Council of Physicians and Scientists (the Council) for leading fertility providers, which we established 14 years ago. The Council is comprised mostly of representatives from our fertility network and brings together leaders in reproductive medicine and embryology with the goal of promoting a high quality clinical environment throughout our fertility center network. The Council meets regularly and conducts bi-monthly teleconferences on topics related to improving infertility diagnosis, treatment and success rates. Additionally, the Council helps to establish the principles of our culture of safety. We believe our centers follow the Practice and Ethics Guidelines for clinical practice set forth by the American Society for Reproductive Medicine. We have also achieved accreditation from the American Association for Ambulatory Healthcare and the College of American Pathologists, which demonstrates our commitment to compliance with nationally recognized standards for laboratory services, patient safety and quality patient care.

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We assisted in the organization of, and obtained a minority equity interest in, an offshore captive insurance company called Assisted Reproductive Technology Insurance Company (ARTIC), which is designed to moderate the cost of malpractice insurance to members of our fertility network. Most of the equity of ARTIC is owned by various physician practices that are members of our fertility network, and we have no future obligations to provide additional funding to ARTIC. On January 1, 2005, ARTIC began providing malpractice insurance coverage to the majority of the physician practices within our Partner fertility network.

Consumer Services Division

Our Consumer Services Division offers a family of programs, including our Attain IVF Refund Program and our recently introduced Attain IVF Multi-Cycle Program, collectively referred to as our Attain IVF programs, which are designed to help patients attain their goal of starting a family. We offer our Attain IVF programs directly to fertility patients, including patients of our Partner centers and patients of the division s contracted network of independent medical providers under its Affiliate Program.

Our Affiliate Program allows fertility centers to pay fees to receive selected management services we provide to our Partners, such as internet marketing and access to the Council. We also provide our Affiliates with access to our Attain IVF programs. Historically, we provided services to our Affiliates on an exclusive basis in the area in which the Affiliate operates, but Affiliates access to our Attain IVF programs is generally subject to achievement of certain benchmarks, including with respect to Attain IVF Refund Program enrollments; however, in July 2009 we began allowing access to our Attain IVF programs on a non-exclusive basis in new markets. As of September 30, 2009, we had contracted with 25 Affiliate fertility centers. During 2007, our Affiliate fertility centers collectively provided 8% of the total IVF procedures in the United States. Our Consumer Services Division does not provide, nor is it responsible for providing, medical services or treatments to patients.

Our Consumer Services Division re-launched its Shared Risk Refund Program under the name Attain IVF in late 2008. This re-branding was done to reflect advantages offered by the program beyond its packaged pricing features and to position the program in a leadership role among smaller, similar programs offered by other providers.

Beginning in July 2009, we began referring to this program as our Attain IVF Refund Program to differentiate it from our Attain IVF Multi-Cycle Program. As described in more detail below, our Attain IVF Refund Program is an offer of packaged pricing for a set of fertility treatments with a refund, equal to 70% of the contract amount for patients using their own eggs, if treatment does not result in a baby. Under circumstances where a patient uses donor eggs, 100% of the contract amount is refunded if treatment does not result in a baby. For the nine months ended September 30, 2009, approximately 18.5% of the patients in our Attain IVF programs used donor eggs.

Patients enrolling in our Attain IVF programs can select from various treatment and financing options which are designed to appeal to patients at different stages of their reproductive lives and with different financial needs and resources. The average cost of one fresh IVF cycle as of August 2009 was approximately $12,000 according to Marketdata Enterprises, Inc. According to our estimates, the average cost of a frozen embryo transfer is approximately $3,000. The Attain IVF Refund Program allows medically cleared patients to pay an up-front deposit of approximately twice the average cost of a fresh IVF cycle in return for up to six treatment cycles (consisting of three fresh IVF cycles and three frozen embryo transfers) with a refund if treatment does not result in a baby. The refund is equal to 70% of the contract amount for patients using their own eggs and 100% of the contract amount if the patient uses donor eggs. The Attain IVF Multi-Cycle Program allows all patients, including those who are not medically cleared for our Attain IVF Refund Program, to pay a single fee, which is slightly less than the average cost of two fresh IVF cycles, in return for up to four treatment cycles (consisting of

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two fresh IVF cycles and two frozen embryo transfers). Our Attain IVF Multi-Cycle Program offers a refund ranging from 10% to 85% of the contract amount depending on where in the process either we or the patient elects to terminate the program, as long as termination is prior to a second fresh IVF cycle. The fertility treatment cycles are provided to patients by fertility centers with which we contract for participation in the program. The benefits of our Attain IVF programs to our fertility centers include: allowing for patients to commit to multiple fertility treatments which improves treatment volume and revenues; insulating the centers from refund risk; managing cash and administrative details associated with our Attain IVF programs; and enabling physicians to maintain a traditional fee for service arrangement without the appearance of conflicts of interest that otherwise might arise from self administering a refund program. The benefits of our Attain IVF programs to patients include: improved success rates associated with multiple fertility treatment cycles; increased financial certainty relating to the cost of the fertility treatment process; and, in the case of our Attain IVF Refund Program, a significant financial refund should the treatments be unsuccessful.

Our Attain IVF programs serve as patient recruitment and case management vehicles where the patient contracts with us to provide the program services described below. We bind our Partners and Affiliates to abide by the terms of the program through participation agreements that support our packaged pricing. These programs are designed to make the fertility treatment process easier for patients by providing a continuum of services over an extended period, if necessary. Our Attain IVF programs achieve this objective by offering the following services:

Patient recruitment via internet web portals and search engines, in-clinic educational materials, in-clinic contact with fertility specialists and on-line contact with patient service specialists;

Educating patients as to the benefits of various treatment options offered by our network of contracted medical providers which have been tailored to appeal to patients at various stages of their reproductive lives and with various medical conditions;

Explaining the financial costs and patient responsibilities of the various treatment options;

Educating patients as to the various financing options offered by our Attain IVF programs and referring them to sources of third-party financing when requested;

Coordinating an initial medical assessment required for entry into our Attain IVF programs;

Arranging treatment with an Affiliate or a Partner center for all treatment cycles used by the patient; and

Providing on-going case management, treatment plan monitoring and evaluation services.

We receive payment directly from patients who participate in our Attain IVF programs. By contract, 30% of the Attain IVF Refund Program contract amount is non-refundable (for the non-donor egg option) and is recognized ratably (on a fair value basis) as revenues over the course of the patient s treatment cycles. If the patient achieves pregnancy prior to the completion of the last available treatment cycle, then the remaining unamortized portion of the non-refundable fee is immediately recognized as income. The remaining 70% of revenues are recorded upon the patient becoming pregnant and achieving a fetal heartbeat. For the donor egg option, for which 100% of the contract amount is refundable, all revenues are recorded upon the patient becoming pregnant and achieving a fetal heartbeat. We are able to record income at the time of pregnancy for our Attain IVF Refund Program, as we have substantially completed our fertility obligation to the patient and we can accurately estimate the amount of expenses or refunds that will become due if there is a pregnancy loss. We are able to

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make these estimates for pregnancy loss based upon reliable Company specific data with respect to the large homogeneous population we have served for more than seven years. Expenses prior to pregnancy related to the program are recorded as incurred. All of the amounts shown on the balance sheets in our consolidated financial statements included elsewhere in this prospectus as Attain IVF Refund Program deferred revenues and other patient deposits consist of unrecognized program enrollment/service fees and potentially refundable contract amounts for enrolled patients who have not had a successful pregnancy outcome and deposits received from patients who have not yet commenced treatment under the program.

Due to the characteristics of our Attain IVF programs, we pay for a patient s treatment costs in excess of their contract amount should the initial treatment cycles be unsuccessful. In order to moderate and manage the likelihood that we will need to pay for these treatment costs, we have developed a sophisticated statistical model and case management program in which Attain IVF Refund Program patients are pre-approved prior to enrollment in the program. We also continuously review patients clinical criteria as they undergo treatment. If, while undergoing treatment, a patient s clinical response falls outside our criteria for participation in Attain IVF programs, we have the right to remove that individual from the program, with an applicable refund to the patient. To date, our case management process has been effective in managing the risks associated with our Attain IVF Refund Program within expected limits. A patient has the right to withdraw from our Attain IVF Refund Program at any time and will be issued an applicable refund.

Vein Clinics Division

Our Vein Clinics Division was formed on August 8, 2007, with the purchase of Vein Clinics of America, Inc. (VCA), a company that had been in business since 1981. Our Vein Clinics Division provides business and management services to a network of 34 vein clinics located in 13 states. We believe our vein clinics network is the largest single network of vein care providers in the United States. These clinics provide specialized treatment for patients suffering from vein diseases and other vein disorders, such as varicose veins, spider veins and venous ulcers.

We offer vein clinics services and support, including training for physicians, clinical and financial information systems, revenue cycle management, yield management, sales and marketing services, group purchasing, non-physician personnel, facilities, site selection and development and other operational functions to support the clinic. The division supports vein clinics operations and growth by providing access to information systems such as our proprietary Virtual Physician Assistant (VPA) information system, which is an end-to-end patient and clinic operating system that provides decision support and revenue cycle functions. A typical vein clinic averages 2,400 square feet and is located in an affluent, growing community. Each clinic has a standardized operational structure composed of a phlebologist, nurse, ultrasound technologist, office manager and assistant. Medical services or treatments are provided to vein clinic patients by physicians who are employed by professional corporations, whose financial condition, results of operations and cash flows are consolidated with our consolidated financial statements.

Our Vein Clinics Division s philosophy of patient care is based on complete disease management, from initial screening to treatment to follow up. Our vein clinics view each step in this process as critical to the patient s successful outcome. Our clinics currently use Endovenous Laser Treatment (ELT) as well as sclerotherapy to treat varicose and spider veins. Our vein clinics use extensive and sophisticated ultrasound mapping prior to treatment, which we believe results in a more effective treatment plan. Rigorous post-treatment follow up is meant to identify any residual or emerging issues so that they can be quickly managed before the disease worsens.

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Our Vein Clinics Division depends upon third-party payors, including governmental and private insurance programs, to pay for most treatments provided to patients. For the first nine months of 2009, approximately 60% of charges billed by our Vein Clinics Division were to managed care programs, approximately 20% were to commercial insurers, approximately 15% were to Medicare and approximately 5% were directly to patients.

The private third-party payors providing reimbursement to our vein clinics include standard indemnity insurance programs as well as managed care programs, such as preferred provider organizations and health maintenance organizations. These third-party payors provide reimbursement to our vein clinics at negotiated rates, which approximate 50% of the billed charges, for medically necessary treatments. Most ELT treatments for varicose veins and venous leg ulcers provided at our vein clinics are reimbursed by third-party payors. However, third-party payors generally do not cover sclerotherapy or treatments they determine are not medically necessary, such as the cosmetic treatment of spider veins. In some cases, third-party payors require prior authorization of varicose vein treatment to provide reimbursement. Contractual arrangements with third-party payors typically are for a term of one year, may be terminated by either party upon 60 to 90 days notice after the initial term and contain automatic annual renewal provisions. Contractual arrangements with third-party payors also typically include payment terms and schedules of rates that are subject to change by the third-party payor upon as little as 30 days notice. Payments from Medicare are paid in accordance with a set fee schedule and are subject to change or review by governmental authorities.

Once our Vein Clinics Division has facilitated a vein clinic s establishment, we enter into a contract with the professional corporation operating in our clinic. Unlike our Partner fertility centers, the physicians who are employed at our vein clinics typically do not have an ownership interest in the medical practice. A friendly physician model is often used for ownership, pursuant to which we are the primary beneficiary and obligor of the vein clinic s operations; however, we also own and operate vein clinics through subsidiaries in two states where we are not prohibited from doing so under applicable corporate practice of medicine laws. Under the terms of our contracts with the vein clinics, we have sole and exclusive responsibility to manage the non-medical operations of the practice and the physicians have sole responsibility for the medical and clinical aspects of the practice. Our contracts with the vein clinics provide that we are responsible for the leasing of space, obtaining all equipment and services needed, providing all billing and collections functions, arranging for and supervising all non-physician personnel and providing services so they can market their own practices. In exchange for our services, our contracts with the vein clinics provide that the vein clinics pay us a fee equal to 150% of our expenses of operating and managing the vein clinics. These fees have historically exceeded the operating margin generated by any particular vein clinic prior to payment of the management fee. Accordingly, each vein clinic only pays the portion of the management fee that is equal to the amount of revenue generated by the clinic annually up to the 150% amount. As a result, our vein clinics do not generate any net profits at year end. Our contracts with the vein clinics are typically for 25 years with renewal rights. In the event of early termination, any accrued obligations remain outstanding until satisfied. We also have the right at any time to cause the friendly physician to transfer his or her ownership in a vein clinic to another physician designated by us.

We require each professional corporation operating in our vein clinics to enter into an employment agreement with the physician practicing at that clinic. The employment agreement typically has a term of one year and automatically renews for additional one-year periods unless terminated by either party. The physician generally is required to pay the clinic either $75,000 or $50,000 if the agreement is terminated prior to three years from the physician s first employment with the clinic, with the amount due depending on the time of termination. This requirement helps defray the training expenses we incur when we assist the physician in establishing a practice. The physician also usually covenants not to compete with the clinic or provide medical services in the treatment of varicose veins or other venous diseases, within a specified area, during the agreement s term and for two years thereafter. Although it is

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unclear whether these non-competition provisions would be enforceable if challenged, we have not experienced significant competition from physicians who formerly practiced at our vein clinics.

Since our acquisition of VCA in August 2007, we have made significant investments in this division s infrastructure, which have been designed to allow us to open new clinics at a more rapid and sustained pace utilizing a replicable model. These investments include:

Physician recruiting and training. The business model for our Vein Clinics Division depends on being able to identify, recruit and train new physicians to staff new clinics. We have invested in additional professional personnel as well as other recruiting and training assets to support scaled growth in the future.

Regional management. We have established a regional management infrastructure to manage the day-to-day operations of the expanding Vein Clinics Division clinical network and anticipate continued investment in regional management talent as our clinic base expands.

Revenue cycle management. Over the past several years, the market for vein care has undergone a shift from private out of pocket payment by patients to an environment where most treatment is covered by insurance. This shift has caused us to make heavy investments in physician credentialing, working capital and improved billing and collections personnel, systems and procedures. These investments will continue as the business grows.

New clinic development. With our planned roll-out of new clinic openings, we are making investments in personnel and procedures for identifying opportunities and opening new clinics in existing and new markets.

Marketing and sales. We have established more formal, direct-to-consumer and physician referral marketing programs.

Shared Services Group

Through our Shared Services group, we provide the following support to our Fertility Centers, Consumer Services and Vein Clinics Divisions:

Administrative Services. Our Shared Services group provides our contracted fertility centers and vein clinics with administrative services, including: accounting and financial services, such as accounts payable, payroll and financial reporting; human resources administration; legal services; risk management; insurance; information systems and services; and strategic planning.

Access to Capital. We believe we provide our Partner fertility centers and vein clinics with a competitive advantage through access to capital for funding accounts receivable, expansion and growth. We provide our Partner fertility centers and vein clinics with efficient access to capital which allows them to obtain current technologies, equipment and facilities that enable them to provide a full spectrum of services to effectively compete for patients. For example, we have built new clinical facilities housing state-of-the-art fertility laboratories for several Partners, which enable them to expand their offerings to include a number of services that they had previously outsourced, and have acquired state-of-the-art ultrasound and laser technology for our vein clinics. We believe this access to capital helps us to recruit Partner practices.

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Integrated Information Systems. Using our established base of treatment providers, we are continuously developing integrated information systems to collect and analyze clinical, patient, financial and marketing data, which we believe allow us to more effectively control expenses and improve cash collections at our Partner fertility centers and vein clinics. Our proprietary ARTworks clinical software provides electronic medical records, treatment plan and success rate research capabilities, decision support functionality and clinical risk management services, which we believe makes our physicians more efficient and improves quality of care. We provide our vein clinics access to our proprietary VPA information system, which is an end-to-end patient and clinic operating system that provides decision support and revenue cycle functions.

Human Resources. Our Shared Services group provides our contracted fertility centers and vein clinics with human resources services, including: policies and procedures; arranging for comprehensive benefits and managing the implementation of those benefits; wage and hour administration; performance reviews; job descriptions; and overall human capital management.

Our Industries

Reproductive Medicine

Reproductive medicine encompasses the medical discipline that focuses on male and female reproductive systems and processes. According to a recent industry estimate, approximately 10% of U.S. couples have trouble conceiving. There are many reasons why couples have difficulty conceiving, and accurate identification of a specific cause of infertility can be time consuming, expensive and requires access to specialized diagnostic and treatment services. Reproductive endocrinologists are specialized physicians who perform these more sophisticated medical and surgical fertility diagnoses and treatments. Reproductive endocrinologists generally have completed a minimum of four years of residency training in obstetrics and gynecology and have at least two years of additional training in an approved subspecialty fellowship program. There are approximately 1,400 practicing reproductive endocrinologists offering fertility services across 480 fertility centers in the United States. According to Marketdata Enterprises, Inc., expenditures relating to fertility services in the U.S. market were estimated at approximately $4 billion for 2008. The fertility services market is highly fragmented among providers in each major local market as well as on a national basis.

Fertility services include diagnostic tests performed on both the female and male. Depending on the results of the diagnostic tests performed, treatment options may include, among others, fertility drug therapy, artificial insemination and fertility surgeries to correct anatomical problems. Procedures that require gametes (sperm and eggs) to be handled in vitro (outside the body) are classified as ART services. Current types of ART services include IVF, frozen embryo transfers, donor egg programs as well as other more specialized treatments. IVF treatments are the most frequently employed form of ART, with 103,367 fresh IVF cycles performed in the United States in 2007. Current techniques used in connection with IVF services include intracytoplasmic sperm injection, assisted hatching, cryopreservation of embryos, pre-implantation genetic diagnosis and blastocyst culture and transfer.

Although demand for advanced reproductive medicine and treatment is highly correlated with larger demographic trends, we believe the market will continue to grow in the future for the following reasons:

The quality of treatment is improving, increasing pregnancy success rates;

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Improvements in embryo culture media and implantation rates are leading to the capability of reducing high order multiple births, which is one of the greatest risk factors in this industry;

With improving pregnancy rates, the cost of treatment is decreasing thereby making these services more affordable;

Demand for reproductive medical services is increasing through greater public awareness and acceptance of these treatments; and

Couples are delaying child birth until later in life. In 2006, approximately one out of every 12 first births was to a woman age 35 or older, compared with one out of every 100 first births in 1970, according to the U.S. Centers for Disease Control and Prevention.

While fertility market growth has moderated recently, in line with a demographic trough of couples of family-bearing age, we believe that we are well positioned to increase our share of the fertility market due to the following factors:

The benefits arising from consolidation, including the economies of scale that can be realized by leveraging a corporate infrastructure like ours to minimize general and administrative expenses as a percentage of fertility center revenues;

The need for greater efficiencies to offset rising costs and decreases in revenue growth;

The barriers to establishing new fertility centers, including the capital-intensive nature of acquiring and maintaining state-of-the-art medical equipment, laboratory and clinical facilities and the need to develop and maintain specialized information systems to meet the demands of patients and third-party payors;

The need for support services like those we provide to address the need for seven-days-a-week service to respond to patient demands and to optimize the outcomes of patient treatments;

The increased need for marketing services like those we provide to address increasing competition among medical providers specializing in fertility treatment; and

Our track record of growing contracted fertility center Partners two to three times faster on average than fertility centers that are not a part of our network, based on the number of fresh IVF cycles performed.

Vein Disease

Phlebology is the medical specialty concerned with the treatment of vein diseases. Common vein diseases and their symptoms can take many forms, including:

Varicose Veins which are caused when small valves designed to allow blood to flow in only one direction fail or leak. This causes blood to flow backwards under the force of gravity and pool inside the vein;

Spider Veins which are very small varicose veins. They are thin, threadlike veins that lie close to the skin s surface and are commonly red or purple in appearance. Spider veins can be hormonally induced and are often associated with pregnancy and menstruation;

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Venous Leg Ulcers which are non-healing open wounds that are caused by venous pump failure. It usually occurs near the inside of the ankle, but can be found anywhere below the knee. It can occur with or without visible varicose veins;

Klippel-Trenaunay Syndrome which is a rare, congenital disorder in which patients usually have one hypertrophied leg, a port wine stain and large varicose veins on the lateral aspect of the leg; and

Restless Leg Syndrome which may occur when valves fail, causing blood to reflux, or flow backwards, causing it to pool and stagnate in the veins, leading to aching, throbbing, cramping and fatigue in the legs.

Although there are both surgical as well as minimally invasive treatment protocols for vein disease, we specialize in minimally invasive care. Conventional vein care treatment under both protocols usually begins with an ultrasound assisted mapping to determine the extent of the disease, generally followed by a surgical or minimally invasive treatment protocol. Historically, the most common surgical treatment has been a procedure referred to as vein stripping, which is the surgical removal of surface veins. Vein stripping is generally done as an outpatient procedure and is performed while the patient is under general anesthesia. Vein stripping may leave scarring and require an extended recovery time. More recent minimally invasive treatments include ELT and sclerotherapy, which are the treatments offered by our clinics. ELT is a laser treatment which does not involve hospitalization, general surgery or the potential for significant scarring that is associated with vein stripping. With ELT, after local anesthesia is administered, a small optical fiber is inserted through a needle into the varicose vein under ultrasound guidance. The laser is activated and, as the optic fiber is removed from the vein, it heats and closes the vein. Once the vein is closed, the blood that was circulating through the vein is naturally rerouted to other healthy veins. Over time, the varicose vein is absorbed by the body. Sclerotherapy involves injecting abnormal veins with a solution called a sclerosant. This immediately shrinks the vein and causes it to dissolve over a period of weeks, allowing the body to naturally redirect the blood flow to healthy veins. A typical sclerotherapy treatment may last for 15 to 20 minutes and consists of multiple microinjections.

Various demographic trends are contributing to the growth in demand for vein care. Annual expenditures related to vein care in the United States are approximately $2 billion and are projected to grow 12% per year through 2010, according to our estimates. The U.S. Food and Drug Administration s approval of lasers for thermal ablation of veins and subsequent establishment of an American Medical Association Current Procedural Terminology code for reimbursement by the Centers for Medicare and Medicaid Services has opened this market to rapid growth and development over the last several years. We also believe that the market for vein care will continue to grow in the future as awareness of minimally invasive treatment protocols grows among people with vein disease and as additional third-party payors recognize the medical necessity of treating vein disease. We believe that approximately 25 million people are currently affected by vein disease in the United States, but only approximately one million receive treatment for such vein disease.

