SRI SURGICAL EXPRESS INC
Form 10-K
March 26, 2004
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C.

FORM 10-K

(Mark one)

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

For the fiscal year ended December 31, 2003

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: 000-20997

SRI/SURGICAL EXPRESS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Florida	59-3252632
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
12425 Race Track Road	33626
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code:

(813) 891-9550

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

None

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $.001	NASDAQ

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 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. x

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The aggregate market value of the voting common stock held by non-affiliates of the Registrant, based on the closing sale price of the Common Stock on June 30, 2003, as reported on the NASDAQ National Market, was approximately $42,968,584. For purposes of this determination, the Registrant excluded shares of Common Stock known to be held by officers and directors, because those persons might be deemed affiliates. This determination of affiliate status is not necessarily conclusive for other purposes.

The Registrant had 6,262,524 shares of Common Stock outstanding as of February 27, 2004.

DOCUMENTS INCORPORATED BY REFERENCE

The Registrant s Definitive Proxy Statement for the 2004 Annual Meeting of Shareholders to be held on May 19, 2004 is incorporated by reference in Part III of this Annual Report on Form 10-K to the extent stated.

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SRI/SURGICAL EXPRESS, INC.

FORM 10-K

YEAR ENDED DECEMBER 31, 2003

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PART I

Item 1. Business

This report, other documents that we publicly disseminate, and oral statements that are made on our behalf might contain both statements of historical fact and forward-looking statements. These forward-looking statements do not guarantee future performance, and our actual results could differ materially from those indicated by the forward-looking statements. Examples of forward-looking statements include: (i) our projections of revenue, earnings, capital structure, and other financial items, (ii) statements of our plans and objectives, (iii) our statements of expected future economic performance, and (iv) our assumptions underlying statements regarding SRI/Surgical Express, Inc. and our business. Among the factors that could cause or contribute to differences are those discussed below under Risk Factors That Might Affect Future Results.

We provide central processing and supply chain management services to hospitals and surgery centers throughout the United States. We help health care providers balance their needs for quality, safety, efficiency and cost-effectiveness by providing a unique combination of outsourced instrument supply and processing services, high-quality reusable products (including gowns, towels, drapes, and basins) disposable surgical products, and what we believe to be the industry s most comprehensive case cart management system. We believe that this combination of superior quality products, outsourcing services and flexible delivery solutions differentiates us from our competitors.

Our integrated closed-loop process starts with daily delivery of surgical supplies to the health care provider. At the same time, we pick up used reusable textiles and surgical instruments for return to our processing facility. We operate from ten Food and Drug Administration regulated processing facilities and one disposable products facility, strategically located throughout the United States. After we return used products to our processing facility, we sort, clean, inspect, package, sterilize, and ship them back to the health-care provider for use. This closed-loop system eliminates the need for health care providers to stock on-hand inventory and greatly simplifies our customers surgical supply chain process.

We believe that we offer a better alternative to entirely disposable custom procedure packs by combining reusable and disposable products. Our reusable products allow health care providers to reduce medical waste disposal costs and also increase the quality of surgical gowns used by their staff and physicians. Additionally, with our daily just-in-time delivery model, our customers working capital requirements should be favorably affected by their ability to carry less on-hand inventory to support their surgical procedures.

With the continued growth of managed care and reductions in procedure reimbursement, health care providers are under significant pressure to reduce operating costs while improving the quality of care. We are uniquely positioned to help with both objectives. To reduce operating costs, we offer comprehensive procedure bundling solutions and outsourcing of surgical instrument processing. By providing surgical instruments of superior functionality and bundling solutions that allow surgical staff to shift focus from supply management to patient management, we help our customers to improve the quality of care that they provide to their patients.

We maintain an internet website located at *www.surgicalexpress.com*. On our website we make available, free of charge, our annual report on Form 10-K, quarterly reports on Form 10-Q, our current reports on form 8-K, and any amendments to those reports filed or furnished to the Securities and Exchange Commission (SEC). This information is made available as soon as reasonably practicable after we electronically file with or furnish to the SEC. Information contained in our website, whether currently posted or posted in the future, is not part of this document or any documents incorporated by reference in this document.