We believe numerous market conditions in this industry produce business opportunities for us, including:

The level of specialized skills required for comprehensive patient treatment;

Favorable sociological trends including a growing demographic wave from an aging population;

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The need to develop and maintain specialized management information systems to meet the increasing demands of patient billing and third-party payors;

The current fragmented nature of the market, which is comprised of numerous smaller, independent providers, allowing the opportunity for market consolidation;

New laser and medical technologies that make access to treatment less painful and disfiguring, coupled with insurance company reimbursement for these new technologies;

The large number of people affected by vein disease in the United States in relation to the relatively low percentage of people who actually receive treatment for such vein disease; and

Our experience recruiting and training physicians in treating varicose veins and the ability to produce opportunities we believe are financially attractive to physicians practicing in other areas, such as general practice or emergency medicine.

Our Strategy

Make Selective Contract Acquisitions of Partner Fertility Centers

The U.S. market for fertility services is highly fragmented and we believe that it is ripe for consolidation. Recruitment into our Partner Program has traditionally focused on fertility centers that first participate as Affiliates serviced by our Consumer Services Division; as such, we had an established pipeline of 25 fertility centers as of September 30, 2009. Affiliate practices have the opportunity to become familiar with the offerings we provide and our commitment to customer service, which allows the Affiliate practices to see our value proposition first hand. We, in turn, have a chance to assess a practice s commitment to growth and utilization of our services without making a significant up-front financial commitment. In addition to recruiting from Affiliate centers, we have a development staff that targets leading physician groups with established practices in selected metropolitan markets. These candidates are then evaluated against our contract acquisition criteria, which includes factors such as size of practice, physician reputation and the physicians growth-oriented outlook. We believe that our competitors ability to compete with us for contract acquisitions is currently limited due to our experience acquiring Partner center contracts, our position as the manager of what we believe is the largest network of fertility centers in the United States and our developed infrastructure and experience in delivering valuable services to support fertility center operations.

Expand our Network of Affiliate Fertility Centers

As of September 30, 2009, we had Affiliates in 24 metropolitan markets and intend to expand our network of Affiliate fertility centers to other metropolitan markets across the United States. We primarily focus our network development activities on metropolitan markets with populations in excess of 500,000. Because of the relatively low percentage of the population that seeks fertility treatment, a large population base is required to support a sophisticated fertility center. Our fertility centers are capable of drawing consumers from a large geographic area and, as such, our development staff is focused on the top 100 largest metropolitan markets, where we expect the highest demand for fertility centers to occur.

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Develop De Novo Vein Clinics

We intend to develop new vein clinics in targeted markets. Our past experience suggests that the vein clinics business can generally support one clinic per one million population in metropolitan markets. Our new clinic development staff focuses on the following:

- Developing new clinics in markets where we already have existing clinics that have not fully penetrated their market to take advantage of existing investments in regional management, managed care contracts, personnel and marketing capabilities;

- Identifying attractive new markets in states that already have a vein clinic location and states contiguous to existing vein clinic locations to leverage regional management, personnel and other infrastructure assets; and

- Identifying locations where we believe there are attractive demographics, reasonable media costs and a favorable reimbursement environment.

We believe our vein clinic model can be predictably and profitably replicated in new markets. Our ability to develop de novo vein clinics is demonstrated by the five new vein clinics we opened during 2008 and the new vein clinics we opened in Cincinnati and Cleveland, Ohio in 2009. We continue progress towards opening additional new vein clinics in locations across the United States and have targeted several new markets; however this pace could be affected by challenges in physician recruitment. De novo vein clinics offer an attractive return on capital as they require relatively little capital investment, typically $300,000, and usually reach break-even in nine months or less after opening of the clinic.

Increase the Total Number of Patients Treated

We intend to work with our fertility centers and vein clinics to increase the total number of patients they treat. To achieve this objective we intend to:

- Offer products and services to centers and clinics that help them attract patients, including access to state-of-the-art equipment, access to our Attain IVF programs and access to our clinical and information technology applications;

- Enable fertility centers to enhance their ability to provide superior care through use of our proprietary ARTworks software, which provides electronic medical records, treatment plan and success rate research capabilities, decision support functionality and clinical risk management auditing services;

- Enable vein clinics to enhance their ability to provide superior care through use of our proprietary VPA information system, which is an end-to-end patient and clinic operating system that provides decision support and revenue cycle functions;

- Help our fertility centers and vein clinics drive additional patient volume through our sales and marketing efforts, including our direct-to-consumer advertising, internet marketing, physician referral development and providing marketing materials and programs to our fertility centers and vein clinics for their use; and

- Convert initial potential patient contacts into patients treated at our centers and clinics. We believe we can accomplish this through the protocols we established for our call center professionals and contact follow up procedures our center and clinic staff employ to ensure patients attend their consultation and

all scheduled treatments.

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Increase Penetration of Our Attain IVF Programs

Currently, many third-party payors provide limited coverage for the diagnosis and treatment of infertility. Our Attain IVF programs, which are offered directly to patients, have been designed to offer attractive financial options to prospective patients. For the nine months ended September 30, 2009, approximately 12.2% of self-pay patients in our Partner and Affiliate network utilized our Attain IVF Refund Program. We formally introduced our Attain IVF Multi-Cycle Program in July 2009. For the three months ended September 30, 2009, approximately 9% of total enrollment in our Attain IVF programs consisted of Attain IVF Multi-Cycle Program patients. We believe that the penetration of our Attain IVF programs can be meaningfully increased by educating patients on the improved success rates associated with multiple treatment cycles and the packaged pricing features of our Attain IVF programs, which allow for multiple treatment cycles and, in the case of our Attain IVF Refund Program, a significant financial refund if the treatments are unsuccessful. We also believe we can increase overall market penetration of our Attain IVF programs by demonstrating to physicians at potential Affiliate and Partner practices the benefit of increased patient volume and retention that we believe result from offering our Attain IVF programs. We have demonstrated the ability to increase Attain IVF program penetration because certain of our fertility centers had Attain IVF program penetration rates in excess of 25% during the nine months ended September 30, 2009.

Continue Improving Operating Efficiencies

We continuously seek opportunities to lower costs and realize operating efficiencies through the implementation of a centralized infrastructure focused on improved accounts receivable management, along with leveraging economies of scale in support functions such as procurement, finance, information technology, human resources, risk management and legal services. We expect to further leverage our corporate infrastructure as we expand our network of Partner fertility centers and vein clinics.

Sales and Marketing

The marketing departments for our Fertility Centers, Consumer Services and Vein Clinics Divisions specialize in the development of sophisticated marketing and sales programs that give contracted fertility centers and vein clinics access to business-building techniques designed to facilitate growth and development. Although we believe these marketing and sales efforts are often too expensive for many individual physician practices, affiliation with us provides access to greater marketing and sales capabilities than would otherwise be available. In addition, our Consumer Services Division is focused on direct-to-consumer marketing, which we believe represents a competitive advantage over non-affiliated fertility centers. Our marketing services focus on referral enhancement, relationships with local physicians, media and public relations.

We operate web portals that: allow visitors access to educational material concerning infertility and vein care issues; provide links to our fertility Partner and Affiliate practices; provide links to our vein clinics; allow prospective patients to request fertility and vein care appointments or follow up contact; and allow prospective patients to request information on our Attain IVF programs and apply for treatment financing.

Competition

Our business divisions operate in highly competitive areas. Our fertility centers compete with national, regional and local physician practice fertility centers, hospitals and university medical centers, some of which have programs that compete with our Attain IVF programs. Our fertility centers may also compete with fertility centers located outside of the United States, due to the self-pay nature of IVF treatment. Our vein clinics compete with other vein care clinic providers, dermatologist and surgical clinics that provide ELT and sclerotherapy as an ancillary offering, vascular

surgeons and interventional radiologists. Barriers to entry in the vein care industry are low. We do not believe that we currently face

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significant competition providing managerial services to fertility centers and vein clinics. We believe that the fertility centers and vein clinics we work with are well positioned to compete in our markets based on the reputations of the physicians providing services at those centers and clinics; however, there can be no assurance that these centers and clinics will be able to compete effectively with existing providers in our markets or that new competitors will not enter into our markets. These existing and new competitors may have greater financial and other resources than we or our fertility centers or vein clinics do. See Risk Factors We face increased competition from existing providers, as well as new providers entering our markets.

Health Care Regulation

The health care industry is highly regulated. Our ability to operate profitably will depend in part upon our ability, and the ability of our affiliated physicians and physician practice groups, to obtain and maintain all licenses and other approvals necessary to, and to otherwise, comply with applicable health care regulations. We believe that health care regulations will continue to change. Therefore, we monitor developments in health care law, and we are likely to be required to modify our operations from time to time as our business and the regulatory environment changes. Many aspects of our current and anticipated business operations have not been the subject of specific judicial or regulatory interpretation. A review of our business by courts or regulatory authorities may result in a determination that could adversely affect our operations. In addition, the health care regulatory environment may change in a way that restricts our operations. Future changes in health care regulation are difficult to predict and may constrain or require us to restructure our operations, which could negatively impact our business and operating results.

Physician Licensure Laws

The practice of medicine is subject to state licensure laws, regulations and approvals. We have established a system designed to ensure that the physicians at our fertility centers and vein clinics are appropriately licensed under applicable state law. If physicians at the centers or clinics fail to renew their licenses on an annual basis or fail to maintain an unrestricted license, our business, financial condition and results of operations may be negatively impacted.

Corporate Practice of Medicine

Some states have laws that prevent business entities like us from practicing medicine, employing physicians and other individuals licensed in the healing arts or other learned profession and exercising control over their decisions, also known, collectively, as the corporate practice of medicine. In some states these prohibitions are expressly stated in a statute or regulation, whereas in other states the prohibition is a matter of judicial or regulatory interpretation. Additionally, in those states which apply such prohibitions to individuals licensed in the healing arts or other learned profession, it is not clear whether physician assistants or nurse practitioners would be subject to such prohibitions.

In states that prohibit the corporate practice of medicine, we operate by maintaining long-term management contracts with affiliated medical practices, which are each owned and operated by physicians and which employ or contract with additional physicians. Under such an arrangement, the laws of most states focus on the extent to which the corporation exercises control over the physicians and on the ability of the physicians to use their own professional judgment as to diagnosis and treatment. We do not represent to the public that we offer medical services, and we do not exercise influence or control over the practice of medicine by physicians or by their affiliated medical practices. In each of these states, the affiliated fertility center or vein clinic is the sole employer of the physicians, and the affiliated fertility center or vein clinic retains the full authority to direct the medical, professional and ethical aspects of its medical practice. Our fertility centers and vein clinics are duly

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licensed or qualified as a medical practice or foreign corporation in the states where such license or qualification is required.

Corporate practice of medicine laws and their interpretations are continually evolving and may change in the future. Moreover, these laws and their interpretations are generally enforced by state courts and regulatory agencies that have broad discretion in their enforcement. Although we neither employ physicians nor provide medical services in those states that prohibit the corporate practice of medicine, a state court or enforcement agency may conclude that we are engaged in the corporate practice of medicine in those states where we employ nurse practitioners and physician assistants who work under the supervision of the physicians at our fertility centers and vein clinics or because we provide services to physicians in connection with their performance of professional medical services through our management contracts.

Although we have not received notification from any state regulatory or similar authority asserting that we are engaged in the corporate practice of medicine, to the extent any act or service to be performed by us is construed by a court or enforcement agency as constituting the practice of medicine in a particular jurisdiction, we cannot be sure that such court or enforcement agency would not construe our arrangements as violating that jurisdiction s corporate practice of medicine doctrine. If such a claim were successful, we could be subject to civil and criminal penalties, could be required to restructure or terminate our applicable contractual arrangements and managed physicians could have restrictions imposed upon their licenses to practice medicine. Additionally, a physician shareholder of a managed practice might successfully avoid restrictions on the practice s ability to operate independent of our management on the grounds that the managed practice s management arrangement with us violates the state s prohibition on the corporate practice of medicine. Such results or the inability of us or the managed practices to restructure our relationships to comply with such prohibitions could have an adverse effect on our business, financial condition and results of operations.

Fee Splitting

The laws of some states prohibit physicians from splitting with anyone, other than providers who are part of the same group practice, any professional fee, commission, rebate or other form of compensation for any services not actually and personally rendered. The precise language and judicial interpretation of fee-splitting prohibitions varies from state to state.

Fee-splitting laws and their interpretations vary from state to state and are enforced by state courts and regulatory authorities that have broad discretion in their enforcement. For example, our Attain IVF programs could be interpreted by one or more state regulators as prohibited fee splits to the extent that we retain a portion of the payments patients pay directly to us for their medical treatment by our fertility centers. There can be no assurance that these laws will be interpreted in a manner consistent with our practices or that other laws or regulations will not be enacted in the future that could have a material adverse effect on our business, financial condition and operating results. Penalties for violating fee-splitting statutes or regulations may include the medical license revocation, suspension, probation or other disciplinary action of the providers affiliated with our fertility centers or vein clinics who have been found to violate the fee-splitting statutes or regulations.

Courts in some states have interpreted fee-splitting statutes as prohibiting all percentage of gross revenue and percentage of net profit management fee arrangements, despite the performance of legitimate management services. In addition, courts have refused to enforce contracts found to violate state fee-splitting prohibitions. To the extent any of our contractual arrangements are construed by a court or enforcement agency as violating a jurisdiction s fee-splitting laws, there is a possibility that some provisions of our agreements may not be enforceable. For example, a physician shareholder of a managed practice might successfully avoid payment of a management fee on the grounds that the

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management arrangement violates the state s fee-splitting prohibition. We also may be required to redesign or terminate our arrangements, including our Attain IVF programs, and our relationships with our fertility centers or vein clinics in order to bring their activities into compliance with such laws. The termination of, or our failure to successfully restructure, any such relationship could have a material adverse affect on our business, financial condition and operating results. In particular, a forced restructuring of our management fee could have a material impact on us. In addition, expansion of our operations to new jurisdictions could require structural and organizational modifications of our relationships with our fertility centers in order to comply with additional statutes.

Further, although our management agreements with our vein clinics provide that each vein clinic pay us a fee equal to 150% of our expenses of operating and managing the vein clinic, these fees have historically exceeded the operating margin generated by any particular vein clinic prior to payment of the management fee. Accordingly, each vein clinic only pays the portion of the management fee that is equal to the amount of revenue generated by the clinic annually up to the 150% amount. As a result, our vein clinics do not generate any net profits at year end. In those states that have interpreted fee-splitting statutes as prohibiting a percentage of net revenue management fee arrangements where we have vein clinics, there is material risk that a regulator could recharacterize our management fee as 100% of net revenue in violation of such states fee-splitting statutes which would subject physicians affiliated with our vein clinics to disciplinary actions or civil penalties.

Courts in other states, including Maryland, where we currently have two vein clinics and plan to open two additional clinics in 2010, have interpreted their fee-splitting statutes to prohibit non-physicians from receiving fees in connection with the management of a physician practice that do not bear a reasonable relationship to the services being rendered based on the fair market value of such services. A state regulator could conclude that 150% of our expenses does not bear a reasonable relationship to the services being rendered because none of our vein clinics generate sufficient revenues to pay the full management fee. If our management fee were to be challenged in a state such as Maryland, there is substantial risk that this compensation method would not be upheld, which could subject the providers who are affiliated with the vein clinics in Maryland to disciplinary action as well as civil penalties. We also have vein clinics in Wisconsin, Tennessee and Kansas which have a similar requirement that the management fee reflect the fair market value of the services being rendered and impose disciplinary actions, civil penalties and criminal penalties on the physicians who are affiliated with our vein clinics in those locations if such fee does not reflect the fair market value of the services being rendered.

Federal and State Anti-Kickback Prohibitions

Various federal and state laws govern financial arrangements among health care providers. The federal anti-kickback law prohibits the knowing and willful offer, payment, solicitation or receipt of any form of remuneration in return for, or with the purpose to induce, the referral of Medicare, Medicaid or other federal health care program patients, or in return for, or with the purpose to induce, the purchase, lease or order of items or services that are covered by Medicare, Medicaid or other federal health care programs. Similarly, many state laws prohibit the solicitation, payment or receipt of remuneration in return for, or to induce, the referral of patients to private as well as government programs in violation of these statutes.

Federal and state anti-kickback statutes are very broad and it is possible that a court could conclude that the marketing services we offer in exchange for a management fee based on a percentage of net profits constitutes a payment in violation of these statutes. Our fertility centers and vein clinics are also subject to these statutes, but we do not oversee and are not responsible for their compliance with these laws.

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Violations of these anti-kickback laws may result in substantial civil or criminal penalties for individuals or entities. These laws may be enforced by the government or by private individual whistleblowers. If we or our fertility centers or vein clinics are found to have violated federal or state anti-kickback laws, our business, operations or financial condition could be adversely affected.

Physician Self-Referral Prohibitions

The federal physician self-referral statute, known as the Stark statute, prohibits a physician from making a referral for certain designated health services to any entity with which the physician has a financial relationship, unless there is an exception in the statute that allows the referral. The entity that receives a prohibited referral from a physician may not submit a bill to Medicare for that service. Federal courts have ruled that a violation of the Stark statute, as well as a violation of the federal anti-kickback law described above, can serve as the basis for a Federal False Claims Act suit. Many state laws prohibit physician referrals to entities with which the physician has a financial interest, or require that the physician provide the patient notice of the physician s financial relationship before making the referral. Violation of the Stark statute and state laws prohibiting physician referrals can result in substantial civil penalties for both the referring physician and any entity that submits a claim for a health care service made pursuant to a prohibited referral. Although we have structured our arrangements with our fertility centers and vein clinics to comply with the Stark statute and state laws prohibiting certain physician referrals, because of the complexity of these laws, these laws could be interpreted in a manner inconsistent with our operations. In addition, our fertility centers and vein clinics are themselves subject to these laws, but we do not oversee and are not responsible for their compliance with these laws. Federal or state self-referral regulation could adversely impact our arrangements with certain customers, and our ability to market our services directly to physicians in a position to refer patients to our fertility centers and vein clinics.

False Claims

Under separate federal statutes, submission of false or fraudulent claims to government payors may lead to civil monetary penalties, criminal fines and imprisonment and/or exclusion from participation in the Medicare, Medicaid and other federally-funded health care programs. These false claims statutes include the Federal False Claims Act, which allows any person to bring suit alleging false or fraudulent Medicare or Medicaid claims or other violations of the statute and to share in any amounts paid by the entity to the government in fines or settlement. In some jurisdictions, even claims that were accurately submitted for medically necessary health care services have been held by courts to be false where the provider was not in compliance with federal anti-kickback or Stark laws, or applicable Medicare regulations. These private actions have increased significantly in recent years and have increased the risk that we or our vein clinics will have to defend a false claims action, pay fines or be excluded from participation in the Medicare and/or Medicaid programs as a result of an investigation involving our fertility centers or vein clinics arising out of such an action.

Business of Insurance

Laws and regulatory approaches to insurance are state specific and vary widely from state to state. Although most states supply statutory definitions of insurance, these definitions are subject to disparate interpretation by state courts, attorney generals and regulators. Our Attain IVF Refund program and our Attain IVF Multi-Cycle program each have several characteristics that are present in an insurance contract. Although we view our Attain IVF Refund program as a guaranty or a warranty of our fertility centers performance and our Attain IVF Multi-Cycle program as a lower-cost alternative, it is possible that an insurance regulator in a state where we conduct business could take the position that either or both of our Attain IVF programs are insurance and should be regulated as such by the state. If we are found to have engaged in the business of insurance without a license, we could be

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subject to criminal and civil penalties or be forced to comply with burdensome reserve requirements or restructure the programs.

Health Insurance Portability and Accountability Act of 1996

Health care providers, health care clearinghouses and operators of health plans (collectively, covered entities) are significantly affected by certain health information requirements contained in HIPAA. HIPAA and its implementing regulations established national standards for, among other things, certain electronic health care transactions, the use and disclosure of certain individually identifiable patient health information and the security of the electronic systems maintaining this information. These are commonly known as the HIPAA transaction and code set standards, privacy standards and security standards, respectively.

HIPAA allows covered entities to disclose protected health information to business associates if the covered entities obtain satisfactory assurances that the business associate will use the information only for the purposes for which it was engaged by the covered entity, will safeguard the information from misuse and will help the covered entity comply with some of the covered entity s duties under HIPAA. We are a business associate under HIPAA because we perform services for or on behalf of covered entities, such as our fertility centers or vein clinics, that involve the use or disclosure of protected health information. We enter into business associate agreements with covered entities and are contractually obligated to comply with the requirements of those agreements.

The American Recovery and Reinvestment Act of 2009, specifically the portion known as the Health Information Technology for Economic and Clinical Health Act (the HITECH Act), expanded the scope and application of HIPAA, including, among other things, applying the security and certain privacy provisions of HIPAA directly to business associates. Application of these rules to business associates is a significant change. Previously, liability under HIPAA rested exclusively with the covered entity. Under the HITECH Act, the business associate now has responsibility and liability directly for a breach.

Beginning on February 17, 2010, certain administrative, physical and technical safeguards and policy, procedure, and documentation requirements of the security standards under HIPAA will apply to a business associate in the same manner that they apply to a covered entity. For example, breaches of the security of electronic health records may require disclosure to affected individuals, news media and the Secretary of the U.S. Department of Health and Human Services. Such requirements must be incorporated into the business associate agreement between the business associate and the covered entity.

Under the HITECH Act, business associates will face criminal and civil liabilities for failure to comply with HIPAA. Criminal penalties may be imposed against persons who obtain or disclose protected health information without authorization. In addition, a state s attorney general can bring civil actions against a person on behalf of residents of the state that are adversely affected by violations of either HIPAA or the HITECH Act. The attorney general can either seek to enjoin further violations or obtain money damages on behalf of the residents harmed. The U.S. Department of Health and Human Services is also beginning to perform periodic audits of health care providers to ensure that required policies under the HITECH Act are in place. In addition, individuals harmed by violations will be able to recover a percentage of monetary penalties or a monetary settlement based upon methods established by the U.S. Department of Health and Human Services for this private recovery. HIPAA also authorizes the imposition of civil monetary penalties against entities that employ or enter into contracts with individuals or entities that have been excluded from participation in the Medicare or Medicaid programs, which means that we could be subject to penalties if our fertility centers, vein clinics or employees are excluded from participation in the Medicare or Medicaid programs. Any failure to

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comply with these laws could have an adverse impact on our business, operations or financial condition.

Antitrust Laws

In connection with the corporate practice of medicine laws referred to above, our fertility centers and vein clinics are organized as separate legal entities. As such, our fertility centers and vein clinics may be deemed to be persons separate from both us and each other under antitrust laws and, accordingly, subject to a wide range of laws that prohibit anti-competitive conduct among separate legal entities. There can be no assurance that a review of our business by courts or regulatory authorities would not have a material adverse effect on our operation or the operation of our fertility centers or vein clinics.