Our Code of Ethics and Corporate Compliance Policy is also posted at our website.

Market

The United States health care market includes approximately 6,000 acute care hospitals and 2,750 freestanding surgery centers. According to industry sources, these health care providers performed approximately 33 million surgical procedures in 2003.

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Prior to the 1970s, over 90% of all gowns and drapes used in surgery were made of reusable linen. These products were typically reprocessed by hospital personnel and were not of high quality or duration of life. In the late 1970s, vendors introduced disposable gowns and drapes as an alternative to then inferior performing reusable counterparts. Over the next 30 years, a market shift occurred and today approximately 90% of all gowns and drapes used in surgery are disposable.

In the 1980s, health care providers began requesting that vendors bundle single-use disposable items into custom procedure packs that are custom-designed for each surgical procedure and typically contain most of the disposable sterile products required for surgery. The packs offer increased convenience for the surgical staff. Growth of custom procedure packs continued through the 1990s to a market that we estimate to be $1.5 billion annually in the United States.

In the early 1990s, we successfully introduced reusable surgical gowns and drapes of exceptional quality for health care suppliers seeking an alternative to disposable products. We supplemented those reusable products with disposable custom packs that complete the product requirements of a surgical procedure. In recent years we introduced the supply and reprocessing of high quality surgical instruments, and can now manage our customers central processing and supply chain management for all products that they require for surgical procedures.

The following market conditions and strategies provide continuing opportunities for us:

Concern Regarding the Transmission of Infectious Diseases. The health care industry must manage the risk of infectious disease. These concerns increase the need for surgical barrier fabrics that protect surgeons and surgical staff from blood-borne pathogens. Our line of Comfort*Sure* gowns helps to prevent liquid and viral strike-through in critical areas during surgical procedures.

Concern Regarding the Handling and Disposal of Biohazardous Waste. The disposal of large volumes of infectious and hazardous waste generated by the health care industry continues to attract increased public awareness. Health care providers are under pressure to reduce their generation of biohazardous waste because of restrictions on incineration and limited access to dump sites. This market dynamic offers an advantage to companies that provide outsourced reusable alternatives to disposable surgical products.

Continued Pressure on Providers to Contain Costs and Improve Profitability. With growth of managed care and a decrease in surgical service reimbursements, economic constraints continue to require providers to become more efficient. To assist them in reducing their cost of operation, we offer products and services that help our customers eliminate inventory, reduce staff, capital expenditures and medical waste, and improve their overall supply chain efficiency.

Increased Outsourcing of Provider Functions That Do Not Involve Patient Care. Providers with significant staff, capital and space dedicated to in-house processing of reusable surgical products and surgical instruments are outsourcing these functions to qualified outsourcing providers. By enabling our customers to outsource non-core functions, we allow our customers to increasingly focus on patient care.

Leverage Infrastructure with Increased Penetration in Existing Markets. Our existing facilities combined currently operate at approximately 25- to 30% of their aggregate annual revenue capacity and provide ample room for business growth without incremental capital investment.

Customers

As of December 31, 2003, we serve a customer base of hospitals and surgery centers located in 21 states throughout the United States. Our strategy is to concentrate on the supply chain management needs of hospital operating rooms and surgery centers that are surgical procedure intensive.

We maintain agreements to supply several group purchasing organizations, including Novation, HealthTrust Purchasing Group (HPG), Premier, Inc., and MedAssets HSCA. Novation is the supply company for Voluntary

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Hospitals of America (VHA) and University HealthSystem Consortium (UHC). HealthTrust Purchasing Group (HPG) is a group purchasing organization representing over 600 hospitals and surgery centers. MedAssets is the largest independent purchasing group in the United States. With Novation, HPG, MedAssets and other agreements, our products and services are available to over 2,000 providers and surgery centers across the United States. We continue to pursue additional group purchasing organization contracts that would allow us opportunities to further penetrate the health care market.

Products

Our principal reusable surgical products are Comfort*Sure* surgical gowns. We also offer reusable towels, surgical drapes, and stainless steel basin sets as part of our reusable surgical product line. We provide these products in a variety of configurations for a provider s specific needs. A major benefit of our reusable system is reduced medical waste because of the elimination of disposable, single-use products.

Our Comfort*Sure* Liquid Proof gown and the new Comfort*Sure* Premium Protection Liquid Resistance gown are both made from GORE® Surgical Barrier Fabric materials that are highly breathable and provides excellent protection to the user. The added protection is critical to health care providers given continuing concerns of doctors, staff, and regulatory authorities regarding transmission of blood-borne pathogens, including HIV and hepatitis viruses. The Liquid Proof and Premium Protection Liquid Resistance gowns are ideal for procedures with high liquid volume and of longer duration. Our Standard Micro-Fiber Surgical gown is made from an advanced microfiber polyester fabric and is ideal for procedures with minimal fluid exposure and of shorter duration.

We contract with third-party vendors for weaving of microfiber fabric and cutting and sewing of gowns and drapes. In August 1998, we signed a ten-year sales and manufacturing agreement with Standard Textile Co., Inc., under which Standard Textile manufactures the bulk of our reusable textile products with fabric provided by W.L. Gore and other textile suppliers.

To complement our reusable surgical products, we offer disposable accessory packs containing single-use disposable products, such as needles, syringes, and tubing. These packs are developed to a customer s specifications and in combination with our reusable line of surgical products, offer a cost-effective, high-quality alternative to custom procedure packs containing all disposable products.

Our instrument-processing program, called AccuSet℠, offers our customers the benefit of consistently available surgical instruments processed at an FDA regulated facility. Our thorough inspection and cleaning process assures that surgical instruments are functional and meet rigorous quality standards. At this time, we offer general, laparoscopic, orthopedic, and labor and delivery instrument processing at our facilities. As of December 31, 2003, we serviced instrument programs at 36 hospitals from eight of our facilities.

We offer instruments pursuant to a ten-year Joint Marketing Agreement executed in April 2003 with Aesculap, Inc., one of the oldest and largest worldwide suppliers of surgical instruments. This agreement renewed our relationship initiated with Aesculap in April 2000. Aesculap furnishes and repairs surgical instruments that we deliver to our customers. Aesculap receives an agreed upon fee from each procedure based on the number and kinds of procedures performed with its instruments and the number and combination of instruments used for each procedure.

Our physician specific ReadyCase℠ case cart management system combines reusable products, disposable packs, surgical instruments, and physician preference items to provide all the products required for a surgical procedure. The system allows customers to develop and implement best practice protocols. We believe that ReadyCase℠ is the most complete case cart system available in the market. By delivering such a high

percentage of surgical products and instruments used in a procedure, ReadyCase[SM] seeks to reduce our customers supply chain management costs, improve their operational efficiency, and increase their revenue by improving throughput in their surgical area.

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We recently completed the implementation of Radio Frequency Identification (RFID) Technology in our ten processing facilities. RFID Technology is a method for identifying and tracking objects based on the use of a small tag that stores a unique code. We incorporated multi-read RFID tags into our reusable surgical gowns and drapes, which allows us to replace the use of labor intensive bar code scanning to track product usage. This technology offers us improved inventory control-and monitoring of product quality. See also *Management s Discussion and Analysis of Financial Condition and Results of Operations* Overview.

Employees

As of December 31, 2003, we employed 922 people, consisting of 51 persons in management, administration and finance at our corporate office, and 871 people in various positions at our facilities. Our employees are not covered by a collective bargaining agreement. We consider our employee relations to be good.

Competition

We compete primarily with sellers of disposable gowns, drapes, basins and custom packs. Most of our competitors are substantially bigger than us and offer national coverage. Our principal competitors are Allegiance Corporation (a subsidiary of Cardinal Health, Inc.), Medline Industries, Inc., DeRoyal Industries, and Kimberly Clark Corporation.

The challenging health care environment in recent years has led to increasingly intense competition among suppliers and manufacturers of surgical products. As providers seek to reduce operating costs in response to pressure from governments, insurance companies, and health maintenance organizations, suppliers and manufacturers are being forced to compete on price, service, quality and delivery of innovative solutions that improve the health care supply chain. Even though competitive pressure will continue to intensify for the foreseeable future, we are well positioned to compete effectively due to our high-quality products and innovative outsourcing solutions.