Future Legislation and Regulation

Health care providers are subject to federal, state and local laws and regulations, and sanctions imposed under or changes to such laws or regulations could adversely affect our operations or financial results. The federal fiscal year 2010 budget establishes a reserve fund of more than $630 billion over the next 10 years to finance fundamental reform of the United States health care system, in an effort to reduce costs and expand health care coverage. The fund will be paid for by a combination of tax revenue and reductions in Medicare and Medicaid spending.

In addition, the White House announced in July 2009 that it had reached agreement with leading hospital groups, including the American Hospital Association, to cut federal payments under Medicare and Medicaid by $155 billion over 10 years as part of a plan to offset a portion of the cost of a national health insurance and health reform proposal. Much of these savings are reported to be derived from across-the-board cuts in Medicare hospital payments, with at least $50 billion in the cuts linked directly to increases in the number of uninsured who would be provided coverage under the proposed national health insurance proposal.

There are currently numerous proposals on the federal and state levels for comprehensive reforms relating to health care that could affect payment and reimbursement for health care services in the United States. The U.S. Congress is considering legislation that could dramatically overhaul the health care system, including the possibility of a government health care plan. If national reform legislation is enacted, we may benefit from certain provisions thereof, and, conversely, may be adversely affected by other provisions. For example, because our Attain IVF programs are self-pay programs for patients that do not have insurance coverage for fertility treatments, health care reform that increases insurance coverage for fertility treatments could lead to a decrease in demand for our Attain IVF programs. We cannot predict whether any such reforms will ultimately be adopted or the impact that such reforms may have on the demand or payment for our services.

Employees

As of September 30, 2009, we had 1,306 employees. Of these, 1,057 were employed by our Fertility Centers Division, 15 by our Consumer Services Division, 202 by our Vein Clinics Division and 32 were employed at our corporate headquarters, including 8 who were executive management. Of the 1,306 employees, 136 were employed on a part-time basis and 95 were employed on a per diem basis. We are not a party to any collective bargaining agreement and we believe that our employee relationships are good.

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Our Fertility Centers and Vein Clinics

For the years ended December 31, 2008, 2007 and 2006 and the nine months ended September 30, 2009, the following contracted fertility centers each individually provided greater than 10% of our Fertility Centers Division revenues, net and/or contribution as follows:

	Percent of Revenues, Net				Percent of Contribution			
	Nine Months Ended September 30, 2009	Year Ended December 31, 2008	2007	2006	Nine Months Ended September 30, 2009	Year Ended December 31, 2008	2007	2006
RSC of New England	7.2	7.2	8.9	10.7	9.2	8.7	10.5	11.7
FCI	13.6	16.3	19.2	22.3	12.8	15.2	17.6	19.2
Shady Grove Fertility Reproductive Science Center, P.C. (Shady Grove)	17.8	18.0	21.3	22.9	16.9	17.2	21.4	20.5

Generally, under our current fertility Partner agreements, we receive as compensation for our services a three-part fee comprised of: a tiered percentage of the fertility center s net revenues; reimbursed costs of services (costs incurred in servicing a fertility center and any costs paid on behalf of the fertility center); and either a fixed percentage, or a fixed dollar amount, of the fertility center s earnings after services fees, which may be subject to further limits. The third tier of our fee structure under our RSC of New England and Shady Grove Partner agreements are as follows:

RSC of New England a fixed annual percentage of the center s earnings.

Shady Grove a fixed dollar amount of the center s earnings subject to a fixed percentage of the center s earnings limitation. The upper boundary of the calculation is $1,071,000 and the lower boundary of the calculation is $540,000.

Under our current Partner agreement with FCI, however, we do not receive a three-part fee. Rather, effective as of November 1, 2009, we receive a fee that is generally equal to the operating expenses associated with managing FCI s medical practice plus 9.5% of such expenses. Our revenues from FCI prior to November 1, 2009 were, pursuant to our current Partner agreement with FCI, set at a fixed annual amount paid monthly.

A complete listing of our fertility Partner agreements and vein clinic locations is presented below.

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Fertility Partner Agreements

Name	State	Year Contract Acquired	Remaining Contract Years	No. of M.D.s	No. of PhDs
Foulk & Whitten Nevada Center for Reproductive Medicine, P.C.	NV	December 2009	24	2	0
Idaho Center for Reproductive Medicine, P.C.	ID	December 2009	24	2	0
Utah Fertility Center, P.C.	UT	December 2009	24	3	0
Arizona Reproductive Medicine Specialists, Ltd.	AZ	July 2008	23	4	1
Southeastern Fertility Centers, P.A.	SC	April 2008	23	3	1
Center for Reproductive Medicine, P.A.	FL	August 2007	22	4	1
Reproductive Partners Medical Group, Inc.	CA	January 2005	19	9	0
Seattle Reproductive Medicine, Inc., P.S.	WA	January 2004	7	7	1
Reproductive Endocrine Associates of Charlotte, P.C.	NC	September 2003	8	6	1
Northwest Center for Infertility & Reproductive Endocrinology	FL	April 2002	7	7	1
Shady Grove Fertility Reproductive Science Center, P.C.	MD, VA & DC	March 1998	13	21	2
Fertility Centers of Illinois, S.C.	IL	February 1997	12	11	2
Bay Area Fertility & Gynecology Medical Group, Inc.	CA	January 1997	11	6	1
MPD Medical Associates (MA), P.C. (doing business as RSC of New England)	MA, NH & RI	July 1988	2	7	1

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Vein Clinic Locations

Location	Date Clinic Opened
Cleveland, OH	April 2009
Cincinnati, OH	January 2009
Pittsburgh, PA	December 2008
Skokie, IL	December 2008
Marietta, GA	June 2008
Alexandria, VA	April 2008
Boca Raton, FL	February 2008
Sterling, VA	December 2007
Ft. Lauderdale, FL	July 2007
St. Louis, MO	January 2007
Merrillville, IN	August 2006
Kansas City, MO	June 2006
West Palm Beach, FL	December 2005
Alpharetta, GA	October 2005
Gurnee, IL	September 2005
Naperville, IL	September 2004
Lawrenceville, GA	September 2001
Indianapolis, IN	April 2001
Knoxville, TN	March 2001
Raleigh, NC	March 2000
Greensboro, NC	January 2000
Madison, WI	March 1999
Rockville, MD	November 1998
Milwaukee, WI	March 1998
Charlotte, NC	February 1998
Orland Park, IL	November 1996
Fairfax, VA	March 1992
Overland Park, KS	April 1991
Owings Mills, MD	July 1990
Buffalo Grove, IL	August 1989
Atlanta, GA	June 1988
Oak Brook, IL	Pre-1985
Chicago, IL	Pre-1985
Schaumburg, IL	Pre-1985

Properties

Our headquarters and executive offices are located at Two Manhattanville Road in Purchase, New York, where we occupy approximately 18,500 square feet under a lease expiring in 2012. Future lease payments for our headquarters and executive offices will approximate $51,100 per month.

We also lease or sublease the locations set forth in the two preceding tables for our Partner fertility centers and vein clinics. Costs associated with our Partner fertility centers are reimbursed to us as part of our fee agreement with the applicable center, whereas costs associated with vein clinic locations are not reimbursed.

We believe that our executive offices and the space occupied by our fertility centers and vein clinics are adequate for our operations.

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Legal Proceedings and Insurance

From time to time, we and our Partner fertility centers and vein clinics and their physicians are parties to legal proceedings in the ordinary course of business. We are exposed to claims of professional negligence based on services performed by our employees, including physician assistants and nurse practitioners, as well as based on our relationships with physicians providing treatments at our Partner fertility centers and vein clinics. None of these proceedings is expected to have a material adverse effect on our financial position, results of operations or cash flow. We maintain medical malpractice insurance with limits of $1 million per claim, regardless of the number of the covered defendants, and $10 million per year in the aggregate, with respect to our Partner fertility centers, and with limits generally equal to $1 million per physician and $10 million per year in the aggregate, with respect to our vein clinics. Our Partner fertility centers, vein clinics and their physicians are additional named insureds under our policies. All of our insurance policies are subject to deductibles or a self-insured retention. A portion of the insurance we maintain for certain of our fertility centers is provided by ARTIC.

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MANAGEMENT

Directors and Executive Officers

The following table sets forth information regarding our principal executive officers and directors, including their ages:

Name	Age	Position
Jay Higham	51	President, Chief Executive Officer and Director
John W. Hlywak, Jr.	62	Executive Vice President and Chief Financial Officer
Daniel P. Doman	48	President of Vein Clinics Division
Angela Gizinski	60	Vice President, Human Resources
Vijay Reddy	43	Vice President, Information Systems
Pamela Schumann	44	President of Consumer Services Division
Timothy P. Sheehan	33	Vice President, Finance
Scott Soifer	46	Executive Vice President, Operations and Administration
Joseph J. Travia, Jr.	57	President of Fertility Centers Division
Claude E. White	61	Vice President, General Counsel and Secretary
Gerardo Canet	64	Chairman of the Board of Directors
Kush K. Agarwal	61	Director
Wayne R. Moon[1][2][3][4][5]	69	Director
Lawrence J. Stuesser[1][2][3][5][6]	67	Director
Elizabeth E. Tallett[1][2][3][5][7]	60	Director
Yvonne S. Thornton, M.D., M.P.H.[1][2][3][5]	62	Director

(1) Member of the audit committee.
(2) Member of the compensation committee.
(3) Member of the nominating and governance committee.
(4) Chairperson of the nominating and governance committee.
(5) Independent director.
(6) Chairperson of the audit committee.
(7) Chairperson of the compensation committee.

JAY HIGHAM became our President and Chief Executive Officer, effective January 1, 2006, and had been our President and Chief Operating Officer since June 2004. He was appointed as a director, effective January 24, 2006. In October 1994, Mr. Higham joined us as Vice President of Marketing and Development and, in January 1999, was promoted to Senior Vice President of Marketing and Development. He earned a B.S. in Psychology from the University of Rochester and an M.H.S.A. from George Washington University.

JOHN W. HLYWAK, JR. joined us in July 1999 as our Senior Vice President and Chief Financial Officer and was named Executive Vice President and Chief Financial Officer in March 2006. Mr. Hlywak is a certified public accountant and has a B.S. in Accounting from Widener University.

DANIEL P. DOMAN joined us in August of 2007 with the acquisition of VCA. Since May 2008, he has served as President of our Vein Clinics Division. Previously, Mr. Doman was the Chief Financial Officer of VCA. Prior to joining VCA in April 2006, he was a Managing Director at Health Dimensions Group, a national, integrated senior living and health care management consulting firm, from April 2003 to March 2006. Prior to that, Mr. Doman was a Partner with BDO Seidman, LLP, an accounting and consulting firm, from July 1998 to March 2003. He has a Bachelor s degree in Accounting and Finance from Loyola University of Chicago.

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ANGELA GIZINSKI joined us in April 2006 as our Vice President, Human Resources. For more than three years prior to joining us, Ms. Gizinski was Director, Human Resources with Sara Lee Branded Apparel, now known as Hanesbrands, Inc. Ms. Gizinski has an Associates Degree from Bay Path Junior College and a B.A. in Human Resource Management from Fairfield University.

VIJAY REDDY serves as our Vice President, Information Systems. Before joining us in 2003 as Manager of Technical Operations, Mr. Reddy was Director of Infrastructure & Technology for Lifetime Television in New York. He also has held management positions in information systems with Martha Stewart Living Omnimedia, Conde Nast Publications, Viacom and Schlumberger. Mr. Reddy has a Bachelor s degree in Computer Science from St. John s University, and he is a certified Institute of Electrical and Electronics Engineers Computer Systems Engineer.

PAMELA SCHUMANN was appointed President of our Consumer Services Division in September 2007. Prior to that, she served as our Vice President, Consumer Services. She joined us in 2001 to help launch our consumer services initiative. Ms. Schumann received her B.A. in Marketing from the University of Maryland s Robert H. Smith School of Business.

TIMOTHY P. SHEEHAN joined us in January 2010 as our Vice President, Finance. Prior to joining us, Mr. Sheehan was Chief Financial Officer and director with Scale Finance LLC, a financial services consulting organization in North Carolina, from August 2008 to December 2009. From September 2006 to August 2008, he held the position of Vice President, Corporate Development at Minrad International, and from May 2004 to September 2006 he was an Associate at KeyBanc Capital Markets, a Cleveland, Ohio based middle-market investment bank. Mr. Sheehan has a B.S. in Accounting and a B.S. in Finance from Virginia Polytechnic Institute and State University and an M.B.A. from Wake Forest University, in addition to being a certified public accountant.

SCOTT SOIFER joined us in January 2005 as our Vice President, Marketing and Development and was promoted to Executive Vice President, Operations and Administration in July 2008. For more than 12 years prior to joining us, Mr. Soifer was an Associate Partner at Accenture (formerly Andersen Consulting), specializing in health care strategy, focused primarily on the health insurance sector. Mr. Soifer has a Bachelor s degree in Computer Science from the University of California at Santa Barbara and an M.B.A. from the Kellogg School of Management at Northwestern University.

JOSEPH J. TRAVIA, JR. was appointed President of our Fertility Centers Division in September 2007. Prior to that, he served as our Senior Vice President, Operations, Eastern Region. He joined us in 2000 as Vice President and Executive Director of our Reproductive Science Center in New England. Mr. Travia is a certified public accountant and earned a B.S. in Management from Boston College and an M.B.A. from Babson College.

CLAUDE E. WHITE joined us in March 1995 as General Counsel and Assistant Secretary. In January 1998, Mr. White became Corporate Secretary, in addition to General Counsel, and in May 2002 became a Vice President. Mr. White received his B.A. in Political Science from Rutgers College and his J.D. from Rutgers School of Law.

GERARDO CANET served as our Chief Executive Officer from February 14, 1994 to December 31, 2005 and has been a director since February 14, 1994. Mr. Canet resigned as our Chief Executive Officer effective December 31, 2005, but continues to serve as chairman of the board and a consultant to the Company. Mr. Canet has been a director of Dendreon Corporation since December 1996. He earned a B.A. in Economics from Tufts University and an M.B.A. from Suffolk University.

KUSH K. AGARWAL became a director effective August 8, 2007. He served as President of VCA, which we acquired on August 8, 2007, from August 1987 until he resigned on May 15, 2008.

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Mr. Agarwal has a Master of Science in Industrial Administration from Carnegie-Mellon University, a Master of Science in Applied Analysis and Operations Research from the State University of New York and a Bachelor of Technology in Mechanical Engineering from Indian Institute of Technology.

WAYNE R. MOON became a director in May 2001. Mr. Moon joined Kaiser Foundation Health Plan, Inc. in 1970 and was subsequently elected President, Chief Operating Officer and director. In September 1993, Mr. Moon was appointed President and Chief Executive Officer of Blue Shield of California and a member of its board of directors and, later, chairman. Mr. Moon retired from Blue Shield of California in January 2000. Until recently, he served as chairman of the board of RelayHealth, Inc. He serves on various corporate and civic boards, including Varian, Inc. and the California State Automobile Association. Mr. Moon earned a B.B.A. and a Masters in Hospital Administration from the University of Michigan.

LAWRENCE J. STUESSER became a director in April 1994. Since June 1999, Mr. Stuesser has been a private investor. From June 1996 to May 1999, Mr. Stuesser was the President and Chief Executive Officer and a director of Computer People Inc., the U.S. subsidiary of London-based Delphi Group plc, of which he was also a director. Mr. Stuesser was a director of American Retirement Corporation from May 1997 to July 2006. Early in his career, Mr. Stuesser qualified as a certified public accountant and served as an audit manager with Alexander Grant & Company, an accounting firm. Mr. Stuesser holds a B.B.A. in Accounting from St. Mary s University.

ELIZABETH E. TALLETT became a director in June 1998. Since July 2002, Ms. Tallett has been a Principal of Hunter Partners, LLC, which provides management services to developing life sciences companies. Ms. Tallett is a director of The Principal Financial Group, Inc., Varian, Inc., Coventry Health Care, Inc. and Meredith Corp. Inc. Ms. Tallett graduated from Nottingham University with degrees in Mathematics and Economics.

YVONNE S. THORNTON, M.D., M.P.H. became a director in January 2006. Dr. Thornton is a double board-certified specialist in obstetrics, gynecology and maternal-fetal medicine. Currently, Dr. Thornton is a perinatal consultant at Westchester Medical Center in New York. Dr. Thornton is a former Professor of Clinical Obstetrics and Gynecology at Cornell (Weill) Medical College and Vice-Chair of the Department of OB/GYN and Director of Maternal-Fetal Medicine at Jamaica Hospital Medical Center in New York City, where she served from 2002 to 2005. Dr. Thornton is a Diplomate of the American Board of Obstetrics and Gynecology, a Fellow of the American College of Surgeons and an Oral Examiner for the American Board of Obstetrics and Gynecology. After graduating with honors from Monmouth College in New Jersey, she received her M.D. with honors from Columbia University College of Physicians and Surgeons. Dr. Thornton also received her Executive Masters (M.P.H.) degree in Health Policy and Management from Columbia University.

Director Independence

Our board of directors has determined that Messrs. Moon and Stuesser, Ms. Tallett and Dr. Thornton are independent directors, in accordance with Nasdaq Marketplace Rule 5605(a)(2), because none of them is believed to have any relationships that, in the opinion of our board of directors, would interfere with the exercise of independent judgment in carrying out their responsibilities as a director. In addition, our board of directors has also determined that Mr. Sarason Liebler, who ceased being a member of our board of directors on May 12, 2009 because he had reached the mandatory retirement age of 72 under our corporate governance guidelines, was an independent director in accordance with Nasdaq Marketplace Rule 5605(a)(2). Our board of directors considered the $57,533 of consulting fees that were paid by us to Mr. Liebler in 2008 when determining his independence.

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Committees of the Board of Directors

Our board of directors maintains an audit committee, a compensation committee and a nominating and governance committee.

Audit Committee

The audit committee is charged by our board of directors to (a) study, review and evaluate our accounting, auditing and financial reporting practices, including the internal controls and audit functions, (b) assess our compliance with legal and regulatory requirements and (c) select the independent auditors and review their qualifications, independence and performance, while being the focal point for communications between our board of directors, our management and the independent auditors. More specifically, the audit committee pre-approves all audit and non-audit services to be performed by the independent auditors, reviews the scope and results of the audit of our financial statements, reviews financial statements and periodic filings with the Securities and Exchange Commission and discusses the same with our management.

Each audit committee member is an independent director, as defined in Nasdaq Marketplace Rule 5605(a)(2). Our board of directors has determined that in addition to being independent, Mr. Stuesser is an audit committee financial expert as such term is defined in Item 407 of Regulation S-K promulgated by the Securities and Exchange Commission.

Compensation Committee

The compensation committee, under a delegation of authority from our board of directors, reviews and makes decisions with respect to salaries, wages, bonuses, equity awards and other benefits and incentives for our executive officers.

Nominating and Governance Committee

Our board of directors maintains a nominating and governance committee consisting of independent directors, as defined in Nasdaq Marketplace Rule 5605(a)(2). The primary purpose of the nominating and governance committee is to provide oversight on the broad range of issues surrounding the composition and operation of our board of directors, including identifying individuals qualified to become members of our board of directors, recommending to our board of directors director nominees for the next annual meeting of stockholders and recommending to our board of directors a set of corporate governance principles applicable to us. The nominating and governance committee also provides assistance to our board of directors in the areas of committee selection, evaluation of the overall effectiveness of our board of directors and management and review and consideration of developments in corporate governance practices. The nominating and governance committee s goal is to assure that the composition, practices, and operation of our board of directors contribute to value creation and effective representation of our stockholders.

Compensation Committee Interlocks and Insider Participation

During 2008 and from January 1, 2009 through May 12, 2009, the members of the compensation committee were Ms. Tallett (chairperson), Messrs. Liebler, Moon and Stuesser and Dr. Thornton. Mr. Liebler ceased being a member of our board of directors and the compensation committee on May 12, 2009 because he had reached the mandatory retirement age of 72 under our corporate governance guidelines. After May 12, 2009, the remaining members continued as the members of the compensation committee. All of the individuals listed above are, or, in the case of Mr. Liebler, were, independent directors, as defined in Nasdaq Marketplace Rule 5605(a)(2). None of the individuals listed above has ever been an officer or employee of us or any of our subsidiaries. During 2008 and 2009, none of our

executive officers served on the compensation committee or board of directors of any other

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entity that had any executive officer who also served on the compensation committee of our board of directors or our board of directors.

Compensation Discussion and Analysis

Overview and Objectives

The objective of our compensation program, consisting of base salary, executive incentive compensation (performance-based compensation), stock options, restricted stock and restricted stock unit (RSU) grants, is to ensure that in our effort to create stockholder value, we attract, motivate and retain executives capable of assisting in the creation of such stockholder value.

Our compensation program is designed to be competitive by providing base salaries that are market driven; rewarding for our performance and individual performance through annual incentive compensation awards; and retaining executives through grants of stock option, restricted stock and RSU awards that provide for vesting over time, and upon the obtainment of certain performance targets in the case of RSUs. Commencing in 2008, we awarded senior executives with stock option awards that vest over a four-year period and, commencing in 2009, we granted performance-based RSUs to Messrs. Higham and Hlywak. In order to be market competitive with salaries for senior executives, the compensation committee annually assesses market salaries and attempts to ensure that salaries for our senior executives fall within the mid to upper range of salaries for comparable positions, taking into consideration experience, background and annual individual performance reviews for individual executives, but qualified to comparable size companies within comparable industries. With respect to executive incentive compensation, our executives are expected to accomplish individual goals annually that contribute to our overall growth. To the extent the goals are accomplished, such executives are rewarded. Additionally, our executives are rewarded if we achieve certain revenue and bottom-line goals each year, with greater reward being provided based on higher level of achievement.

We believe that linking executive compensation to corporate performance results in a better alignment of compensation with our goals and the interests of our stockholders. As performance goals are met or exceeded, most probably resulting in increased value to stockholders, executives are rewarded commensurately. We believe the compensation levels during 2008 and 2009 for our executives and our Chief Executive Officer adequately reflect our compensation goals and philosophy.

Elements of Our Compensation Program

We have chosen these four elements of compensation because of the belief that, taken together, (a) base salary, (b) executive incentive compensation, (c) stock option awards and (d) restricted stock and RSU grants represent the fairest way to compensate for services, provide a financial incentive to achieve long-term goals and objectives and help align an executive s interest with that of our stockholders. Short-term compensation is typically in the form of base salary and annual incentive bonuses and long-term compensation is typically in the form of equity. Each individual s base salary is determined based on years of experience and market rates for similar positions with other companies of comparable size. While the compensation committee does not believe that it is appropriate to establish compensation levels based solely on market comparisons or industry practices, it believes that information regarding pay practices at other companies is useful in assessing the reasonableness of compensation and recognizes that we need to be competitive for executive talent in our industry. A significant part of an executive s compensation is the incentive bonus compensation program. This program provides a cash bonus which targets 75% of base salary for our President and Chief Executive Officer, 50% of base salary for the division Presidents and Executive Vice Presidents, 40% of base salary for Senior Vice Presidents and 30% of salary for Vice Presidents. The program has been designed to (a) reward executives who have achieved specific business and financial success during our most recent fiscal year,

(b) give executives the incentive to strive for higher productivity, efficiency and quality of services and

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(c) encourage the best people to join us and stay with us. The program is based on achieving specific goals and results set by our President and Chief Executive Officer, and approved by the compensation committee. Our executive incentive compensation program consists of two parts: part one is based on our performance versus budget and part two is based on the achievement of individual performance goals. The maximum amount earned under part one is 60% of an individual s total maximum incentive compensation which, as stated above, ranges from 30% to 75% of base salary. Part two of our incentive compensation program is based on the achievement of certain common milestones related to our achievements and specific milestones established for each executive. The common milestones are applicable to all eligible employees and the specific milestones apply to each eligible employee and are determined by each executive s individual supervisor with the approval of our President and Chief Executive Officer. For Mr. Higham, our President and Chief Executive Officer, whose milestones are approved by the compensation committee, the common milestones represented 10% of his bonus eligibility and the specific milestones represented 30% of his bonus eligibility for 2008 and 2009. For Mr. Hlywak, our Executive Vice President and Chief Financial Officer, 10% of his eligible bonus was based on the common milestones and the specific milestones represented 30% of his bonus eligibility for 2008 and 2009.

Our President and Chief Executive Officer recommends to, and consults with, the compensation committee with respect to the base salaries of our executive officers. In order to assure that executive compensation is both competitive and appropriate, the compensation committee reviews executive compensation in its entirety before determining compensation level adjustments. The overall compensation of our senior executives is intended to fall within an appropriate range for comparable positions in our industry.

The compensation committee may retain the services of a compensation consultant to advise and assist it in the performance of its functions. During 2008, the compensation committee engaged Frederic W. Cook & Co. (Cook), which received instructions from, and reported directly to, the compensation committee. The compensation committee requested Cook s advice on a variety of issues, including compensation strategy, market comparisons, pay and performance alignment versus industry peers, executive pay trends and potential compensation plan design and modifications. During 2009, the compensation committee did not engage the services of a compensation consultant.

Historically, our executive compensation structure emphasized cash components over long-term incentive components, due primarily to the low trading volume of our common stock. As we have grown, it has become more feasible to increase the emphasis on long-term incentives, making our executive compensation more competitive with comparable companies by increasing the equity portion of our overall compensation.

Allocation of Compensation Among the Four Elements

In determining what portion or percentage of an executive s compensation is to be allocated among the four elements discussed above, we have determined that the largest portion should be allocated to base salary, the next largest portion to executive incentive compensation and the smallest portion to stock option awards and restricted stock and RSU grants. We recognize that in order to attract, motivate and retain executives, there must be a connection among each element of compensation that accomplishes the objectives stated above. Base salary serves to attract competent executives in what is an increasingly competitive marketplace. Executive incentive compensation serves as a good motivator for executives to strive for the highest level of productivity, which results in stockholder value. Stock option awards and restricted stock and RSU grants serve to retain executives because the vesting of the stock options, shares of restricted stock and RSUs granted is over a period of time and with the growth of our common stock, each executive s incentives are aligned with those of our stockholders.

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Perquisites

We provide our President and Chief Executive Officer, Jay Higham, with a leased vehicle that is maintained at our expense. The total 2008 and 2009 expenses related to the leased vehicle were $12,463 and $13,420, respectively. Mr. Doman, the President of our Vein Clinics Division, received an automobile allowance for a portion of the year ended December 31, 2008 in an aggregate amount of $2,564. Mr. Doman did not receive an automobile allowance for the year ended December 31, 2009.

401(k) Defined Contribution Plan

We maintain a 401(k) Plan that allows executives, as well as our other employees, to make elective salary deferrals in accordance with Internal Revenue Service (IRS) regulations. In 2008, we provided a discretionary match of 25% of an individual s maximum contribution of $15,500, up to 1.5% of an individual s compensation of $230,000 or less for the year, for a maximum match of $3,450 per individual. For our President and Chief Executive Officer, our Executive Vice President and Chief Financial Officer and our other Named Executive Officers (as defined below), we contributed the maximum match of $3,450 in 2008. In 2009, we provided for a discretionary match of 25% of an individual s maximum contribution of $16,500, up to 1.5% of an individual s compensation of $245,000 or less for the year, for a maximum match of $3,675 per individual. For our President and Chief Executive Officer, our Executive Vice President and Chief Financial Officer and our other Named Executive Officers, we will contribute the maximum match of $3,675 in 2009.

Retirement Benefits

No retirement benefits are provided to our executives.

Severance and Change of Control Arrangements

Jay Higham Employment Agreement

On October 10, 2005, we entered into an employment agreement with Jay Higham to serve as our President and Chief Executive Officer, effective January 1, 2006. Pursuant to the employment agreement, Mr. Higham was appointed as one of our directors on January 24, 2006. The employment agreement provides that Mr. Higham receive an annual base salary of $275,000, subject to increases. Under the employment agreement, Mr. Higham was granted shares of our common stock with a value of $400,000 based on the closing price of our common stock as reported on the Nasdaq Global Market on the first trading day of January 2006. The number of shares of our common stock granted to Mr. Higham was 32,000 and such shares of common stock vest over a 10-year period. Pursuant to the employment agreement, we may terminate Mr. Higham s employment without cause on 30 days prior notice, in which event Mr. Higham will receive, as severance pay, 12 months base salary, plus Mr. Higham s annual bonus, without regard to the condition precedents established for the bonus payment, in one lump sum payment. Under the employment agreement, if we had terminated Mr. Higham effective December 31, 2008, based on his 2008 compensation, he would have been paid an aggregate of $545,000, $330,000 of which represents his 2008 base salary and $215,000 of which represents his accrued 2008 bonus. Under the employment agreement, if we had terminated Mr. Higham effective December 31, 2009, based on his 2009 compensation, he would have been paid an aggregate of $681,490, $389,423 of which represents his 2009 base salary and $292,067 of which represents twice the full amount of his accrued 2009 bonus.

The employment agreement further provides that if, within one year after our Change of Control (as defined in the employment agreement), Mr. Higham s employment is terminated by Mr. Higham for Good Reason (as defined in the employment agreement) or by us without cause, Mr. Higham will be paid a lump sum amount equal to his base salary

for a 24-month period, plus twice the full amount of

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Mr. Higham s annual bonus based on his then current base salary, without regard to the condition precedents established for the bonus payment. Based on this change of control provision, if we had experienced a Change of Control in 2008 and Mr. Higham s employment had been terminated effective December 31, 2008, for either Good Reason by Mr. Higham or without cause by us, Mr. Higham would have been entitled to termination pay equal to an aggregate of $1,089,000, $660,000 of which represents his then annualized base salary for 24-months and $429,000 of which represents twice the full amount of his annual bonus. In addition, based on this change of control provision, if we had experienced a Change of Control in 2009 and Mr. Higham s employment had been terminated effective December 31, 2009, for either Good Reason by Mr. Higham or without cause by us, Mr. Higham would have been entitled to termination pay equal to an aggregate of $1,362,980, $778,846 of which represents his then annualized base salary for 24-months and $584,134 of which represents twice the full amount of his annual bonus.

Under the employment agreement, Mr. Higham has agreed not to compete with us while employed by us and for a period of two years thereafter.

Executive Retention Agreements

We are also a party to executive retention agreements with our executive officers, including Mr. Hlywak, our Executive Vice President and Chief Financial Officer, and the other Named Executive Officers (as defined below).

The executive retention agreements provide for certain severance payments and benefits to the Named Executive Officers in the event of a termination of their employment, either by us without cause or by the executive for Good Reason (as defined in the executive retention agreement), at any time within 18 months after we experience a Change in Control (as defined in the executive retention agreement) (any such termination, a Qualifying Termination). More specifically, the executive retention agreements provide the Named Executive Officers with one additional year of base salary, bonus (if applicable) and benefits (or equivalent) more than they would previously have been entitled to receive upon a termination without cause. Accordingly, pursuant to the executive retention agreements, in the event of a Qualifying Termination, the Named Executive Officers will be paid one year s severance. Pursuant to the terms of the executive retention agreements, all incentive stock options granted to a Named Executive Officer will become fully vested upon a Qualifying Termination, subject to certain terms and conditions. Also, pursuant to the executive retention agreements, we would be required to pay each Named Executive Officer for all reasonable fees and expenses incurred by them in litigating their rights under the executive retention agreements, to the extent a Named Executive Officer is successful in any such litigation.

Under the executive retention agreements, in the event a Named Executive Officer, other than Mr. Higham, who would be paid in accordance with the terms of his employment agreement, is terminated without cause under circumstances outside a Change in Control, each Named Executive Officer would be paid 90 days base salary continuation. In the event Mr. Hlywak had been terminated without cause effective December 31, 2008 as a result of a Change in Control that occurred in 2008, Mr. Hlywak would have been paid an aggregate of $484,000, $256,000 of which represents his 2008 annual base salary and $128,000 of which represents the bonus amount Mr. Hlywak would have been eligible to receive. In the event Mr. Hlywak had been terminated without cause effective December 31, 2009 as a result of a Change in Control that occurred in 2009, Mr. Hlywak would have been paid an aggregate of $412,788, $275,192 of which represents his 2009 annual base salary and $137,596 of which represents the bonus amount Mr. Hlywak would have been eligible to receive. For each of the other Named Executive Officers, had they been terminated without cause effective December 31, 2008 as a result of a Change in Control that occurred in 2008, he or she would have been paid his or her 2008 annual base salary and bonus amount which he or she would have been eligible to receive. For

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Mr. Doman, the payment would have been an aggregate of $310,520, $221,880 of which represents annual base salary and $88,720 of which represents bonus. For Mr. Travia, the payment would have been an aggregate of $343,000, $245,000 of which represents annual base salary and $98,000 of which represents bonus. For Ms. Schumann, the payment would have been an aggregate of $294,000, $210,000 of which represents annual base salary and $84,000 of which represents bonus. Similarly, for each of the other Named Executive Officers, had they been terminated without cause effective December 31, 2009 as a result of a Change in Control that occurred in 2009, he or she would have been paid his or her 2009 annual base salary and bonus amount which he or she would have been eligible to receive. For Mr. Doman, the payment would have been an aggregate of $348,432, $232,288 of which represents annual base salary and $116,144 of which represents bonus. For Mr. Travia, the payment would have been an aggregate of $385,529, $257,019 of which represents annual base salary and $128,510 of which represents bonus. For Ms. Schumann, the payment would have been an aggregate of $358,269, $238,846 of which represents annual base salary and $119,423 of which represents bonus.

Finally, in certain circumstances, Section 162(m) of the Internal Revenue Code of 1986, as amended (Section 162(m)), limits to $1 million the deductibility of compensation, including stock-based compensation, paid to executives by public companies. None of the compensation paid to our executive officers in 2008 exceeded the threshold for deductibility under Section 162(m).

Summary Compensation Table

The following table sets forth a summary of the compensation paid or accrued by us during the years ended December 31, 2009, 2008, 2007 and 2006 for our President and Chief Executive Officer, our Executive Vice President and Chief Financial Officer and our next three most highly compensated executive officers (the Named Executive Officers):

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)[1][4]	Option Awards ($)[1][4]	All Other Compensation ($)[2]	Total ($)
Jay Higham	2009	$ 389,423	[3]	$ 93,750		$ 17,095	[3]
President and Chief	2008	$ 330,000	$ 128,700	$ 70,949	$ 112,516	$ 15,913	$ 658,078
Executive Officer	2007	$ 300,000	$ 195,000	$ 154,000		$ 13,555	$ 662,555
	2006	$ 275,000	$ 148,500	$ 441,250		$ 15,828	$ 880,578
John W. Hlywak, Jr.	2009	$ 275,192	[3]	$ 35,000		$ 3,675	[3]
Executive Vice President	2008	$ 256,000	$ 76,500	$ 38,252	$ 56,259	$ 3,450	$ 430,461
and Chief Financial Officer	2007	$ 245,000	$ 122,500	$ 84,807		$ 3,300	$ 455,607
	2006	$ 234,000	$ 105,750	$ 28,200		$ 3,300	$ 371,250
Daniel P. Doman[5]	2009	$ 232,288	[3]	$ 35,000		$ 3,675	[3]
President of Vein Clinics	2008	$ 221,880	$ 42,750	$ 100,004	$ 49,550	$ 6,014	$ 420,198
Division	2007	$ 79,167	$ 56,670				$ 135,837
Pamela Schumann[6]	2009	$ 238,846	[3]	$ 35,000		$ 3,675	[3]
President of Consumer	2008	$ 210,000	$ 84,000	$ 27,500	$ 56,259	$ 3,450	$ 381,209
Services Division	2007	$ 122,635	$ 31,863	$ 111,075		$ 2,895	$ 268,468
	2006	$ 97,231	$ 28,800	$ 9,770		$ 2,775	$ 138,576
Joseph J. Travia, Jr.	2009	$ 257,019	[3]	$ 35,000		$ 3,675	[3]
President of Fertility Centers	2008	$ 245,000	$ 110,250	$ 37,500	$ 56,259	$ 3,450	$ 452,459

Division	2007	$ 222,654	$ 87,200	$ 124,600	$ 3,300	$ 437,754
	2006	$ 201,076	$ 63,570	$ 19,800	$ 3,015	$ 287,461

(1) See Note 19 of our consolidated financial statements included elsewhere in this prospectus for a discussion of the assumptions made in the valuation of the stock awards and the option awards.

(2) This column includes the amounts of $12,463, $10,255 and $12,528 for the years ended December 31, 2008, 2007 and 2006, respectively, paid by us in connection with a vehicle leased for Mr. Higham, $2,564 for the year ended December 31, 2008 paid by us in connection with a vehicle leased for Mr. Doman, plus amounts representing our matches made for the Named Executive Officers under our 401(k) Plan.

footnotes continued on following page

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(3) Such amount is not currently calculable. We expect such amount to be determined in March 2010.
(4) Represents grant date market value.
(5) Mr. Doman joined us on August 8, 2007 with our acquisition of VCA.
(6) Ms. Schumann worked on a part-time basis from January 1, 2006 through November 14, 2007.

Grants of Plan-Based Awards for the Fiscal Years Ended December 31, 2008 and 2009

The following table sets forth certain information concerning the Named Executive Officers with respect to grants of plan-based awards for the fiscal years ended December 31, 2008 and 2009:

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units (#)[1]	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)[2]	Grant Date Fair Value of Stock and Option Awards
Jay Higham	1/2/08[3]		5,573	$ 11.20	$ 13,416
	5/13/08[3]	6,265			$ 56,761
	5/13/08[4]	1,566			$ 14,188
	7/22/08[4]		33,600	$ 8.06	$ 99,100
	1/2/09[4]	13,607			$ 93,750
John W. Hlywak, Jr.	1/2/08[3]		2,787	$ 11.20	$ 6,709
	5/13/08[3]	3,378			$ 30,605
	5/13/08[4]	844			$ 7,647
	7/22/08[4]		16,800	$ 8.06	$ 49,550
	1/2/09[4]	5,080			$ 35,000
Daniel P. Doman	5/13/08[4]	11,038			$ 100,004
	7/22/08[4]		16,800	$ 8.06	$ 49,550
	1/2/09[4]	5,080			$ 35,000
Pamela Schumann	1/2/08[3]		2,787	$ 11.20	$ 6,709
	5/13/08[4]	828			$ 7,502
	5/13/08[4]	3,311			$ 29,998
	7/22/08[4]		16,800	$ 8.06	$ 49,550
	1/2/09[4]	5,080			$ 35,000
Joseph J. Travia, Jr.	1/2/08[3]		2,787	$ 11.20	$ 6,709
	5/13/08[4]	828			$ 7,502
	5/13/08[3]	3,311			$ 29,998
	7/22/08[4]		16,800	$ 8.06	$ 49,550
	1/2/09[4]	5,080			$ 35,000

(1) Represents grants of restricted stock.

(2) Options were issued with an exercise price equal to $11.20 per share with respect to the January 2, 2008 grants and $6.15 per share with respect to the July 22, 2008 grants, which, in each case, represented the last reported sale price for our common stock on the date of grant, as reported by the Nasdaq Global Market.

(3) Granted pursuant to our 2000 Long-Term Compensation Plan.

(4) Granted pursuant to our 2007 Long-Term Compensation Plan.

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Outstanding Equity Awards at December 31, 2008

The following table sets forth outstanding equity awards with respect to the Named Executive Officers at December 31, 2008:

	Option Awards			Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)[1]	Market Value of Shares or Units of Stock That Have Not Vested ($)[2]
Jay Higham	5,573	$ 11.20	01/02/2018	13,461	$ 90,862
	33,600	$ 8.06	07/22/2018		
John W. Hlywak, Jr.	2,787	$ 11.20	01/02/2018	7,582	$ 51,179
	16,800	$ 8.06	07/22/2018		
Daniel P. Doman	16,800	$ 8.06	07/22/2018	8,589	$ 57,976
Pamela Schumann	2,787	$ 11.20	01/02/2018	8,568	$ 57,834
	16,800	$ 8.06	07/22/2018		
Joseph J. Travia, Jr.	2,787	$ 11.20	01/02/2018	8,568	$ 57,834
	16,800	$ 8.06	07/22/2018		

(1) Restricted stock awards granted January 4, 2006 to Mr. Higham vest over a 120-month period at the rate of 2.5% every 90 days of the 120-month period. Restricted stock awards granted May 23, 2006 to the Named Executive Officers vest over a 36-month period at the rate of 8.33% every 90 days of the 36-month period. Restricted stock awards granted May 15, 2007 to the Named Executive Officers vest over a 36-month period at the rate of 8.33% every 90 days of the 36-month period. Twenty-five percent of the restricted stock awards granted to Messrs. Higham and Hlywak on September 24, 2007 vested immediately with the balance vesting over a 36-month period at the rate of 8.33% every 90 days of the 36-month period. Restricted stock awards granted September 24, 2007 to Ms. Schumann and Mr. Travia vest over a 60-month period at the rate of 5% every 90 days of the 60-month period. The Named Executive Officers received two restricted stock awards on May 13, 2008; the first restricted stock award vests over a 36-month period at the rate of 8.33% every 90 days of the 36-month period and the second restricted stock award vests on May 12, 2011. Of the total 7,831 shares of restricted stock granted to Mr. Higham, 6,265 vest over a 36-month period at the rate of 8.33% every 90 days of the 36-month period and 1,566 shares vest on May 12, 2011. Of the total 4,222 shares of restricted stock granted to Mr. Hlywak, 3,378 vest over a 36-month period at the rate of 8.33% every 90 days of the 36-month period and 844 shares vest on May 12, 2011. All of the 11,038 shares of restricted stock granted to Mr. Doman vest over a 36-month period at the rate of 8.33% every 90 days of the 36-month period. Of the total 4,139 shares of restricted stock granted to

Ms. Schumann, 3,311 vest over a 36-month period at the rate of 8.33% every 90 days of the 36-month period and 828 shares vest on May 12, 2011.

(2) The market value of the restricted stock awards is based on the last reported sale price for our common stock on December 31, 2008, as reported by the Nasdaq Global Market, which was $6.75.

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Outstanding Equity Awards at December 31, 2009

The following table sets forth outstanding equity awards with respect to the Named Executive Officers at December 31, 2009:

	Option Awards			Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)[1]	Market Value of Shares or Units of Stock That Have Not Vested ($)[2]
Jay Higham	2,787	$ 11.20	01/02/2018	35,954	$ 284,393
	23,100	$ 8.06	07/22/2018		
John W. Hlywak, Jr.	1,394	$ 11.20	01/02/2018	7,774	$ 61,496
	11,550	$ 8.06	07/22/2018		
Daniel P. Doman	1,394	$ 11.20	01/02/2018	11,091	$ 87,731
	11,550	$ 8.06	07/22/2018		
Pamela Schumann	1,394	$ 11.20	01/02/2018	10,899	$ 86,210
	11,550	$ 8.06	07/22/2018		
Joseph J. Travia, Jr.	1,394	$ 11.20	01/02/2018	11,157	$ 88,250
	11,550	$ 8.06	07/22/2018		

(1) Restricted stock awards granted January 4, 2006 to Mr. Higham vest over a 120-month period at the rate of 2.5% every 90 days of the 120-month period. Restricted stock awards granted May 23, 2006 to the Named Executive Officers vest over a 36-month period at the rate of 8.33% every 90 days of the 36-month period. Restricted stock awards granted May 15, 2007 to the Named Executive Officers vest over a 36-month period at the rate of 8.33% every 90 days of the 36-month period. Twenty-five percent of the restricted stock awards granted to Messrs. Higham and Hlywak on September 24, 2007 vested immediately with the balance vesting over a 36-month period at the rate of 8.33% every 90 days of the 36-month period. Restricted stock awards granted September 24, 2007 to Ms. Schumann and Mr. Travia vest over a 60-month period at the rate of 5% every 90 days of the 60-month period. The Named Executive Officers received two restricted stock awards on May 13, 2008; the first restricted stock award vests over a 36-month period at the rate of 8.33% every 90 days of the 36-month period and the second restricted stock award vests on May 12, 2011. Of the total 7,831 shares of restricted stock granted to Mr. Higham, 6,265 vest over a 36-month period at the rate of 8.33% every 90 days of the 36-month period and 1,566 shares vest on May 12, 2011. Of the total 4,222 shares of restricted stock granted to Mr. Hlywak, 3,378 vest over a 36-month period at the rate of 8.33% every 90 days of the 36-month period and 844 shares vest on May 12, 2011. All of the 11,038 shares of restricted stock granted to Mr. Doman vest over a 36-month period at the rate of 8.33% every 90 days of the 36-month period. Of the total 4,139 shares of restricted stock granted to

Ms. Schumann, 3,311 vest over a 36-month period at the rate of 8.33% every 90 days of the 36-month period and 828 shares vest on May 12, 2011. Restricted stock awards granted January 2, 2009 to the Named Executive Officers vest over a 36-month period at the rate of 8.33% every 90 days of the 36-month period.

(2) The market value of the restricted stock awards is based on the last reported sale price for our common stock on December 31, 2009, as reported by the Nasdaq Global Market, which was $7.91.