Regulation

Substantially all of our products and services are subject to extensive government regulation in the United States by federal, state, and local governmental agencies, including the Food and Drug Administration (FDA), the Department of Transportation (DOT), and the Occupational Safety and Health Administration (OSHA).

Our reusable products are regulated as medical devices by the FDA, which regulates the development, production, distribution, and promotion of medical devices in the United States. Various states in which we do business also regulate medical devices. Pursuant to the Federal Food Drug and Cosmetics Act (the FDA Act), our medical devices are subject to general controls regarding FDA inspections of facilities, Current Good Manufacturing Practices (CGMP s) , labeling, maintenance of records, and medical device reporting with the FDA. To the extent required, we have obtained FDA pre-market approval of our devices under Section 510(k) of regulations issued under the FDA Act, that provides for FDA approval on an expedited basis for products shown to be substantially equivalent to devices already cleared by the FDA and currently legally marketable in the United States. Products must be produced in establishments registered with the FDA and manufactured in accordance with CGMP s, as defined under the FDA Act. In addition, our medical devices must be initially listed with the FDA, and our labeling and promotional activities are subject to scrutiny by the FDA and, in certain instances, by the Federal Trade Commission. The Medical Device Reporting regulation obligates us to provide information to the FDA on injuries or deaths alleged to have been associated with the use of a product or in

connection with certain product failures that could have caused serious injury or death. If we fail to comply with the applicable provisions of the FDA Act, the FDA may institute proceedings to detain or seize products, impose fines, enjoin future company activities, impose product labeling restrictions, or enforce product recalls or withdrawals from the market.

Our hospital customers and ourselves also must comply with regulations of OSHA, including the bloodborne pathogen rule requiring standard universal precautions be observed to minimize exposure to blood

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and other bodily fluids. To comply with these requirements, our employees wear personal protective equipment when handling soiled linens in the facility s decontamination area. Properly used, our products allow our hospital customers to protect their employees in compliance with these regulations. We must comply with local regulations governing the discharge of water used in our operations. We use local licensed contractors to dispose of any biohazardous waste generated by the hospital and received by us and therefore do not need to obtain permits for biohazardous waste disposal. We must comply with DOT and OSHA regulations governing the transportation of biohazardous materials, which include containing and labeling waste as well as reporting various discharges. We comply with these regulations by confining soiled products inside marked liquidproof bags for transport within locked, marked transfer carts. A third-party contractor provides sterilization of our disposable accessory packs. The use of ethylene oxide by the contractor in the sterilization of our disposable accessory packs is subject to regulation by FDA, OSHA, and the Environmental Protection Agency.

In addition, other federal, state and local regulatory authorities, including those enforcing laws which relate to the environment, fire hazard control, and working conditions, have jurisdiction to take actions that could have a material adverse effect on us. We make expenditures from time to time to comply with environmental regulations, but do not expect any material capital expenditures for environmental compliance in 2004.

Risk Factors That Might Affect Future Results

The cautionary statements set forth below discuss important factors that could cause actual results to differ materially from any forward-looking statements.

Sales Process and Market Acceptance of Products and Services. Our future performance depends on our ability to increase revenues to new and existing customers. Our sales process to acquire new customers is typically between six and 18 months in duration from initial contact to purchase commitment, because of industry factors such as the complicated approval process within hospitals for purchases from new suppliers, the long duration of existing supply contracts, and implementation delays pending termination of a hospital s previous supply relationships. Our future performance also depends on market acceptance of our product and service offerings, which emphasize the supply of reusable surgical products to a market that predominantly uses disposable products. We are also regularly developing new instrument programs. We are subject to a risk that the market will not broadly accept these product offerings.

Need for Capital. Our business is capital intensive and requires annual capital expenditures for additional surgical products and equipment to achieve our operating plans. Our inability to obtain adequate capital would have a material adverse effect on us. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources and Note D of Notes to Financial Statements.