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Option Exercises and Stock Vested for the Fiscal Year Ended December 31, 2008

The following table shows option exercises and stock award vesting with respect to the Named Executive Officers for the year ended December 31, 2008:

	Stock Awards	
Name	**Number of Shares Acquired on Vesting (#)[1]**	**Value Realized on Vesting ($)[2]**
Jay Higham	7,831	$ 70,448
John W. Hlywak, Jr.	4,222	$ 36,900
Daniel P. Doman	11,038	$ 79,032
Pamela Schumann	4,139	$ 31,580
Joseph J. Travia, Jr.	4,139	$ 31,580

(1) Reflects shares of restricted stock that vested during the year ended December 31, 2008.
(2) The value realized on vesting is based on the last reported sale price for our common stock on the vesting date, as reported by the Nasdaq Global Market.

Option Exercises and Stock Vested for the Fiscal Year Ended December 31, 2009

The following table shows option exercises and stock award vesting with respect to the Named Executive Officers for the year ended December 31, 2009:

	Stock Awards	
Name	**Number of Shares Acquired on Vesting (#)[1]**	**Value Realized on Vesting ($)[2]**
Jay Higham	12,821	$ 120,244
John W. Hlywak, Jr.	5,067	$ 46,186
Daniel P. Doman	3,562	$ 30,856
Pamela Schumann	4,574	$ 41,451
Joseph J. Travia, Jr.	4,991	$ 45,187

(1) Reflects shares of restricted stock that vested during the year ended December 31, 2009.
(2) The value realized on vesting is based on the last reported sale price for our common stock on the vesting date, as reported by the Nasdaq Global Market.

Pension Benefits

We do not have any pension plans.

Nonqualified Deferred Compensation

We do not have a deferred compensation plan.

Director Compensation

In 2008, our non-employee directors were paid an annual retainer of $30,000 and a fee of $2,000 for each regularly scheduled meeting of the board of directors attended and for any special or committee meeting not coinciding with a regularly scheduled board of directors meeting. The chairpersons of the compensation committee and the nominating and governance committee were paid $5,000 each for

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serving as chairperson and the chairperson of the audit committee was paid $8,000 for serving as chairperson. Directors were also reimbursed for reasonable travel expenses incurred in attending meetings. Additionally, our non-employee directors (other than Mr. Agarwal) were granted, as part compensation for services rendered, 4,415 shares of our common stock, with a market value of $9.06 per share, or $40,000, based on the last reported sale price for our common stock on the date of the grant, which was May 13, 2008, as reported by the Nasdaq Global Market, with vesting upon grant.

In 2009, our non-employee directors were paid an annual retainer of $30,000 and a fee of $2,000 for each regularly scheduled meeting of the board of directors attended and for any special or committee meeting not coinciding with a regularly scheduled board of directors meeting. The chairpersons of the compensation committee and the nominating and governance committee were paid $7,000 each for serving as chairperson and the chairperson of the audit committee was paid $10,000 for serving as chairperson. Directors were also reimbursed for reasonable travel expenses incurred in attending meetings. Additionally, our non-employee directors were granted, as part compensation for services rendered, 6,531 shares of our common stock, with a market value of $6.89 per share, or $45,000, based on the last reported sale price for our common stock on the date of the grant, which was January 2, 2009, as reported by the Nasdaq Global Market, with vesting upon grant.

Directors who are also executive officers are not compensated for their services as directors.

Our philosophy regarding director compensation is to recognize that in order to attract and retain directors who are willing to contribute time and talent to us, it is important to competitively compensate such persons. With that philosophy in mind, we attempt to provide fair cash compensation for a company of our size and also provide directors with skin in the game by awarding, as part compensation, shares of our common stock. By making grants of our common stock a component of a director s compensation, we enable directors to align their interests with stockholders and appreciate the importance of improving stock performance and providing investors with long-term gains. Directors are not paid for their roles on committees, other than as serving as chairperson and for attending meetings of a committee not coinciding with a regularly scheduled meeting of our board of directors. Committees meet in conjunction with board of directors meetings and, accordingly, we do not believe there should be additional compensation for committee involvement, unless a meeting of a committee does not coincide with a regularly scheduled meeting of our board of directors. Because committee chairpersons are expected to interact more with management, they are compensated for the additional time.

During 2006, our board of directors established a requirement that directors own shares of our common stock with a value equal to five times the annual director retainer fee paid by us to directors for the year the director was first appointed or elected. A director has five years to achieve this requirement. Once this requirement is met, a director need not adjust the number of shares of our common stock he or she owns based on fluctuations in the market price of our common stock. As of the date of this prospectus, all directors have met this requirement.

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The following table sets forth a summary of the compensation paid or accrued by us during the year ended December 31, 2008 for our directors, but excludes any management director whose compensation is reflected on the Summary Compensation Table for Named Executive Officers:

Director Compensation for the Fiscal Year Ended December 31, 2008

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)[1]	All Other Compensation ($)[2]	Total ($)
Kush K. Agarwal	$ 19,000		$ 93,750	$ 112,750
Gerardo Canet	$ 38,000	$ 40,000	$ 125,000	$ 203,000
Sarason Liebler[3]	$ 38,000	$ 40,000	$ 57,533	$ 135,533
Wayne R. Moon	$ 43,000	$ 40,000		$ 83,000
Lawrence J. Stuesser	$ 46,000	$ 40,000		$ 86,000
Elizabeth E. Tallett	$ 45,000	$ 40,000		$ 85,000
Yvonne Thornton, M.D., M.P.H.	$ 40,000	$ 40,000		$ 80,000

(1) Represents grants of 4,415 shares of our common stock to each of the directors (other than Mr. Agarwal) on May 13, 2008, with a fair market value of $9.06 per share. All of these grants vested immediately.

(2) The amounts in All Other Compensation for Messrs. Canet and Liebler include consulting fees in the amount of $125,000 and $57,533, respectively, paid or accrued for by us in 2008. Pursuant to his consulting agreement, dated February 2, 2009, effective January 1, 2009, Mr. Canet agreed to provide us with consulting services two days per month during the period from January 1, 2009 through December 31, 2009 and received an amount from us equal to $36,000 in 12 equal installments of $3,000 per month. The amount in All Other Compensation for Mr. Agarwal represents compensation paid by us to Mr. Agarwal for his service as President of VCA. Mr. Agarwal resigned as President of VCA on May 15, 2008.

(3) Mr. Liebler ceased being a member of our board of directors on May 12, 2009 because he had reached the mandatory retirement age of 72 under our corporate governance guidelines.

The following table sets forth a summary of the compensation paid or accrued by us during the year ended December 31, 2009 for our directors, but excludes any management director whose compensation is reflected on the Summary Compensation Table for Named Executive Officers:

Director Compensation for the Fiscal Year Ended December 31, 2009

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)[1]	All Other Compensation ($)[2]	Total ($)
Kush K. Agarwal	$ 38,000	$ 45,000		$ 83,000
Gerardo Canet	$ 63,000	$ 45,000	$ 36,000	$ 144,000
Sarason Liebler[3]	$ 19,000	$ 45,000		$ 64,000

Wayne R. Moon	$ 45,000	$ 45,000	$ 90,000
Lawrence J. Stuesser	$ 48,000	$ 45,000	$ 93,000
Elizabeth E. Tallett	$ 45,000	$ 45,000	$ 90,000
Yvonne Thornton, M.D., M.P.H.	$ 38,000	$ 45,000	$ 83,000

(1) Represents grants of 6,531 shares of our common stock to each of the directors on January 2, 2009, with a fair market value of $6.89 per share. All of these grants vested immediately.

(2) Pursuant to his consulting agreement, dated February 2, 2009, effective January 1, 2009, Mr. Canet agreed to provide us with consulting services two days per month during the period from January 1, 2009 through December 31, 2009 and received an amount from us equal to $36,000 in 12 equal installments of $3,000 per month.

(3) Mr. Liebler ceased being a member of our board of directors on May 12, 2009 because he had reached the mandatory retirement age of 72 under our corporate governance guidelines.

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At December 31, 2008, our directors, as a group, excluding Mr. Higham, held outstanding options to purchase 56,876 shares of our common stock and also held an aggregate of 30,905 shares of our common stock pursuant to stock awards made during 2008. At December 31, 2009, our directors, as a group, excluding Mr. Higham, held outstanding options to purchase 40,624 shows of our common stock and also held an aggregate of 39,186 shares of our common stock pursuant to stock awards made during 2009.

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PRINCIPAL STOCKHOLDERS

The following table sets forth, as of February 1, 2010, certain information concerning the beneficial stock ownership of all persons known by us to beneficially own 5% or more of the shares of our common stock outstanding, each director, certain of our executive officers and all of our directors and executive officers as a group. Except as indicated in the footnotes to the below table, we believe that each stockholder named in such table has sole voting and dispositive power with respect to all shares of common stock attributable to such stockholder.

Beneficial Owner	Shares of Common Stock Beneficially Owned[1]	Percent of Common Stock Outstanding
Principal Stockholders:		
Peter R. Kellogg IAT Reinsurance Company Ltd. 120 Broadway New York, New York 10271	2,641,286[2]	29.8%
Blue TSV I, LTD. c/o Maple Corporate Services Limited P.O. Box 309, Ugland House Grand Cayman, E9 KY1 1104	1,175,374[3]	13.3%
Gruber and McBaine Capital Management, LLC 50 Osgood Place San Francisco, California 94133	556,361[4]	6.3%
Dimensional Fund Advisors LP 1299 Ocean Avenue Santa Monica, California 90401	487,625[5]	5.5%
Directors and Certain Executive Officers:		
Jay Higham	173,219[6]	2.0%
John W. Hlywak, Jr.	117,009[6]	1.3%
Pamela Schumann	25,940[6]	*
Joseph J. Travia, Jr.	43,679[6]	*
Daniel P. Doman	15,923[6]	*
Kush K. Agarwal	146,871	1.7%
Gerardo Canet	46,777	*
Wayne R. Moon	51,005[6]	*
Lawrence J. Stuesser	71,399[6]	*
Elizabeth E. Tallett	88,407[6]	1.0%
Yvonne S. Thornton, M.D., M.P.H	23,551	*
All directors and executive officers as a group (16 persons)	844,032[7]	9.4%

* Represents less than 1% of outstanding shares of our common stock.

(1) For purposes of this prospectus, beneficial ownership is defined in accordance with the rules and regulations of the Securities and Exchange Commission and generally means the power to vote and/or to dispose of securities regardless of any economic interest therein.

(2) Based on a Schedule 13D, dated January 26, 2010, filed with the Securities and Exchange Commission by IAT and Peter R. Kellogg. Represents 2,641,286 shares of our common stock owned by IAT. Peter R. Kellogg is the sole owner of IAT s voting stock. In this offering, we are offering 500,000 shares directly to IAT at the same price as the price to the public (excluding underwriting discounts and commissions) set forth on the cover page of this prospectus.

(3) Based on a Form 4 filed with the Securities and Exchange Commission on September 8, 2009.

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(4) Represents 406,844 shares of our common stock held by Gruber and McBaine Capital Management, LLC as investment advisor, plus 83,905 shares of our common stock held by Jon D. Gruber and 65,612 shares of our common stock held by J. Patterson McBaine individually based on a Schedule 13G, dated January 28, 2010, filed with the Securities and Exchange Commission by Gruber and McBaine Capital Management, LLC, Jon D. Gruber, J. Patterson McBaine and Eric B. Swergold.

(5) Represents securities reported on an amendment to a Schedule 13G, dated February 9, 2009, as being owned by various funds for which Dimensional Fund Advisors LP has sole voting and dispositive power, but disclaims beneficial ownership.

(6) Includes exercisable options to purchase shares of our common stock within 60 days of February 1, 2010 as follows: Wayne R. Moon 10,156; Lawrence J. Stuesser 10,156; Elizabeth E. Tallett 20,312; Jay Higham 15,386; John W. Hlywak, Jr. 7,684; Daniel P. Doman 6,300; Pamela Schumann 7,684; and Joseph J. Travia, Jr. 7,684.

(7) Includes 90,517 exercisable options to purchase shares of our common stock within 60 days of February 1, 2010, including 5,155 exercisable options held by an executive officer not named above. The address for each of our directors and executive officers is c/o IntegraMed America, Inc., Two Manhattanville Road, Purchase, New York 10577.

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RELATED PARTY TRANSACTIONS

Consulting Agreement

We have had consulting agreements with Gerardo Canet, the chairman of our board of directors. The consulting agreement provided for compensation of $125,000 for the year ended December 31, 2008. That consulting agreement expired on December 31, 2008 and was replaced with a new one-year consulting agreement providing for $36,000 in compensation.

Offer to IAT

In this offering, we are offering 500,000 shares directly to IAT, our largest stockholder, at the same price as the price to the public (excluding underwriting discounts and commissions) set forth on the cover page of this prospectus. Based on the price to the public (excluding underwriting discounts and commissions) set forth on the cover page of this prospectus, IAT will pay us an aggregate of $3.8 million in connection with this offering.

Policies and Procedures for Related Party Transactions

We do not have written policies and procedures for the review, approval or ratification of related party transactions. However, any related party transaction is reviewed and discussed by our board of directors or an appropriate committee of our board of directors with responsibility for the subject matter. For example, the consulting agreement with Mr. Canet was reviewed and approved by the compensation committee of our board of directors.

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DESCRIPTION OF CAPITAL STOCK

The following description of our capital stock summarizes the provisions of our restated certificate of incorporation and by-laws.

The following description of the material provisions of our capital stock and restated certificate of incorporation and by-laws is only a summary, does not purport to be complete and is qualified by applicable law and the full provisions of our restated certificate of incorporation and by-laws, which have been filed with the Securities and Exchange Commission as exhibits to the registration statement of which this prospectus is a part.

Authorized Capitalization

As of the date of this prospectus, our authorized capital stock consists of 15,000,000 shares of common stock, par value $0.01 per share, and 5,000,000 shares of preferred stock, par value $1.00 per share. Immediately after the completion of this offering, 11,355,866 shares of our common stock, or 11,655,866 shares of our common stock if the underwriters exercise their over-allotment option in full, and no shares of our preferred stock will be issued and outstanding.

Common Stock

All shares of our common stock to be outstanding immediately after completion of this offering will be validly issued, fully paid and nonassessable.

Dividends. Holders of shares of our common stock are entitled to receive dividends and other distributions in cash, property or capital stock of ours as may be declared by our board of directors from time to time out of our assets or funds legally available for dividends or other distributions. We have not paid cash dividends on our common stock during the last two fiscal years, and we currently anticipate retaining all available funds for use in the operation and expansion of our business. In addition, our credit agreement prohibits us from paying cash dividends on our common stock. Therefore, we do not anticipate paying any cash dividends on our common stock in the foreseeable future.

Liquidation Rights. In the event of our voluntary or involuntary liquidation, dissolution or winding up, holders of shares of our common stock will be entitled to share in our assets remaining after payment of all debts and other liabilities, subject to the liquidation preference of any outstanding shares of our preferred stock.

Voting Rights. Shares of our common stock carry one vote per share. All shares of common stock rank equally as to voting and all other matters. Except as otherwise required by law, holders of our common stock are not entitled to vote on any amendment to our restated certificate of incorporation that relates solely to the terms of one or more outstanding series of preferred stock if the holders of the affected shares are entitled to vote on the amendment. Shares of our common stock have no conversion rights, no redemption or sinking fund provisions, are not liable for further call or assessment and are not entitled to cumulative voting rights.

Except as otherwise required by the Delaware General Corporation Law and our restated certificate of incorporation and by-laws, action requiring stockholder approval may be taken by a vote of the holders of a majority of our common stock at a meeting at which a quorum is present. See Anti-Takeover Effects of Various Provisions of Delaware Law and Our Restated Certificate of Incorporation and By-laws.

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Other Rights. Holders of shares of our common stock have no preemptive rights. The holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that we may designate and issue in the future.

Preferred Stock

Our restated certificate of incorporation provides that we may issue up to 5,000,000 shares of our preferred stock in one or more series as may be determined by our board of directors.

Our board of directors has broad discretionary authority with respect to the rights of issued series of our preferred stock and may take several actions without any vote or action of the holders of our common stock, including:

determining the number of shares to be included in each series;

fixing the designation, powers, preferences and relative rights of the shares of each series and any qualifications, limitations or restrictions with respect to each series, including provisions related to dividends, conversion, voting, redemption and liquidation, which may be superior to those of our common stock; and

increasing or decreasing the number of shares of any series.

Our board of directors may authorize, without approval of holders of our common stock, the issuance of preferred stock with voting and conversion rights that could adversely affect the voting power and other rights of holders of our common stock. For example, our preferred stock may rank prior to our common stock as to dividend rights, liquidation preferences or both, may have full or limited voting rights and may be convertible into shares of our common stock.

Our preferred stock could be issued quickly with terms designed to delay or prevent a change of control of our Company or to make the removal of our management more difficult. This could have the effect of discouraging third-party bids for our common stock or may otherwise adversely affect the market price of our common stock.

We believe that the ability of our board of directors to issue one or more series of our preferred stock provides us with flexibility in structuring possible future financings and acquisitions, and in meeting other corporate needs that might arise. The authorized shares of our preferred stock, as well as authorized and unissued shares of our common stock, will be available for issuance without action by holders of our common stock, unless such action is required by applicable law or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded.

Although our board of directors has no intention at the present time of doing so, it could issue a series of our preferred stock that could, depending on the terms of such series, be used to implement a stockholder rights plan or otherwise impede the completion of a merger, tender offer or other takeover attempt of our Company. Our board of directors could issue preferred stock having terms that could discourage an acquisition attempt through which an acquirer may be able to change the composition of our board of directors, including a tender offer or other transaction that some, or a majority, of our stockholders might believe to be in their best interest or in which stockholders might receive a premium for their stock over the market price.

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Anti-Takeover Effects of Various Provisions of Delaware Law and Our Restated Certificate of Incorporation and By-laws

The Delaware General Corporation Law, our restated certificate of incorporation and our by-laws contain provisions that may have some anti-takeover effects and may delay, defer or prevent a tender offer or takeover attempt that a stockholder might consider in his, her or its best interest, including those attempts that might result in a premium over the market price for the shares held by stockholders.

Delaware Anti-Takeover Statute

We are subject to Section 203 of the Delaware General Corporation Law (Section 203). Subject to specific exceptions, Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years after the time the stockholder becomes an interested stockholder, unless:

the business combination, or the transaction in which the stockholder became an interested stockholder, is approved by our board of directors prior to the time the interested stockholder attained that status;

upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, excluding those shares owned by persons who are directors and also officers and employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

at or after the time a stockholder became an interested stockholder, the business combination is approved by our board of directors and authorized at an annual or special meeting of stockholders by the affirmative vote of at least two-thirds of our outstanding voting stock that is not owned by the interested stockholder.

Business combinations include mergers, asset sales and other transactions resulting in a financial benefit to the interested stockholder. Subject to various exceptions, in general, an interested stockholder is a stockholder who, together with his, her or its affiliates and associates, owns, or within three years did own, 15% or more of the shares of our outstanding voting stock. These restrictions could prohibit or delay the accomplishment of mergers or other takeover or change of control attempts with respect to us and, therefore, may discourage attempts to acquire us.

Restated Certificate of Incorporation and By-laws

Provisions of our restated certificate of incorporation and by-laws, which are summarized in the following paragraphs, may also have an anti-takeover effect.

Quorum Requirements. Our by-laws provide for a minimum quorum of a majority in voting power of the issued and outstanding shares of our capital stock entitled to vote.

No Cumulative Voting. The Delaware General Corporation Law provides that stockholders are denied the right to cumulate votes in the election of directors unless a company s certificate of incorporation provides otherwise. Our restated certificate of incorporation does not expressly address cumulative voting.

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Calling of Special Meeting of Stockholders. Our by-laws provide that special meetings of our stockholders may be called only by (a) the chairman of our board of directors, (b) our board of directors or (c) our President.

Advance Notice Requirements for Stockholder Proposals and Director Nominations. Our by-laws provide that stockholders seeking to bring business before or to nominate candidates for election as directors at an annual meeting of stockholders must provide us with timely notice of their proposal in writing. To be timely, a stockholder s notice must be delivered to or mailed and received at our principal executive offices not less than 90 nor more than 120 days prior to the first anniversary of the preceding year s annual meeting of stockholders. Stockholder proposals or nominations for the election of directors at a meeting held more than 30 days from such anniversary date must be received no later than the close of business on the 10th day following the earlier of the day on which notice of the date of the meeting was mailed or public disclosure was made.

Our by-laws also specify requirements as to the form and content of a stockholder s notice. These provisions may impede a stockholder s ability to bring matters before an annual meeting of stockholders or make nominations for directors at an annual meeting of stockholders.

Limitations on Liability and Indemnification of Officers and Directors. The Delaware General Corporation Law authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breaches of directors fiduciary duties as directors. Our restated certificate of incorporation includes a provision that eliminates the personal liability of our directors to us and our stockholders for monetary damages for breaches of their fiduciary duties as our directors to the fullest extent permitted by the Delaware General Corporation Law.

Our by-laws provide that we must indemnify our directors and officers to the fullest extent authorized by the Delaware General Corporation Law and that such indemnitees will also generally be entitled to an advancement of expenses. We are also expressly authorized to, and do, carry directors and officers insurance for our directors, officers and certain employees for some liabilities. We believe that these indemnification provisions and insurance are useful to attract and retain qualified directors and executive officers.

The limitation of liability and indemnification provisions in our restated certificate of incorporation and by-laws may discourage stockholders from bringing lawsuits against our directors and officers for breaches of their fiduciary duties. These provisions may also have the effect of reducing the likelihood of derivative litigation against our directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. In addition, your investment may be adversely affected to the extent that, in a class action or direct suit, we pay the costs of settlement and damage awards against our directors and officers pursuant to these indemnification provisions.

There is currently no pending material litigation or proceeding involving any of our directors, officers or employees for which indemnification is sought.

Authorized but Unissued Shares. Our authorized but unissued shares of common stock and preferred stock will be available for future issuance without your approval. We may use additional shares for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued shares of our

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common stock and preferred stock could render more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

Amendments. Our restated certificate of incorporation grants our board of directors the authority to make, alter, amend and repeal our by-laws without a stockholder vote in any manner not inconsistent with the laws of the State of Delaware or our restated certificate of incorporation.

Listing

Our common stock is listed on the Nasdaq Global Market under the symbol INMD.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company, LLC.

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MATERIAL U.S. FEDERAL TAX CONSIDERATIONS FOR NON-U.S. HOLDERS OF OUR COMMON STOCK

The following discussion summarizes certain material U.S. federal income and estate tax considerations relating to the acquisition, ownership and disposition of our common stock purchased pursuant to this offering by a non-U.S. holder (as defined below). This discussion is based on the provisions of the U.S. Internal Revenue Code of 1986, as amended, final, temporary and proposed U.S. Treasury regulations promulgated thereunder and current administrative rulings and judicial decisions, all as in effect as of the date hereof. All of these authorities may be subject to differing interpretations or repealed, revoked or modified, possibly with retroactive effect, which could materially alter the tax consequences to non-U.S. holders described in this prospectus.