Dependence on Suppliers. We rely on Aesculap, Inc. as our major source of supply of instruments for our instrument processing programs. Any failure of Aesculap to furnish instruments for any reason would materially and adversely affect our ability to service these programs until we secured one or more alternative suppliers. We also have a procurement agreement with Standard Textile Co., Inc. as our supply source for our reusable surgical products through August 2008. If Standard Textile were unable to perform under this agreement, we would be materially and adversely affected until we secured alternative suppliers.

Dependence on Significant Customers. During 2003, Novation, HPG, and Premier, Inc. hospitals accounted for approximately 34%, 15%, and 10% of our sales, compared to 34%, 14%, and 11% in 2002**,** respectively. Although each Novation, HPG, and Premier hospital currently makes its purchasing decisions on an individual basis, the loss of a substantial portion of the Novation, HPG, or Premier hospitals business would have a material adverse effect on us. No single health care provider accounts for more than 8% of our revenues.

Competition. Our business is highly competitive. Competitors include a number of distributors and manufacturers, as well as the in-house reprocessing operations of hospitals. Certain of our existing and potential

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competitors possess substantially greater resources than the Company. Some of our competitors, including Allegiance Corporation (a subsidiary of Cardinal Health, Inc.) and Medline Industries, Inc., serve as the sole supplier of a wide assortment of products to a significant number of hospitals. While we have a substantial array of surgical products, many of our competitors have a greater number of products for the entire hospital, which in some instances, is a competitive disadvantage for us. There is no assurance that we will be able to compete effectively with existing or potential competitors. See Business Competition.

Government Regulation. Significant aspects of our businesses are subject to state and federal statutes and regulations governing, among other things, medical waste disposal and workplace health and safety. In addition, most of the products furnished or sold by us are subject to regulation as medical devices by the U.S. Food and Drug Administration, as well as by other federal and state agencies. Our facilities are subject to quality systems inspections by FDA officials. The FDA has the power to enjoin future violations, seize adulterated or misbranded devices, require the manufacturer to remove products from the market, and publicize relevant facts. Federal or state governments might impose additional restrictions or adopt interpretations of existing laws that could materially and adversely affect us. See Business Regulation.

Item 2. Properties

We operate ten processing facilities that range in size between 30,000 and 63,500 square feet in Baltimore, Chattanooga, Cincinnati, Dallas, Houston, Los Angeles, Raleigh, Salt Lake City, Stockton, and Tampa. Each facility has standardized processes and equipment, including computerized and fully automated heavy duty washers, dryers, and sterilizers to achieve consistent decontamination and sterilization of reusable surgical products and instruments. We use Good Manufacturing Practices at each facility, and regularly implement at all facilities efficiencies that have been developed and tested at one location.

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Our properties and the major markets that they serve are summarized below. We own our Chattanooga, Cincinnati, Houston, and Stockton processing facilities; we lease the remaining reprocessing facilities. We also lease our Disposable Accessory Pack facility in Plant City, Florida, where we assemble and package surgical products into customized disposable accessory packs. We transport these disposable accessory packs to a third party facility for sterilization before they are sent to our reprocessing facilities for final delivery. We believe our existing facilities adequately serve our current requirements. The table below summarizes our properties as of December 31, 2003:

	Square Footage (Approx.)	Lease Expiration	Selected Markets Served
Processing Facilities:			
Baltimore, Maryland	58,700	February 28, 2007 (Options to 2012)	Baltimore, Philadelphia, Richmond, New Jersey
Chattanooga, Tennessee	50,000	Owned	Atlanta, Birmingham, Nashville
Cincinnati, Ohio	50,000	Owned	Columbus, Cincinnati, Louisville, Lexington, Chicago, Detroit, Milwaukee, Cleveland
Dallas, Texas	53,000	March 31, 2005 (Options to 2010)	Dallas, Oklahoma City, Tulsa
Houston, Texas	30,000	Owned	Houston, San Antonio, Austin
Los Angeles, California	30,400	November 30, 2007 (Options to 2012)	San Diego, Los Angeles
Raleigh, North Carolina	63,500	April 30, 2007 (Options to 2012)	South Carolina, North Carolina
Salt Lake City, Utah	31,800	July 5, 2006 (Options to 2018)	Utah, Idaho
Stockton, California	57,000	Owned	Sacramento, San Francisco, Oakland
Tampa, Florida	63,000	January 23, 2012	Florida
Service Centers:			
Chicago, Illinois	3,200	November 30, 2004	
Detroit, Michigan	23,000	September 30, 2007	(Options to 2012)
Louisville, Kentucky	10,000	(1)	
Miami, Florida	4,000	January 31, 2005	
Oklahoma City, Oklahoma	3,600	September 1, 2004	
Warehouses:			
Long Beach, California	3,300	July 31, 2007	
Disposable products facility:			
Plant City, Florida	40,800	November 1, 2004	
Corporate office:			
Tampa, Florida	42,000	April 3, 2021	
Other:			
Southborough, Massachusetts (2)	13,600	June 30, 2005	Facility closed in 2003