There can be no assurance that the IRS will not take a contrary position to the tax consequences described herein or that such position will not be sustained by a court. No ruling from the IRS or opinion of counsel has been obtained with respect to the U.S. federal income or estate tax consequences to a non-U.S. holder of the purchase, ownership or disposition of our common stock.

This discussion is for general information only and is not tax advice. All prospective non-U.S. holders of our common stock should consult their own tax advisors with respect to the U.S. federal, state, local and non-U.S. tax consequences of the purchase, ownership and disposition of our common stock.

As used in this discussion, the term non-U.S. holder means a beneficial owner of our common stock that is not any of the following for U.S. federal income tax purposes:

an individual who is a citizen or a resident of the United States;

a corporation or other entity taxable as a corporation for U.S. federal income tax purposes that was created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

an estate whose income is subject to U.S. federal income taxation regardless of its source;

a trust (a) if a U.S. court is able to exercise primary supervision over the trust s administration and one or more U.S. persons have the authority to control all of the trust s substantial decisions or (b) that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person; or

an entity that is disregarded as separate from its owner if all of its interests are owned by a single person described above.

An individual may be treated, for U.S. federal income tax purposes, as a resident of the United States in any calendar year by being present in the United States on at least 31 days in that calendar year and for an aggregate of at least 183 days during a three-year period ending in the current calendar year. The 183-day test is determined by counting all of the days the individual is treated as being present in the current year, one-third of such days in the immediately preceding year and one-sixth of such days in the second preceding year. Residents are subject to U.S. federal income tax as if they were U.S. citizens.

This discussion assumes that a prospective non-U.S. holder will hold shares of our common stock as a capital asset (generally, property held for investment). This discussion does not address all aspects of U.S. federal income and

estate taxation that may be relevant to a particular non-U.S. holder in light of that non-U.S. holder s individual circumstances. In addition, this discussion does not address any aspect

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of U.S. state or local or non-U.S. taxes, or the special tax rules applicable to particular non-U.S. holders, such as:

- insurance companies and financial institutions;
- tax-exempt organizations;
- controlled foreign corporations and passive foreign investment companies;
- partnerships or other pass-through entities;
- regulated investment companies or real estate investment trusts;
- pension plans;
- persons who received our common stock as compensation;
- brokers and dealers in securities;
- owners that hold our common stock as part of a straddle, hedge, conversion transaction, synthetic security or other integrated investment; and
- former citizens or residents of the United States subject to tax as expatriates.

If a partnership or other entity treated as a partnership for U.S. federal income tax purposes is a beneficial owner of our common stock, the treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. We urge any beneficial owner of our common stock that is a partnership and partners in that partnership to consult their tax advisors regarding the U.S. federal income tax consequences of acquiring, owning and disposing of our common stock.

Distributions on Our Common Stock

Any distribution on our common stock paid to non-U.S. holders will generally constitute a dividend for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess of our current and accumulated earnings and profits will generally constitute a return of capital to the extent of the non-U.S. holder s adjusted tax basis in our common stock, and will be applied against and reduce the non-U.S. holder s adjusted tax basis. Any remaining excess will be treated as capital gain, subject to the tax treatment described below in Gain on Sale, Exchange or Other Disposition of Our Common Stock.

Dividends paid to a non-U.S. holder that are not treated as effectively connected with the non-U.S. holder s conduct of a trade or business in the United States generally will be subject to withholding of U.S. federal income tax at a rate of 30% on the gross amount paid, unless the non-U.S. holder is entitled to an exemption from or reduced rate of withholding under an applicable income tax treaty. In order to claim the benefit of a tax treaty or to claim an exemption from withholding, a non-U.S. holder must provide a properly executed IRS Form W-8BEN (or successor form) prior to the payment of dividends. A non-U.S. holder eligible for a reduced rate of withholding pursuant to an income tax treaty may be eligible to obtain a refund of any excess amounts withheld by timely filing an appropriate claim for a refund with the IRS.

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Dividends paid to a non-U.S. holder that are treated as effectively connected with a trade or business conducted by the non-U.S. holder within the United States (and, if an applicable income tax treaty so provides, are also attributable to a permanent establishment or a fixed base maintained within the United States by the non-U.S. holder) are generally exempt from the 30% withholding tax if the non-U.S. holder satisfies applicable certification and disclosure requirements. To obtain the exemption, a non-U.S. holder must provide us with a properly executed IRS Form W-8ECI (or successor form) prior to the payment of the dividend. Dividends received by a non-U.S. holder that are treated as effectively connected with a U.S. trade or business generally are subject to U.S. federal income tax at rates applicable to U.S. persons. A non-U.S. holder that is a corporation may, under certain circumstances, be subject to an additional branch profits tax imposed at a rate of 30%, or such lower rate as specified by an applicable income tax treaty between the United States and such holder s country of residence.

A non-U.S. holder who provides us with an IRS Form W-8BEN or Form W-8ECI must update the form or submit a new form, as applicable, if there is a change in circumstances that makes any information on such form incorrect.

Gain On Sale, Exchange or Other Disposition of Our Common Stock

In general, a non-U.S. holder will not be subject to any U.S. federal income tax or withholding on any gain realized from the non-U.S. holder s sale, exchange or other disposition of shares of our common stock unless:

- the gain is effectively connected with a U.S. trade or business (and, if an applicable income tax treaty so provides, is also attributable to a permanent establishment or a fixed base maintained within the United States by the non-U.S. holder), in which case the gain will be taxed on a net income basis generally in the same manner as if the non-U.S. holder were a U.S. person, and, if the non-U.S. holder is a corporation, the additional branch profits tax described above in Distributions on Our Common Stock may also apply;

- the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met, in which case the non-U.S. holder will be subject to a 30% tax on the net gain derived from the disposition, which may be offset by U.S.-source capital losses of the non-U.S. holder, if any; or

- we are, or have been at any time during the five-year period preceding such disposition (or the non-U.S. holder s holding period, if shorter), a United States real property holding corporation.

Generally, we will be a United States real property holding corporation if the fair market value of our U.S. real property interests equals or exceeds 50% of the sum of the fair market values of our worldwide real property interests and other assets used or held for use in a trade or business, all as determined under applicable U.S. Treasury regulations. We believe that we have not been and are not currently, and do not anticipate becoming in the future, a United States real property holding corporation for U.S. federal income tax purposes.

Backup Withholding and Information Reporting

We must report annually to the IRS and to each non-U.S. holder the amount of distributions paid to such holder and the amount of tax withheld, if any. Copies of the information returns filed with the IRS to report the distributions and withholding may also be made available to the tax authorities in a country in which the non-U.S. holder is a resident under the provisions of an applicable income tax treaty or agreement.

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The United States imposes a backup withholding tax on the gross amount of dividends and certain other types of payments (currently at a rate of 28%). Dividends paid to a non-U.S. holder will not be subject to backup withholding if proper certification of foreign status (usually on IRS Form W-8BEN) is provided, and we do not have actual knowledge or reason to know that the non-U.S. holder is a U.S. person. In addition, no backup withholding or information reporting will be required regarding the proceeds of a disposition of our common stock made by a non-U.S. holder within the United States or conducted through certain U.S. financial intermediaries if we receive the certification of foreign status described in the preceding sentence and we do not have actual knowledge or reason to know that such non-U.S. holder is a U.S. person or the non-U.S. holder otherwise establishes an exemption. Non-U.S. holders should consult their own tax advisors regarding the application of the information reporting and backup withholding rules to them.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules from a payment to a non-U.S. holder can be refunded or credited against the non-U.S. holder s U.S. federal income tax liability, if any, provided that certain required information is furnished to the IRS in a timely manner.

U.S. Federal Estate Tax

An individual non-U.S. holder who is treated as the owner, or who has made certain lifetime transfers, of an interest in our common stock will be required to include the value of the common stock in his or her gross estate for U.S. federal estate tax purposes, and may be subject to U.S. federal estate tax unless an applicable estate tax treaty provides otherwise.

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UNDERWRITING

The underwriters named below have agreed to purchase, subject to the terms and conditions of an underwriting agreement among us and the underwriters, the number of shares listed opposite their names below. The underwriters are committed to purchase all of the shares if any are purchased.

Underwriters	Number of Shares
Piper Jaffray & Co.	1,750,000
Dougherty & Company LLC	250,000
Total	2,000,000

The underwriters have advised us that they propose to offer the shares to the public at $7.50 per share. The underwriters propose to offer the shares to certain dealers at the same price less a concession of not more than $0.304 per share. The underwriters may allow and the dealers may reallow a concession of not more than $0.10 per share on sales to certain other brokers and dealers. After the offering, these figures may be changed by the underwriters. Sales of shares made outside of the United States may be made by affiliates of the underwriters.

We have granted the underwriters an option to purchase up to 300,000 additional shares of common stock from us at the public offering price less the underwriting discount set forth in the table below. The underwriters may exercise this option at any time and from time to time during the 30-day period from the date of this prospectus to cover over-allotments, if any. To the extent any shares are purchased with this over-allotment option, the underwriters will purchase shares in approximately the same proportion as shown in the table above.

The following table shows the underwriting fees to be paid by us to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters option to purchase additional shares.

	No Exercise	Full Exercise
Per share	$ 0.506	$ 0.506
Total	$ 1,012,000	$ 1,163,800

We estimate that the total fees and expenses of this offering payable by us, including registration, filing and listing fees, printing fees and legal and accounting expenses, but excluding underwriting discounts, will be approximately $727,000.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the underwriters may be required to make in respect of those liabilities.

We, each of our directors and executive officers and IAT are subject to lock-up agreements that prohibit us and them from offering, pledging, announcing the intention to sell, selling, contracting to sell, selling any option or contract to purchase, purchasing any option or contract to sell, granting any option, right or warrant to purchase, making any short sale or otherwise transferring or disposing of, directly or indirectly, any shares of our common stock or any

securities convertible into, exercisable or exchangeable for or that represent the right to receive our common stock or entering into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of our common stock, for a period of at least 90 days following the date of this prospectus without the prior written consent of Piper Jaffray. The lock-up agreement does not prohibit our directors or executive officers or IAT from transferring shares of our common stock as a bona fide gift, to certain trusts or to

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affiliates, subject to certain requirements, including that the transferee be subject to the same lock-up terms, or pursuant to trading plans adopted in accordance with the guidelines specified by Rule 10b5-1 under the Exchange Act in existence as of the date of this prospectus. The lock-up provisions do not prevent us from selling shares to the underwriters pursuant to the underwriting agreement, from selling 500,000 shares directly to IAT, our largest stockholder, in connection with this offering or from granting options to acquire securities under our existing equity compensation plans or issuing shares upon the exercise or conversion of securities outstanding on the date of this prospectus.

The 90-day lock-up period in all of the lock-up agreements is subject to extension if (a) during the last 17 days of the lock-up period we issue an earnings release or material news or a material event relating to us occurs or (b) prior to the expiration of the lock-up period, we announce that we will release earnings results during the 16-day period beginning on the last day of the lock-up period, in which case the restrictions imposed in these lock-up agreements shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event, unless Piper Jaffray waives the extension in writing.

Our shares are listed on the Nasdaq Global Market under the symbol INMD.

To facilitate the offering, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of our common stock during and after the offering. Specifically, the underwriters may over-allot or otherwise create a short position in our common stock for their own account by selling more shares of common stock than we have sold to them. The underwriters may close out any short position by either exercising their option to purchase additional shares or purchasing shares in the open market.

In addition, the underwriters may stabilize or maintain the price of our common stock by bidding for or purchasing shares of common stock in the open market and may impose penalty bids. If penalty bids are imposed, selling concessions allowed to syndicate members or other broker-dealers participating in the offering are reclaimed if shares of common stock previously distributed in the offering are repurchased, whether in connection with stabilization transactions or otherwise. The effect of these transactions may be to stabilize or maintain the market price of our common stock at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of our common stock to the extent that it discourages resales of our common stock. The magnitude or effect of any stabilization or other transactions is uncertain. These transactions may be effected on the Nasdaq Global Market or otherwise and, if commenced, may be discontinued at any time.

In connection with this offering, some underwriters (and selling group members) may also engage in passive market making transactions in our common stock. Passive market making consists of displaying bids on the Nasdaq Global Market limited by the prices of independent market makers and effecting purchases limited by those prices in response to order flow. Rule 103 of Regulation M promulgated by the Securities and Exchange Commission limits the amount of net purchases that each passive market maker may make and the displayed size of each bid. Passive market making may stabilize the market price of our common stock at a level above that which might otherwise prevail in the open market and, if commenced, may be discontinued at any time.

From time to time in the ordinary course of their respective businesses, the underwriters and certain of their affiliates have engaged, and may in the future engage, in commercial banking or investment banking transactions with us and our affiliates.

This prospectus may be made available on the websites maintained by the underwriters and the underwriters may distribute prospectuses electronically.

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Selling Restrictions

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, no offer of our common stock has been made or will be made to the public in that Relevant Member State, except that, with effect from and including such date, an offer of our common stock may be made to the public in the Relevant Member State at any time:

to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000; and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts;

to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or

in any other circumstances which do not require the publication by us of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of our common stock to the public in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase any such shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Belgium

This offering is exclusively addressed to Qualified Investors within the meaning of article 10, §§ 1 and 2 of the Belgian Prospectus Law of 16 June 2006 and article 2 of the Royal Decree of 26 September 2006 extending the notion of Qualified Investor and of institutional and professional investor; or this offering is addressed to fewer than 100 natural or legal persons on the Belgian territory. Therefore, this prospectus has not been and will not be submitted for approval to the Belgian Banking, Finance and Insurance Commission.

Federal Republic of Germany

This prospectus is not a Securities Selling Prospectus (Verkaufsprospekt) within the meaning of the German Securities Prospectus Act (Verkaufsprospektgesetz) of 9 September 1998, as amended, and has not been filed with and approved by the German Federal Supervisory Authority (Bundesanstalt fur Finanzdienstleistungsaufsicht) or any other German governmental authority, and shares of our common stock may not be offered or sold in this offering and copies of this prospectus or any website relating to the shares may not be distributed, directly or indirectly, in Germany except to persons falling within the scope of paragraph 2 numbers 1, 2 and 3 of the German Securities Prospectus Act.

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Hong Kong

Our common stock may not be offered or sold by means of any document other than: (a) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong); (b) to professional investors as defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules thereunder; or (c) in other circumstances which do not result in the document being a prospectus within the meaning of the Companies Ordinance. No advertisement, invitation or other document relating to our common stock may be issued, whether in Hong Kong or elsewhere, where such document is directed at, or the contents are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the laws of Hong Kong), other than with respect to such common stock that is intended to be disposed of only to persons outside of Hong Kong or only to professional investors as defined in the Securities and Futures Ordinance and any rules thereunder.

The Netherlands

The shares may not be offered, sold, transferred or delivered in or from within The Netherlands as part of their initial distribution or at any time thereafter, directly or indirectly, nor may any other website in respect of the shares be distributed or circulated in The Netherlands, other than to individuals who are legal entities which trade or invest in securities in the conduct of their profession or business within the meaning of The Netherlands Securities Transactions Supervision Act of 1995 (Vrijstellingsregeling wet foezicht effectenverkeer 1995) and its implementing regulations (which includes banks, brokers, pension funds, insurance companies, securities institutions, investment institutions and other institutional investors, including, among others, treasuries of large enterprises, who or which are regularly active in the financial markets in a professional manner).

Norway

This prospectus has not been approved by or registered with any authority in Norway. Accordingly, the shares have not been offered or sold, and will not be offered or sold, to any persons in Norway in any way that would constitute an offer to the public, other than to persons that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive as implemented in the Norwegian Securities Trading Act of 2007 (the Norwegian Securities Trading Act), or otherwise only in circumstances where an exemption from the duty to publish a prospectus under the Prospectus Directive as implemented in the Norwegian Securities Trading Act shall be applicable.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of shares of our common stock may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (a) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the SFA), (b) to a relevant person, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions, specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where shares of our common stock are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

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(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the shares of our common stock under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person pursuant to an offer that is made on terms that such rights or interest are acquired at a consideration of not less than $200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets;

(2) where no consideration is given for the transfer; or

(3) by operation of law.

Sweden

This document has not been prepared in accordance with the prospectus requirements provided for in the Swedish Financial Instruments Trading Act (lagen (1991:980) om handel med finansiella instrument) nor any other Swedish enactment. Neither the Swedish Financial Supervisory Authority (Finansinspek tionen) nor any other Swedish public body has examined, approved or registered this prospectus.

No shares of our common stock will be offered or sold to any investor in Sweden except in circumstances that will not result in a requirement to prepare a prospectus pursuant to the provisions of the Swedish Financial Instruments Trading Act.

Switzerland

The shares offered pursuant to this prospectus will not be offered, directly or indirectly, to the public in Switzerland and this prospectus does not constitute a public offering prospectus as that term is understood pursuant to Article 652a or Article 1156 of the Swiss Federal Code of Obligations. We have not applied for a listing of the shares being offered pursuant to this prospectus on the SWX Swiss Exchange, and, consequently, the information presented in this prospectus does not necessarily comply with the information standards set out in the relevant listing rules. The shares being offered pursuant to this prospectus have not been registered with the Swiss Federal Banking Commission as foreign investment funds, and the investor protection afforded to acquirers of investment fund certificates does not extend to acquirers of securities.

United Kingdom

In the United Kingdom this document is being distributed only to, and is directed only at, Qualified Investors who are permitted to carry on regulated activity in the United Kingdom by the U.K. Financial Services Authority under the Financial Services and Markets Act 2000 (as amended), persons whose ordinary activities for the purpose of their businesses involve them in buying, selling, subscribing for or underwriting such securities or making arrangements for another person to do so (whether as principal or agent) or advising on investments or other persons who are Investment Professionals within the meaning given in paragraph 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005. Persons who are not permitted to carry on such regulated activity may not rely on this document.

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LEGAL MATTERS

The validity of the shares of common stock offered by this prospectus will be passed upon for us by Dorsey & Whitney LLP, New York, New York. Certain legal matters relating to this offering will be passed upon for the underwriters by Faegre & Benson LLP, Minneapolis, Minnesota.

EXPERTS

The consolidated financial statements and schedules of IntegraMed America, Inc. as of December 31, 2008 and 2007, and for each of the years in the three-year period ended December 31, 2008, included in this prospectus and the registration statement of which this prospectus is a part, have been so included in reliance on the audit reports of Amper, Politziner & Mattia, LLP, an independent registered public accounting firm, included in this prospectus and the registration statement of which this prospectus is a part, given on the authority of that firm as experts in accounting and auditing.

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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission. These reports, proxy statements and the other information we file with the Securities and Exchange Commission contain additional information about us. Our Securities and Exchange Commission filings are available to the public at the Securities and Exchange Commission s website at www.sec.gov. You may also read and copy these reports, proxy statements and other information at the Securities and Exchange Commission s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You can also request copies of these reports, proxy statements and other information, upon payment of a duplicating fee, by writing the Public Reference Room. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for more information about the operation of the Public Reference Room. You can also inspect these materials at the offices of The Nasdaq Global Market, at 1735 K Street, N.W., Washington, D.C. 20006.

We have filed with the Securities and Exchange Commission a registration statement on Form S-1 under the Securities Act with respect to the securities that may be offered by this prospectus. This prospectus does not contain all the information set forth in the registration statement, certain parts of which are omitted in accordance with the rules and regulations of the Securities and Exchange Commission. For more information about us and the securities covered by this prospectus, you should see the registration statement and its exhibits and schedules. Any statement made in this prospectus concerning the provisions of documents may be incomplete, and you should refer to the copy of such documents filed as an exhibit to the registration statement with the Securities and Exchange Commission.

INTEGRAMED AMERICA, INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Shareholders of IntegraMed America, Inc.

We have audited the accompanying consolidated balance sheets of IntegraMed America, Inc. as of December 31, 2008 and 2007 and the related consolidated statements of operations, shareholders equity and cash flows for each of the years in the three-year period ended December 31, 2008. We also have audited IntegraMed America, Inc. s internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). IntegraMed America, Inc. s management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying consolidated financial statements. Our responsibility is to express an opinion on these financial statements and an opinion on the company s internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Management has identified and included in its assessment of internal controls over financial reporting the following material weakness as of December 31, 2008. The Company s systems did not properly recognize as revenue, with an

equal reduction to the recorded

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liability (deferred revenue), a portion of nonrefundable fees on patients who withdrew from the IVF Attain program. This material weakness resulted in restatement of the Company s previously issued financial statements for the years ended 2001 through 2008.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IntegraMed America, Inc. as of December 31, 2008 and 2007, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, management s assessment that IntegraMed America, Inc. did not maintain effective internal control over financial reporting as of December 31, 2008 is fairly stated based on criteria established in *Internal Control-Internal Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, as a result of the material weakness identified in the previous paragraph, IntegraMed America, Inc. has not maintained effective internal control over financial reporting as of December 31, 2008 based on criteria established in *Internal Control-Integrated Framework* issued by COSO.

As discussed in Note 2 to the consolidated financial statements, the Company restated its consolidated financial statements as of December 31, 2008, 2007 and 2006.

As discussed in Note 16 to the consolidated financial statements, effective January 1, 2007, the Company adopted the provisions of Financial Interpretation (FIN) No. 48 Accounting for Uncertainty in Income Taxes- an interpretation of Statement of Financial Accounting Standards No. 109.

/s/ Amper, Politziner & Mattia, LLP
Edison, New Jersey
March 30, 2009, except for the restatement discussed in Note 2
to the Consolidated Financial Statements, as to which the date is
October 28, 2009.

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INTEGRAMED AMERICA, INC.

CONSOLIDATED BALANCE SHEETS
(all dollars in thousands, except share amounts)

	December 31, 2008 (restated)	December 31, 2007 (restated)	September 30, 2009 (unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 28,275	$ 23,740	$ 35,186
Patient and other receivables, net	6,681	5,511	7,590
Deferred taxes	5,744	5,565	4,352
Other current assets	6,466	4,668	6,068
Total current assets	47,166	39,484	53,196
Fixed assets, net	16,618	16,912	16,674
Intangible assets, Business Service Rights, net	21,956	22,305	20,984
Goodwill	29,478	29,359	29,478
Trademarks	4,442	4,492	4,442
Other assets	1,781	1,619	3,682
Total assets	$ 121,441	$ 114,171	$ 128,456
LIABILITIES AND SHAREHOLDERS EQUITY			
Current liabilities:			
Accounts payable	$ 2,853	$ 1,895	$ 2,049
Accrued liabilities	17,818	17,760	18,823
Current portion of long-term notes payable and other obligations	11,351	3,661	11,335
Due to Fertility Medical Practices	6,354	9,043	10,551
Attain IVF Refund Program deferred revenue and other Patient Deposits	11,237	10,560	12,996
Total current liabilities	49,613	42,919	55,754
Long-term notes payable and other obligations	18,868	21,799	15,845
Deferred and other tax liabilities	696	1,819	271
Total liabilities	69,177	66,537	71,870
Commitments and Contingencies			
Shareholders equity:			
Common Stock, $.01 par value 15,000,000 shares authorized on December 31, 2008 and 2007 and September 30, 2009, 8,645,694, 8,558,083 and 8,781,150 shares issued and outstanding on December 31, 2008 and 2007 and September 30, 2009, respectively	87	86	88

Capital in excess of par	54,943	53,890	56,011
Other comprehensive loss	(375)	(82)	(222)
Treasury stock, at cost 22,682, 14,175 and 46,408 shares on December 31, 2008 and 2007 and September 30, 2009, respectively	(211)	(165)	(375)
Retained earnings (accumulated deficit)	(2,180)	(6,095)	1,084
Total shareholders equity	52,264	47,634	56,586
Total liabilities and shareholders equity	$ 121,441	$ 114,171	$ 128,456

See accompanying notes to the consolidated financial statements.

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INTEGRAMED AMERICA, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(all amounts in thousands, except per share amounts)

	For the Year Ended December 31,			For the Nine-Month Period Ended September 30,	
	2008 (restated)	2007 (restated)	2006 (restated)	2009 (unaudited)	2008 (unaudited)
Revenues, net					
Fertility Centers	$ 138,440	$ 121,078	$ 112,767	$ 109,538	$ 104,302
Consumer Services	19,763	16,460	13,553	15,242	14,367
Vein Clinics	39,950	14,284		37,288	29,264
Total revenues	198,153	151,822	126,320	162,068	147,933
Costs of services and sales:					
Fertility Centers	128,224	111,059	104,357	100,860	96,685
Consumer Services	14,344	12,336	9,421	11,501	10,333
Vein Clinics	37,299	13,304		34,257	27,337
Total costs of services and sales	179,867	136,699	113,778	146,618	134,355
Contribution					
Fertility Centers	10,216	10,019	8,410	8,678	7,617
Consumer Services	5,419	4,124	4,132	3,741	4,034
Vein Clinics	2,651	980		3,031	1,927
Total contribution	18,286	15,123	12,542	15,450	13,578
General and administrative expenses	10,654	10,537	9,380	9,333	7,951
Interest income	(383)	(1,256)	(1,073)	(187)	(324)
Interest expense	1,563	1,136	695	869	1,208
Total other expenses	11,834	10,417	9,002	10,015	8,835
Income before income taxes	6,452	4,706	3,540	5,435	4,743
Income tax provision	2,537	1,662	1,291	2,173	1,909
Income tax benefit			(821)		
Net income	$ 3,915	$ 3,044	$ 3,070	$ 3,262	$ 2,834
Basic and diluted net earnings per share:					
Basic earnings per share	$ 0.45	$ 0.37	$ 0.38	$ 0.37	$ 0.33
Diluted earnings per share	$ 0.45	$ 0.36	$ 0.37	$ 0.37	$ 0.33

Weighted average shares	basic	8,618	8,310	8,090	8,770	8,607
Weighted average shares	diluted	8,691	8,410	8,194	8,833	8,685

See accompanying notes to the consolidated financial statements.

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INTEGRAMED AMERICA, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY
(all amounts in thousands)
(Restated)

	Common Stock		Capital in Excess of Par	Accumulated Comprehensive Income (Loss)	Treasury Stock		Retained Earnings (Accumulated Deficit)	Total Equity
	Shares	Amount			Shares	Amount		
BALANCE AT DECEMBER 31, 2005	8,008	$ 80	$ 49,364	$	133	$ (937)	$ (12,209)	$ 36,298
Stock grants issued, net	85	1	58					59
Stock grant compensation expense amortization			405					405
Exercise of common stock options and related tax benefits	187	1	498					499
Amortization of common stock option compensation expense			87					87
Unrealized loss on hedging transaction				(9)				(9)
Retirement of Treasury stock, net of shares issued upon exercise of options or issuance of stock grants	(153)	(1)	(1,167)		(133)	937		(231)
Net income for the year ended December 31, 2006							3,070	3,070
BALANCE AT DECEMBER 31, 2006	8,127	81	49,245	(9)			(9,139)	40,178
Stock grants issued, net	78				19	(228)		(228)
			558					558

Stock grant compensation expense amortization								
Exercise of common stock options and related tax benefits	35	1	154					155
Treasury stock transactions, net	(5)		(63)		(5)	63		
Issuance of common stock upon acquisition of Vein Clinics of America, Inc.	337	4	3,996					4,000
Unrealized loss on hedging transaction				(73)				(73)
Net income for the year ended December 31, 2007							3,044	3,044
BALANCE AT DECEMBER 31, 2007	8,572	86	53,890	(82)	14	(165)	(6,095)	47,634
Stock grants issued, net	99	1	(1)					
Stock grant compensation expense amortization			858					858
Exercise of common stock options and related tax benefits	11	1	360		2	(23)		338
Treasury stock transactions, net	(14)	(1)	(164)		7	(23)		(188)
Unrealized loss on hedging transaction				(293)				(293)
Net income for the year ended December 31, 2008							3,915	3,915
BALANCE AT DECEMBER 31, 2008	8,668	87	54,943	(375)	23	(211)	(2,178)	52,266
Stock awards granted, net	142	1	(1)		23	(164)		(164)
Restricted stock award and stock option expense amortization			1,038					1,038

Stock options exercised	17		31					31
Unrealized gain on hedging transaction				153				153
Net income for the nine months ended September 30, 2009							3,262	3,262
BALANCE AT SEPTEMBER 30, 2009 (unaudited)	8,827	$ 88	$ 56,011	$ (222)	46	$ (375)	$ 1,084	$ 56,586

See accompanying notes to the consolidated financial statements

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INTEGRAMED AMERICA, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(all amounts in thousands)

	For the Year Ended December 31,			For the Nine-Month Period Ended September 30,	
	2008 (restated)	2007 (restated)	2006 (restated)	2009 (unaudited)	2008 (unaudited)
Cash flows from operating activities:					
Net income	$ 3,915	$ 3,044	$ 3,070	$ 3,262	$ 2,834
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	7,288	6,450	5,705	5,382	5,459
Deferred income tax provision	(1,068)	469	(799)	(836)	(376)
Deferred or stock-based compensation	858	558	492	1,038	617
Changes in assets and liabilities					
Decrease (increase) in assets, net of assets acquired from VCA					
Patient and other accounts receivables	(1,170)	(378)	45	(909)	(1,235)
Prepaids and other current assets	(643)	(1,040)	(403)	400	433
Other assets	(162)	(122)	(99)	(149)	(323)
(Decrease) increase in liabilities, net of liabilities acquired from VCA					
Accounts payable	958	(271)	590	(804)	587
Accrued liabilities	(1,097)	285	4,106	841	(1,314)
Due to medical practices	(2,689)	4,744	(650)	4,197	(2,025)
Attain IVF Refund Program deferred revenue and other patient deposits	677	2,217	1,906	1,759	1,219
Net cash provided by operating activities	6,867	15,956	13,963	14,181	5,876
Cash flows from investing activities:					
Purchase of business service rights	(950)	(2,653)			(950)
Cash paid to purchase VCA, net of cash acquired	(119)	(25,409)			(119)
Purchase of other intangibles	50	(40)	(12)		(110)
Purchase of fixed assets and leasehold improvements, net	(5,695)	(6,222)	(3,233)	(4,466)	(3,896)
Net cash used in investing activities	(6,714)	(34,324)	(3,245)	(4,466)	(5,075)
Cash flows from financing activities:					
Proceeds from issuance of debt	7,880	25,000			380
Debt repayments	(3,648)	(15,163)	(1,382)	(2,835)	(2,736)
Common stock transactions, net	150	87	327	31	261

Net cash provided by (used in) financing activities	4,382	9,924	(1,055)	(2,804)	(2,095)
Net increase (decrease) in cash and cash equivalents	4,535	(8,444)	9,663	6,911	(1,294)
Cash and cash equivalents at beginning of period	23,740	32,184	22,521	28,275	23,740
Cash and cash equivalents at end of period	$ 28,275	$ 23,740	$ 32,184	$ 35,186	$ 22,446
Supplemental Information:					
Interest paid	$ 1,632	$ 1,024	$ 695	$ 812	$ 1,012
Income taxes paid	$ 1,526	$ 1,130	$ 327	$ 3,658	$ 1,483

See accompanying notes to the consolidated financial statements.

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INTEGRAMED AMERICA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 THE COMPANY:

IntegraMed America, Inc. (Company) is a specialty healthcare services company offering products and services to patients and providers in the fertility and vein care segments of the health industry.

As of December 31, 2008 and September 30, 2009, our fertility line of business encompassed two of our reporting segments and was comprised of 34 and 36 contracted fertility centers, respectively, serving major markets across the United States, with products and services designed to support fertility center growth, assist patients with treatment financing, an Attain IVF Refund (formerly Shared Risk Refund) Program and, beginning in July 2009, an Attain Multi-Cycle Program and captive insurance offerings. As of September 30, 2009, we offered defined business services to 11 of these contracted fertility centers under our Partner Program, and a more discrete menu of services to 25 other fertility centers under our Affiliate Program. All 36 centers have access to our consumer services offerings which are comprised of our Attain IVF Refund Program.

In late 2008, our Consumer Services Division re-launched its Shared Risk Refund Program under the name Attain IVF. This re-branding was done to reflect advantages offered by the program beyond its packaged pricing features and to seek to position the program in a leadership role among smaller, similar programs offered by other providers. We have also modified our revenue recognition model for this program for the correction of errors as described in Note 2 and Note 3. All amounts presented for 2008, 2007 and 2006 have been restated to reflect this change in revenue recognition.

Our Vein Clinics Division, which began operations in August 2007, was, as of September 30, 2009, comprised of 34 (32 as of December 31, 2008) vein clinics serving major markets, which primarily provide minimally invasive advanced treatment for vein diseases. We offer defined business services to these clinics which are designed to support their operations and growth.

NOTE 2 RESTATEMENT OF REVENUE RECOGNITION FOR ATTAIN IVF REFUND PROGRAM:

Restatement No. 2 The correction of an error

On October 28, 2009, management concluded and subsequently reported to the audit committee of our board of directors that our audited consolidated financial statements as of and for the years ended December 31, 2006, 2007, and 2008 should no longer be relied upon and should be restated due to an understatement in revenue recognized in connection with its Attain IVF Refund Program.

We had previously restated (see Restatement No. 1 Correction of an Error in Revenue Recognition Policy for the Attain IVF Refund Program below) certain financial statements after determining that they could not be relied upon. Specifically, we restated our prior financial statements with respect to the correction of an error in the timing of revenue and profit recognition of $3,477,000 of the revenue related to our Attain IVF Refund Program within our Consumer Services Division for the years 2001 through 2008. That restatement did not impact the cash flows from operations of this program or the ultimate profits to be recognized, only the timing of the revenue and profit recognition.

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INTEGRAMED AMERICA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Subsequent to Restatement No. 1, we developed, programmed and tested a new patient management and revenue recognition system for our Attain IVF Refund Program. The new system recently reached sufficient operating proficiency to allow input of the patient information related to our Attain IVF Refund Program. As a result, we identified that the deferred revenue amount of $3,477,000, related to the years 2001 through 2008, that had been previously restated should have been only $822,000. We determined that while the previous system properly accounted for the recognition of the proportional fair value revenue related to the non-refundable portion of the patient fee (which was the subject of a comment and review process by the Staff of the Division of Corporation Finance of the Securities and Exchange Commission (SEC)), it assumed all patients would either achieve pregnancy or utilize all services available to them under the program. It is a fact that most of the patients that seek a refund, do so prior to utilizing all services available under the program. As a result, our revenue recognition model failed to recognize as revenue the remaining deferred revenue portion of the non-refundable fee on that class of patients.

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INTEGRAMED AMERICA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The change in our Consolidated Balance Sheet and Consolidated Statement of Operations as of and for the twelve months ended December 31, 2008, 2007 and 2006 as well as the nine months ended September 30, 2009 and 2008 related to Restatement No. 2 is presented below (000 s, except per share amounts):

	Twelve Months Ended December 31,			Nine Months Ended September 30,	
	2008	2007	2006	2009	2008
Revenue recognized from prior period	$ 750	$ 1,406	$ 1,908	$ 0	$ 750
Revenue deferred to future period	0	(750)	(1,406)	0	(171)
Net change in period revenue	$ 750	$ 656	$ 502	$ 0	$ 579
Revenue as reported	$ 197,403	$ 151,166	$ 125,818	$ 162,068	$ 147,354
Net change in reported revenue	750	656	502	0	579
Revenue as restated	$ 198,153	$ 151,822	$ 126,320	$ 162,068	$ 147,933
Income before income taxes as reported	$ 5,715	$ 4,062	$ 3,047	$ 5,435	$ 4,174
Net change in reported revenue	750	656	502	0	579
Net change in reserve for medical costs	(13)	(12)	(9)	0	(10)
Income before income taxes as restated	$ 6,452	$ 4,706	$ 3,540	$ 5,435	$ 4,743
Income tax provision as reported	$ 2,227	$ 1,391	$ 263	$ 2,173	$ 1,670
Net change in income taxes from above adjustments	310	271	207	0	239
Income tax provision as restated	$ 2,537	$ 1,662	$ 470	$ 2,173	$ 1,909
Net Income as reported	$ 3,488	$ 2,671	$ 2,784	$ 3,262	$ 2,504
Summary of above adjustments	427	373	286	0	330
Net income as restated	$ 3,915	$ 3,044	$ 3,070	$ 3,262	$ 2,834
Diluted earnings per share as reported	$ 0.40	$ 0.32	$ 0.34	$ 0.37	$ 0.29
Change in earnings per share from above adjustments	0.05	0.04	0.03	0.00	0.04
Diluted earnings per share as restated	$ 0.45	$ 0.36	$ 0.37	$ 0.37	$ 0.33
Current liabilities as reported	$ 51,126	$ 44,005	$ 27,856	$ 55,754	$ 42,611
	(1,513)	(1,086)	(712)	0	(1,415)

Cumulative effect of restatement on current liabilities					
Current liabilities as restated	$ 49,613	$ 42,919	$ 27,144	$ 55,754	$ 41,196
Shareholders equity as reported	$ 50,753	$ 46,549	$ 39,466	$ 56,586	$ 49,836
Cumulative effect of restatement on shareholders equity	1,511	1,085	712	0	1,415
Shareholders equity as restated	$ 52,264	$ 47,634	$ 40,178	$ 56,586	$ 51,251

There was no change to cash flow as a result of this restatement.

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INTEGRAMED AMERICA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Restatement No. 1 Correction of an Error in Revenue Recognition Policy for the Attain IVF Refund Program.

The accompanying 2007 and 2006 consolidated financial statements have been restated to reflect the correction of an error in the revenue recognition policy for our Attain IVF Refund Program. The 2008 data is restated as to the interim period and the full year of 2008 is shown as a comparison of the previous and new revenue recognition methods. Our previous revenue recognition policy had generally recognized the non-refundable patient fees (generally 30% of the contract amount) as revenue upon the completion of the first treatment cycle and we now recognize the non-refundable fees based on the relationship of the relative fair value of each treatment to the total fair value of the treatment package available to each patient. We also recognize a warranty reserve representing the estimated cost of services to be provided in the event a qualified patient miscarries. This restatement does not impact the cash flows from the operations of this program or the ultimate profits to be recognized, only the timing of the revenue recognition for a portion of the fees that we collect from our customers.

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INTEGRAMED AMERICA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The impact of the correction of the error in the timing of revenue recognition for Restatement No. 1, is as follows:

	Twelve Months Ended December 31, 2008	2007	2006
Revenue as reported	$ 198,084	$ 151,998	$ 126,438
Net change in reported revenue	(681)	(832)	(620)
Revenue as restated	$ 197,403	$ 151,166	$ 125,818
Income before income taxes as reported	$ 6,454	$ 4,952	$ 3,731
Net change in reported revenue	(681)	(832)	(620)
Net change in reserve for medical costs	(58)	(58)	(64)
Income before income taxes as restated	$ 5,715	$ 4,062	$ 3,047
Income tax provision as reported	$ 2,514	$ 1,695	$ 507
Net change in income taxes from above adjustments	(287)	(304)	(244)
Income tax provision as restated	$ 2,227	$ 1,391	$ 263
Net income as reported	$ 3,940	$ 3,257	$ 3,224
Summary of above adjustments	(452)	(586)	(440)
Net income as restated	$ 3,488	$ 2,671	$ 2,784
Diluted earnings per share as reported	$ 0.45	$ 0.39	$ 0.39
Change in earnings per share from above adjustments	(0.05)	(0.07)	(0.05)
Diluted earnings per share as restated	$ 0.40	$ 0.32	$ 0.34
Current liabilities as reported	$ 47,329	$ 40,946	$ 25,687
Cumulative effect of restatement on liabilities	3,797	3,059	2,169
Current liabilities as restated	$ 51,126	$ 44,005	$ 27,856
Shareholders equity as reported	$ 53,158	$ 48,503	$ 40,834
Cumulative effect of restatement on shareholders equity	(2,405)	(1,954)	(1,368)
Shareholders equity as restated	$ 50,753	$ 46,549	$ 39,466

The Cumulative Impact of Both Restatements

The cumulative effect of the corrections of errors is to decrease net income in 2008, 2007, and 2006 by ($25,000), ($213,000) and ($154,000), respectively, while net income for the nine months ended September 30, 2008 increased $56,000 and the net income for the nine months ended September 30,

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INTEGRAMED AMERICA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2009 did not change. The change in our financial statements for the years ended December 31, 2008, 2007 and 2006 for the effects of both restatements is illustrated below (000 s).

	Twelve Months Ended December 31,			Nine Months Ended September 30,	
	2008	2007	2006	2009	2008
Revenue initially recognized from prior period, first restatement	$ 2,796	$ 1,964	$ 1,344		$ 2,521
Revenue deferred to future period, first restatement	(3,477)	(2,796)	(1,964)		(2,926)
Revenue initially recognized from prior period, second restatement	750	1,406	1,908		750
Revenue deferred to future period, second restatement		(750)	(1,406)		(171)
Net change in period revenue	$ 69	$ (176)	$ (118)	$	$ 174
Revenue as initially reported	$ 198,084	$ 151,998	$ 126,438	$ 162,068	$ 147,759
Net change in reported revenue, first restatement	(681)	(832)	(620)		(405)
Net change in reported revenue, second restatement	750	656	502		579
Revenue as restated	$ 198,153	$ 151,822	$ 126,320	$ 162,068	$ 147,933
Income before income taxes as initially reported	$ 6,454	$ 4,952	$ 3,731	$ 5,435	$ 4,622
Net change in reported revenue, first restatement	(681)	(832)	(620)		(405)
Net change in reserve for medical costs, first restatement	(58)	(58)	(64)		(43)
Net change in reported revenue, second restatement	750	656	502		579
Net change in reserve for medical costs, second restatement	(13)	(12)	(9)		(10)
Income before income taxes as restated	$ 6,452	$ 4,706	$ 3,540	$ 5,435	$ 4,743
Income tax provision as initially reported	$ 2,514	$ 1,695	$ 507	$ 2,173	$ 1,844
Net change in income taxes from above adjustments, first restatement	(287)	(304)	(244)		(174)
	310	271	207		239

Net change in income taxes from above adjustments, second restatement					
Income tax provision as restated	$ 2,537	$ 1,662	$ 470	$ 2,173	$ 1,909
Net income as initially reported	$ 3,940	$ 3,257	$ 3,224	$ 3,262	$ 2,778
Summary of above adjustments, first restatement	(452)	(586)	(440)		(274)
Summary of above adjustments, second restatement	427	373	286		330
Net income as restated	$ 3,915	$ 3,044	$ 3,070	$ 3,262	$ 2,834
Diluted earnings per share as initially reported	$ 0.45	$ 0.39	$ 0.39	$ 0.37	$ 0.32
Change in earnings per share from above adjustments, first restatement	(0.05)	(0.07)	(0.05)	0.00	(0.03)
Change in earnings per share from above adjustments, second restatement	0.05	0.04	0.03	0.00	0.04
Diluted earnings per share as restated	$ 0.45	$ 0.36	$ 0.37	$ 0.37	$ 0.33

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INTEGRAMED AMERICA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Twelve Months Ended December 31,			Nine Months Ended September 30,	
	2008	2007	2006	2009	2008
Current liabilities as initially reported	$ 47,329	$ 40,946	$ 25,687	$ 55,754	$ 40,385
Cumulative effect of restatement on current liabilities, first restatement	3,797	3,059	2,169		2,226
Cumulative effect of restatement on current liabilities, second restatement	(1,513)	(1,086)	(712)		(1,415)
Current liabilities as restated	$ 49,613	$ 42,919	$ 27,144	$ 55,754	$ 41,196
Shareholders equity as initially reported	$ 53,158	$ 48,503	$ 40,834	$ 56,586	$ 52,063
Cumulative effect of restatement on shareholders equity, first restatement	(2,405)	(1,954)	(1,368)		(2,227)
Cumulative effect of restatement on shareholders equity, second restatement	1,511	1,085	712		1,415
Shareholders equity as restated	$ 52,264	$ 47,634	$ 40,178	$ 56,586	$ 51,251

Our new revenue recognition policy, as more fully explained in Note 3 Summary of Significant Accounting Policies changes the timing of revenue recognition for non-refundable fees, and it aligns it more closely to the underlying treatment cycles delivered to the patients.

The financial statements, schedules and related footnotes included herein reflect these restatements.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Unaudited Interim Financial Information

The interim consolidated financial statements and related disclosures as of September 30, 2009 and for the nine months ended September 30, 2009 and 2008 are unaudited and have been prepared in accordance with the rules and regulations of the SEC. The unaudited interim consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements, and in the opinion of management, reflect all adjustments of a normal recurring nature considered necessary to present the Company s financial position as of September 30, 2009 and the results of its operations and its cash flows for the nine months ended September 30, 2009 and 2008. The results of operations for the nine months ended September 30, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009.