(1) Service center provided by hospital
(2) Property subleased to a third party for remainder of lease term

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Item 3. Legal Proceedings

We are not subject to any litigation or other legal proceedings that we expect to have a material adverse effect on our business.

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

No matters were submitted to a vote of security holders during the fourth quarter of 2003.

PART II

Item 5. Market for Registrant s Common Equity and Related Shareholder Matters

Our common stock trades publicly on the Nasdaq National Market system under the symbol STRC. The table below sets forth the high and low bid quotations for our common stock for fiscal years 2002 and 2003. These bid prices represent prices between dealers without adjustment for retail mark-ups, mark-downs, or commissions and do not necessarily represent actual transactions.

Common Stock Price Range

Year ended December 31, 2002	**High**	**Low**
First quarter	$ 18.05	$ 15.21
Second quarter	$ 15.78	$ 11.40
Third quarter	$ 12.61	$ 8.00
Fourth quarter	$ 10.03	$ 4.75
Year ended December 31, 2003		
First quarter	$ 6.09	$ 4.00
Second quarter	$ 8.00	$ 4.36
Third quarter	$ 8.50	$ 5.72
Fourth quarter	$ 7.79	$ 6.01

We have never declared or paid cash dividends on our common stock and do not anticipate paying dividends on our common stock in the foreseeable future. Additionally, financial covenants in our credit facility prohibit the payment of cash dividends. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources and Notes to Financial Statements.

On February 27, 2004, there were approximately 43 holders of record of our common stock.

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Item 6. Selected Financial Data

The following table contains certain selected financial data and is qualified by the more detailed Financial Statements and Notes thereto included elsewhere in this report. The selected financial data have been derived from our audited financial statements. The following information should be read in conjunction with the Financial Statements and Notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this report.

	Years Ended				
	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2000	Dec. 31, 1999
	(In thousands, except per share data)				
Statement of operations data:					
Revenues	$ 86,474	$ 86,564	$ 86,426	$ 77,817	$ 68,596
Cost of revenues	64,712	61,112	58,296	53,043	47,011
Gross profit	21,762	25,452	28,130	24,774	21,585
Distribution expenses	5,946	5,698	5,557	5,293	5,121
Selling and administrative expenses	15,086	14,933	12,512	11,224	9,700
Income from operations	730	4,821	10,061	8,257	6,764
Unrealized gain (loss) on derivative instruments		101	(407)		
Interest expense, net	1,090	989	1,381	1,174	307
Income (loss) before income taxes	(360)	3,933	8,273	7,083	6,457
Income tax expense	139	1,474	3,103	2,463	2,503
Income (loss) before cumulative effect of change in accounting principle	(499)	2,459	5,170	4,620	3,954
Cumulative effect of change in accounting principle, net of tax			(113)		
Net income (loss)	$ (499)	$ 2,459	$ 5,057	$ 4,620	$ 3,954
Dividends on preferred stock			56	204	208
Net income (loss) available for common shareholders	$ (499)	$ 2,459	$ 5,001	$ 4,416	$ 3,746
Basic earnings (loss) per common share:					
Income (loss) available for common shareholders before cumulative effect of change in accounting principle	$ (0.08)	$ 0.38	$ 0.85	$ 0.78	$ 0.66
Cumulative effect of change in accounting principle			(0.02)		