Basis of consolidation

The consolidated financial statements comprise the accounts of IntegraMed America, Inc. and its wholly owned subsidiaries. With the acquisition of Vein Clinics of America, Inc. (VCA) in the third quarter of 2007, we reorganized our service offerings into three major product lines, Fertility Centers, Consumer Services and Vein Clinics. In our Fertility Centers Segment, we derive our revenues from business service contracts with independent fertility centers. Our Consumer Services Segment derives its revenues from fees assessed to patients enrolling in our Attain IVF Refund Program and our Attain Multi-Cycle Program, fees assessed to affiliated fertility clinics, and fees derived from fertility patient financing products. Our Vein Clinics Segment derives revenues from billings to patients and third party payors for treatment services rendered based upon the amount billed to the patient or their payor less any expected contractual allowances resulting from specified rates contained within payor contracts.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We evaluate whether we should report the results of the clinical operations in which we have management service contracts in accordance with Financial Accounting Standards Board (FASB) Interpretation (FIN) No. 46 (revised December 2003), Consolidation of Variable Interest Entities (FIN 46R). Since we do not have a controlling financial interest in any of the fertility medical practices to which we provide services, and we are not the primary beneficiary or obligor of their financial results (our contracts provide for the physician owners of the clinics to receive any excess or deficit of profits), we do not consolidate their results. This is further supported by the fact that the physician owners of the clinics have voting control with respect to such entities and sufficient equity interests to fund such entities. We do have effective voting control and a controlling financial interest in the operations of each of the vein clinics, where we are the primary beneficiary and obligor of their financial results, and therefore consolidate the results of those clinic operations. Accordingly, we report the revenue for patient services only from the vein clinic segment and those fertility patients who enroll in our Attain IVF Refund Program or Attain IVF Multi-Cycle Program (included in our consumer services segment).

Reclassifications

With the addition of VCA, we have realigned the way we operate our business into three segments. As a result, we have reclassified certain costs for all years presented within the three divisions to reflect this change in our operating structure and to provide a clearer view of each division s operating performance and efficiency. The result of this change is to reduce overall contribution margins and unallocated General and Administrative costs, as reported in previous periods.

Stock split effected in the form of a stock dividend

In May 2007 and June 2006, we effected a 25% stock split in the form of a stock dividend. Where applicable, we have restated our capital accounts, shares outstanding, weighted average shares and earnings per share calculations for all years in these financial statements and related footnotes to reflect these transactions.

Revenue Recognition

Fertility Centers Partner service fees

Generally under our current fertility Partner agreements, we receive as compensation for our services a three-part fee comprised of: (i) a tiered percentage of the fertility center s net revenues, (ii) reimbursed costs of services (costs incurred in servicing a fertility center and any costs paid on behalf of the fertility center) and (iii) either a fixed percentage ranging from 10% to 20%, or a fixed dollar amount (limited to $1,071,000 for the year ended December 31, 2008 at our largest fertility center) of the fertility center s earnings after service fees, which may be subject to further limits. However, under our current Partner agreement with Fertility Centers of Illinois, we do not receive a three-part fee. Rather, effective as of November 1, 2009, we receive a fee that is generally equal to the operating expenses associated with managing Fertility Centers of Illinois medical practice plus 9.5% of such expenses. Our revenues from Fertility Centers of Illinois prior to November 1, 2009 were, pursuant to our current Partner agreement with Fertility Centers of Illinois, set at a fixed annual amount paid monthly. All revenues from Partner contracts are recorded in the period services are rendered. Direct costs incurred by us in performing our services and costs incurred on behalf of the medical practices are reported as costs of services. Revenue and costs are recognized in the same period in which the related services have been performed.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Consumer Services Affiliate Service Fee

Under our Affiliate agreements, we receive as compensation for our services a fixed fee dependent upon the level of service provided. All revenues and costs from Affiliate contracts are recorded in the period services are rendered.

Consumer Services Attain IVF Refund Program

The Attain IVF Refund Program consists of a fertility treatment package that includes a fixed number of treatment cycles for one fixed price with a significant refund if treatment is unsuccessful. We receive payment directly from consumers who qualify for the program and the patient contracts with us for the provision of medical services. We arrange for patient treatment by contracting with affiliated fertility clinics for the provision of patient care. We pay contracted fertility centers a defined reimbursement for each treatment cycle performed. Since the Company is the primary obligor in the arrangement, the Company has latitude in establishing the price, the Company performs a portion of the contracted service, the Company has discretion in supplier selection, the amount earned by the Company per transaction is not fixed and the patient looks to the Company as the contracting party, these arrangements qualify for gross accounting under current rules. We have revised our revenue recognition policy due to the correction of errors and have restated all periods presented to reflect the revised revenue recognition policy described below.

By contract, a portion of the contract amount (generally 30%) is non-refundable and is recognized as revenue based on the relative fair value of each treatment cycle completed relative to the total fair value of the contracted treatment package available to the patient. The remaining revenue, which consists of the 70% refundable portion as well as any part of the 30% non-refundable portion not yet recognized as revenue, is recorded upon the patient becoming pregnant and achieving a fetal heartbeat (most of the patients that are pregnant at this point go on to deliver a baby). We are able to record income at the time of pregnancy as we have substantially completed our obligation to the patient, discharged the patient from the care of the fertility specialists, and can accurately estimate the amount of expenses and refunds that will become due if there is a pregnancy loss. We are able to make these estimates for pregnancy loss based upon reliable Company specific data with respect to the large homogeneous population we have served for more than seven years. Expenses prior to pregnancy related to the program and principally paid to the affiliated fertility clinic are recorded as incurred.

Accordingly, at each balance sheet date, we have established a liability for patients in the Attain IVF Refund Program for the following:

1. Deposits for customers who have not yet begun treatment and for whom no revenue has been recognized (we expect such amounts to be recognized as income or refunded within twelve to eighteen months).

2. Refund reserve for those patients who became pregnant, but may not deliver a baby. (See Note 12)

3. Medical costs associated with additional treatments to a patient who became pregnant, did not deliver a baby and still has additional treatments available under their treatment package. (See Note 12)

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The table below presents the balances of each of these liabilities as of the respective dates (000 s):

	December 31,		September 30,	
	2008	2007	2009	2008
Deposits or refundable fees	$ 9,981	$ 9,349	$ 12,996	$ 11,779
Refund reserve for pregnant patients	397	326	322	299
Medical cost reserve	331	272	392	250

Due to the characteristics of the program, we assume the risk for a patient s treatment cost in excess of their enrollment fee should initial treatment cycles be unsuccessful. In order to moderate and manage this risk, we have developed a sophisticated statistical model and case management program in which Attain IVF Refund Program patients are medically pre-approved prior to enrollment in the program. We also continuously review their clinical criteria as they undergo treatment. If, while undergoing treatment, a patient s clinical response falls outside our criteria for participation in the Attain IVF Refund Program, we have the right to remove that individual from the program, with an applicable refund to the patient. To date, our case management process has been effective in managing the risks associated with our Attain IVF Refund Program within expected limits. A patient may withdraw from the program at any time and will be issued a refund.

The Attain IVF Refund Program is available to the self-pay patient. Approximately 12.2%, 12.9%, 11.6% and 9.6% of the self-pay patients served by our network chose to enroll in the Attain IVF Refund Program in the nine months ended September 30, 2009, and the years ended December 31, 2008, 2007 and 2006, respectively.

Consumer Services Attain IVF Multi-Cycle Program

Patients enrolled in our Attain IVF Multi-Cycle Program pay us a single fee, which is slightly less than the average cost of two fresh IVF cycles, in return for up to four treatment cycles (consisting of two fresh IVF cycles and two frozen embryo transfers). Our Attain IVF Multi-Cycle Program offers a refund ranging from 10% to 85% of the contract amount depending on where in the process either we or the patient elects to terminate the program, as long as termination is prior to a second fresh IVF cycle. With respect to our Attain IVF Multi-Cycle Program, we recognize a pro rata share of the contract amount as revenue as each treatment cycle is completed. The refundable portion of the program contract amount is recognized as revenue when the patient becomes pregnant. Under such revenue recognition methodology, we never recognize more revenue than the potential refundable amount under the program. At the time of pregnancy, we establish a reserve for future medical costs should the patient miscarry and require additional contracted treatment cycles.

Consumer Services Pharmaceutical Sales

Marketing fees associated with third-party pharmaceutical sales are recorded upon shipment to customers. Our revenues for the periods presented are comprised of these marketing fees and not from the sales of actual pharmaceuticals.

Consumer Services Patient Financing

A fertility treatment cycle can be an expensive process for which many patients do not have full medical insurance coverage. As a service to these patients, we can arrange financing to qualified patients of our network at rates significantly lower than credit cards and other finance companies. Our financing

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

operations are administered by a third-party vendor and loans are made to qualified patients by an independent bank or finance organization. We are not at risk for loan losses and receive a placement fee from the lender involved. Since many financing transactions are closely associated with our Attain IVF Refund Program or our Attain IVF Multi-Cycle Program, financing revenues, which we receive and record at the time the loans are closed, are reported as part of those programs.

Vein Clinics Patient Revenues and Accounts Receivable and Allowance for Uncollectible Accounts

Our relationship with the individual medical practices comprising our vein clinics division meets the test for consolidation under FIN 46R. Among these tests is the fact that we hold a controlling financial interest in the medical practices, we are the primary beneficiary of the results of the practices and we absorb any losses of the practices. As a result of these relationships, we consolidate the medical practice s patient revenues in our financial statements. These revenues are derived from the treatment of individual patients and revenue is recognized when the services are performed, net of estimated contractual allowances.

The medical practices have agreements with third-party payors that provide for payments at amounts different from established rates. Payment arrangements include prospectively determined rates for reimbursed cost and discounted charges. Revenue is reported at the estimated net realizable amounts from patients and third-party payors.

A summary of the payment arrangements with major third-party payors follows:

Medicare: All outpatient services related to Medicare beneficiaries are paid based on a fixed physician fee schedule per service which is updated annually.

Other: Estimates for contractual allowances under managed care health plans are based primarily on the payment terms of contractual arrangements, such as predetermined rates per diagnosis, per diem rates or discounted fee for service rates.

Approximately 17% of gross patient revenues of the Vein Clinics Division for the year ended December 31, 2008 related to services rendered to patients covered by the Medicare program.

Laws and regulations governing the Medicare program are complex and subject to interpretation. Management is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation.

Our accounts receivable are primarily comprised of patient and third-party receivables arising from services provided by our Vein Clinics Division. Receivables due from third-party payors are carried at an estimated collectible value determined by the original charge for the service provided, less an estimate for contractual allowances or discounts provided to the third-party payors. Receivables due directly from patients are carried at the original charge for the service provided less an estimated allowance for uncollectible amounts. Contractual allowance and uncollectible reserve amounts are determined based on historical collection performance data and are reviewed and adjusted monthly as necessary.

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Vein Clinics Deferred Compensation Arrangements

The Professional Corporations providing medical services at the clinics have entered into employment agreements with physicians at clinic sites providing for multi-year bonus compensation to be accumulated over a physician s first five years of employment. Accumulated balances are paid out during the years following this period, or after specific performance targets have been met. These obligations are funded in physician designated investment accounts on a quarterly basis. At December 31, 2008, these balances totaled approximately $938,000 and at September 30, 2009, these balances totaled approximately $1,052,000.

Intangible and Long-Lived Assets

Our intangible assets are comprised of Business Service Rights associated with our fertility Partner contracts, Goodwill associated with our acquisition of VCA, and Trademarks, also principally associated with our VCA acquisition.

Business Service Rights represent payments we made for the right to service certain fertility centers. We amortize our non-refundable Business Service Rights on a straight-line basis over the life of the underlying contract, usually ten to twenty five years. Our refundable Business Service Rights are not amortized as they are contractually reimbursable from the medical practice upon termination of the underlying contract. Our Goodwill and Trademark assets associated with the VCA acquisition are deemed to have indefinite lives and are therefore not amortized.

We test all of our intangible and long-lived assets for impairment on a regular basis in accordance with Financial Accounting Standards (FAS) 144, Accounting for the Impairment or Disposal of Long-Lived Assets (FAS 144). If we record an impairment loss, it may have a material adverse effect on our results of operations for the year in which the impairment is recorded. As of September 30, 2009 and December 31, 2008, none of our long lived assets were deemed to be impaired.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. The use of estimates and assumptions in the preparation of the accompanying consolidated financial statements is most significant with respect to the determination of net revenues and accounts receivable and reserves for estimated refunds due to pregnancy losses in our Attain IVF Refund Program.

Due to Medical Practices

Due to Medical Practices represents the net amounts owed by us to contracted medical practices in our Partner Program. This balance is comprised of amounts due to us by the medical practices for funds which we advanced for use in financing their accounts receivable, less balances owed to the medical practices by us for undistributed physician earnings and patient deposits we hold on behalf of the medical practices.

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Cash and cash equivalents

Cash and cash equivalents primarily include all highly liquid debt instruments with original maturities of three months or less, recorded at cost, which approximates market.

Concentrations of credit risk

Financial instruments, which potentially expose us to concentrations of credit risk, consist primarily of trade receivables from patients and third-party payors which totaled approximately $14.4 million at September 30, 2009 and $13.2 million and $12.2 million as of December 31, 2008 and 2007, respectively. Our related reserves for uncollectible accounts and contractual allowances totaled $6.8 million, $6.5 million and $6.7 million as of September 30, 2009 and December 31, 2008 and 2007, respectively.

Income taxes

We account for income taxes utilizing the asset and liability approach in accordance with FAS 109, Accounting For Income Taxes. Deferred tax assets and liabilities are recognized on differences between the book and tax basis of assets and liabilities using presently enacted tax rates. The income tax provision is the sum of the amount of income tax paid or payable for the year as determined by applying the provisions of enacted tax laws to the taxable income for that year and the net change during the year in our deferred tax assets and liabilities. (See Note 16).

Earnings per share

We determine earnings per share in accordance with FAS 128, Earnings Per Share. Basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share is calculated by dividing net income by the weighted average number of common shares, and potential common shares, outstanding during the reporting period. (See Note 17).

Fair value of financial instruments

The fair value of a financial instrument, such as a note payable, represents the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. Significant differences can arise between the fair value and carrying amounts of financial instruments that are recorded at historical cost amounts. We believe that the carrying amounts of cash and cash equivalents, our accounts receivable and accounts payable approximate fair value due to their short-term nature.

As of December 31, 2008 and 2007, the carrying amount of our long-term liabilities approximates the fair value of such instruments based upon our best estimate of interest rates that would be available to us for similar debt obligations with similar maturities.

Recently issued accounting pronouncements

FAS 157-3: In October 2008, the FASB issued FASB Staff Position (FSP) FAS 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active. The FSP clarifies the application of FAS 157, Fair

Value Measurements, in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. The FSP is effective for prior periods for which financial

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statements have not been issued. We currently believe that FAS 157-3 will not have a material impact on our consolidated financial statements.

FAS 142-3: In April 2008, the FASB issued FSP FAS 142-3, Determination of the Useful Life of Intangible Assets. This FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FAS 142, Goodwill and Other Intangible Assets (FAS 142). The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under FAS 142 and the period of expected cash flows used to measure the fair value of the asset under FAS 141R (as defined below) and other U.S. generally accepted accounting principles. This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. We currently believe that FAS 142-3 will have no material impact on our consolidated financial statements.

FAS 161: In March 2008, the FASB issued FAS 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133 (FAS 161). FAS 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under FAS 133 and its related interpretations, and (c) how derivative instruments and related hedge items affect an entity s financial position, financial performance, and cash flows. This statement is effective for fiscal years after November 15, 2008. We currently believe that FAS 161 will have no material impact on our consolidated financial statements.

FAS 160: In December 2007, the FASB issued FAS 160, Non-controlling Interests in Consolidated Financial Statements an amendment of ARB No. 51 (FAS 160). FAS 160 requires a company to clearly identify and present ownership interests in subsidiaries held by parties other than the company in the consolidated financial statements within the equity section but separate from the company s equity. It also requires the amount of consolidated net income attributable to the parent and to the non-controlling interest be clearly identified and presented on the face of the consolidated statement of income; changes in ownership interest be accounted for similarly, as equity transactions; and when a subsidiary is deconsolidated, any retained non-controlling equity investment in the former subsidiary and the gain or loss on the deconsolidation of the subsidiary be measured at fair value. FAS 160 is effective for fiscal years after December 15, 2008. We currently believe that FAS 160 will have no material impact on our consolidated financial statements.

FAS 141R: In December 2007, the FASB issued FAS 141 (Revised 2007), Business Combinations (FAS 141R). The objective of FAS 141R is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. To accomplish that, FAS 141R establishes principles and requirements for how the acquirer:

a. Recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree

b. Recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase

c. Determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination

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This statement is effective for fiscal years beginning on or after December 15, 2008. We currently believe that FAS 141R will not have a material impact on our consolidated financial statements.

FAS 157: In September 2006, the FASB issued FAS 157, Fair Value Measurements (FAS 157). FAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and became effective for us on January 1, 2008.

Fair value is defined as the price at which an asset could be exchanged in a current transaction between knowledgeable, willing parties. A liability s fair value is defined as the amount that would be paid to transfer the liability to a new obligor, not the amount that would be paid to settle the liability with the creditor. The FASB establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation as of the measurement date and expands disclosures about financial instruments measured at fair value. Assets and liabilities recorded at fair value are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels defined by FAS 157 and directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities are as follows:

Level 1: Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date. The types of assets and liabilities carried at this level are equities listed in active markets, investments in publicly traded mutual funds with quoted market prices and listed derivatives.

Level 2: Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data of the instrument s anticipated life. Fair value assets and liabilities that are generally included in this category are municipal bonds and certain derivatives.

Level 3: Financial assets and financial liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Consideration is given to the risk inherent in the valuation method and the risk inherent in the inputs to the model. Generally, assets and liabilities carried at fair value and included in this category are certain derivatives.

The adoption of FAS 157 did not have a material impact on our consolidated financial statements.

FSP 141(R)-1: In April 2009, the FASB issued FSP FAS 141(R)-1, Accounting for Assets Acquired and Liabilities Assumed in a Business combination That Arise from Contingencies (FSP 141(R)-1). FSP 141(R)-1 requires that assets acquired and liabilities assumed in a business combination that arise from pre-acquisition contingencies, be recognized at fair value at the acquisition date, if fair value can be determined during the measurement period. If the acquisition date fair value cannot be determined, the guidance in FASB Statement No. 5, Accounting for Contingencies (FASB ASC 450), and FIN No. 14, Reasonable Estimation of the Amount of a Loss (FASB ASC 450-20), should be applied. FSP 141(R)-1 also eliminates the requirement to disclose an estimate of the range of outcomes of recognized contingencies at the acquisition date and requires that contingent consideration arrangements of an acquiree assumed by the acquirer in a business combination be treated as contingent consideration of the acquirer and should be initially and subsequently measured at fair value in accordance with FAS 141(R)-1. FSP 141(R)-1 is effective prospectively for business combinations for which the

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Adoption of FSP 141(R)-1 did not have a material impact on our financial statements.

FSP 157-4: In April 2009, the FASB also issued FSP FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP 157-4). FSP 157-4 provides additional guidance for estimating fair value in accordance with FAS 157 when the volume and level of activity for the asset or liability have significantly decreased. FSP 157-4 also includes guidance on identifying circumstances that indicate a transaction is not orderly. FSP 157-4 is effective for interim and annual reporting periods after June 15, 2009. Adoption of FSP 157-4 did not have a material impact on our financial statements.

FSP 107-1 and APB 28-1: In April 2009, the FASB issued FSP FAS 107-1 and APB No. 28-1, Interim Disclosures about Fair Value of Financial Instruments (FSP 107-1 and APB 28-1), which requires quarterly disclosure of information about the fair value of financial instruments within the scope of FAS 107, Disclosures about Fair Value of Financial Instruments. FSP 107-1 and APB 28-1 has an effective date requiring adoption by the third quarter of 2009 with early adoption permitted. The adoption of FSP 107-1 and APB 28-1 will not have a material impact on our consolidated financial statements.

FAS 165: In May 2009, the FASB issued FAS 165, Subsequent Events (FAS 165), which sets forth general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. FAS 165 became effective in the third quarter of 2009. The adoption of FAS 165 did not have a material impact on our consolidated financial statements. In accordance with FAS 165, the Company evaluated all events and transactions that occurred after September 30, 2009 up through November 16, 2009, the date the Company issued its unaudited consolidated financial statements for the nine-month period ended September 30, 2009. During this period, the Company did not have any material recognizable subsequent events.

FAS 166: In June 2009, the FASB issued FAS 166, Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140 (FAS 166). FAS 166 amends FAS 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities (FASB ASC 860) and will significantly change how entities account for transfers of financial assets. FAS 166 eliminates the qualifying special purpose entity (QSPE) concept. All QSPE s will be subject to the consolidation considerations of FAS 167. The new standard also includes a number of changes and clarifications that restrict the ability of companies to derecognize financial assets. A transfer of financial assets that does not meet the criteria for derecognition is treated as a secured financing rather than a sale. In addition, the new standard requires disclosures aimed at improving the transparency of any continuing involvement with transfers of financial assets, the nature of any restrictions on the transferor s assets that relate to a transferred financial asset, and how a transfer of financial assets affects the company s balance sheet, earnings, and cash flows. FAS 166 applies to all transfers of financial assets occurring in the first fiscal year beginning after November 15, 2009 and in interim periods in those years. Adoption of FAS 166 will not have a material impact on our financial statements.

FAS 167: In June 2009, the FASB issued FAS 167, Amendments to FASB Interpretation No. 46(R) (FAS 167), which amends FIN 46R to address the elimination of the concept of a QSPE. FAS 167 also replaces the quantitative-based risks and rewards calculation for determining which enterprise has a controlling financial interest in a variable interest entity with an approach focused on identifying which

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INTEGRAMED AMERICA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

enterprise has the power to direct the activities of a variable interest entity and the obligation to absorb losses of the entity or the right to receive benefits from the entity. Additionally, FAS 167 provides more timely and useful information about an enterprise s involvement with a variable interest entity. FAS 167 will become effective in the first quarter of 2010. The adoption of FAS 167 will not have a material impact on our consolidated financial statements.

FAS 168: In June 2009, the FASB issued FAS 168, The FASB *Accounting Standards Codification*™ and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162 (FAS 168), which establishes the FASB Accounting Standards Codification as the source of authoritative accounting principles recognized by the FASB to be applied in the preparation of financial statements in conformity with generally accepted accounting principles. FAS 168 explicitly recognizes rules and interpretive releases of the SEC under federal securities laws as authoritative generally accepted accounting principles for SEC registrants. FAS 168 will become effective in the fourth quarter of 2009 and will not have a material impact on our consolidated financial statements.

NOTE 4 SIGNIFICANT SERVICE CONTRACTS:

For the nine months ended September 30, 2009 and the years ended December 31, 2008, 2007, and 2006, the following contracted fertility centers each individually provided greater than 10% of our revenues, net and/or contribution as follows: