

NTT DOCOMO INC
Form 6-K
May 11, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR
15d-16 UNDER THE SECURITIES EXCHANGE ACT OF 1934**

For the month of May 2012.

Commission File Number: 001-31221

Total number of pages: 9

NTT DOCOMO, INC.

(Translation of registrant's name into English)

Sanno Park Tower 11-1, Nagata-cho 2-chome

Chiyoda-ku, Tokyo 100-6150

Japan

(Address of principal executive offices)

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Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F

Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NTT DOCOMO, INC.

Date: May 11, 2012

By: /s/ OSAMU HIROKADO
Osamu Hirokado

Head of Investor Relations

Information furnished in this form:

1. [NTT DOCOMO Announces New Management Team](#)

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NTT DOCOMO, INC.

President and CEO: Ryuji Yamada

Tokyo Stock Exchange: 9437

London Stock Exchange: NDCM

New York Stock Exchange: DCM

May 11, 2012

NTT DOCOMO Announces New Management Team

TOKYO, JAPAN, May 11, 2012 NTT DOCOMO, INC. announced today that its board of directors has met and proposed the following changes in executive positions for official approval at the shareholders and board of directors meetings scheduled on June 19, 2012.

1. Changes in Executives

1) Reasons for Change of Executives

To further grow and develop the company under the new management setup

2) New Representative Directors (candidates)

Name	New Position(s)	Current Position(s)
Kaoru Kato	President and Chief Executive Officer	Executive Vice President
	Member of the Board of Directors	Member of the Board of Directors
Kazuto Tsubouchi	Senior Executive Vice President	Executive Vice President
	Member of the Board of Directors	Member of the Board of Directors
Fumio Iwasaki	Senior Executive Vice President	Executive Vice President
	Member of the Board of Directors	Member of the Board of Directors

3) Resigning Representative Directors

Name	Current Position
Ryuji Yamada	President and Chief Executive Officer Member of the Board of Directors [expected to become NTT DOCOMO Corporate Advisor and Member of the Board of Directors]

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Kiyoyuki Tsujimura	Senior Executive Vice President Member of the Board of Directors [expected to join DOCOMO Engineering Inc.]
Masatoshi Suzuki	Senior Executive Vice President Member of the Board of Directors [expected to join MIRAIT Holdings Corporation and DAIMEI TELECOM ENGINEERING CORP.]
Hiroshi Matsui	Senior Executive Vice President Member of the Board of Directors

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2. Other Executive Changes

1) New Members of the Board of Directors (candidates)

Name	Current Position
Seizo Onoe	Senior Vice President Managing Director of R&D Strategy Department
Kiyohito Nagata	Senior Vice President Managing Director of Strategic Marketing Department Responsible for product business strategy
Hiroataka Sato	Senior Vice President Managing Director of Corporate Marketing Department I
Kazuhiro Takagi	Managing Director of Frontier Services Department
Hiroo Kusumoto*	Senior Manager of Corporate Strategy Planning Department, NIPPON TELEGRAPH AND TELEPHONE CORPORATION

* External board member candidate

2) New Corporate Auditor (candidate)

Name	Current Position
Takanori Utano	President and Chief Executive Officer, DOCOMO Technology, Inc.

3) New Senior Vice Presidents (candidates)

Name	Current Position
Toshiki Nakayama	Director of Strategic Business Development Division, NIPPON TELEGRAPH AND TELEPHONE CORPORATION
Syohei Sakaguchi	General Manager of Saitama Branch
Hajime Kii	Managing Director of Global Business Division
Yohji Maruyama	Managing Director of Network Service Operation Department
Minoru Etoh	Managing Director of Service & Solution Development Department

4) Resigning Members of the Board of Directors

Name	Current Position
Kiyoyuki Tsujimura	Senior Executive Vice President Member of the Board of Directors
Masatoshi Suzuki	Senior Executive Vice President Member of the Board of Directors
Hiroshi Matsui	Senior Executive Vice President

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	Member of the Board of Directors
Mitsunobu Komori	Executive Vice President Member of the Board of Directors [expected to join DOCOMO Mobile Inc.]
Hiroshi Tsujigami	Member of the Board of Directors

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5) Resigning Corporate Auditor

Name	Current Position
Shunichi Tamari	Corporate Auditor [expected to become Advisor]

6) Resigning Senior Vice Presidents

Name	Current Position
Yoshiyuki Takeda	Executive Vice President
Yoshikiyo Sakai	Senior Vice President [expected to join NIPPON TELEGRAPH AND TELEPHONE CORPORATION]
Hiroshi Sawada	Senior Vice President [expected to join DOCOMO Technology, Inc.]

7) Executive Vice Presidents and Members of the Board of Directors (candidates)

Name	Current Position
Tsutomu Shindou	Executive Vice President Member of the Board of Directors
Takashi Tanaka	Executive Vice President Member of the Board of Directors
Kazuhiro Yoshizawa	Senior Vice President Member of the Board of Directors
Seizo Onoe	Senior Vice President

8) Executive Vice Presidents (candidates)

Name	Current Position
Katsuhiko Nakamura	Executive Vice President
Kiyoshi Tokuhiko	Executive Vice President
Masaki Yoshikawa	Senior Vice President
Seiji Nishikawa	Senior Vice President

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3. Expected Executive Positions and Organizational Responsibilities as of June 19, 2012

Positions	Name	Organizational Responsibilities
President and Chief Executive Officer	Kaoru	
	Kato	
Member of the Board of Directors		Responsible for:
Senior Executive Vice President		Global business
	Kazuto	
Chief Financial Officer	Tsubouchi	Corporate
Member of the Board of Directors		CSR
		Responsible for:
Senior Executive Vice President		Multimedia services
	Fumio	
Chief Privacy Officer	Iwasaki	Network
Member of the Board of Directors		Technology
		Managing Director of Corporate Marketing Division
Executive Vice President	Tsutomu	Managing Director of Corporate Marketing Strategy Department
	Shindou	
Member of the Board of Directors		Managing Director of TOHOKU Reconstruction Support Office
Executive Vice President	Takashi	Responsible for:
	Tanaka	

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Member of the Board of Directors		Consumer sales
		Branches in Kanto and Koshinetsu areas
		Managing Director of Corporate Strategy & Planning Department
Executive Vice President	Kazuhiro Yoshizawa	Responsible for:
Member of the Board of Directors		Mobile Society Research Institute
Executive Vice President		
Chief Technical Officer	Seizo Onoe	Managing Director of R&D Center
Member of the Board of Directors		Managing Director of General Affairs Department
Senior Vice President	Wataru Kagawa	Managing Director of Corporate Citizenship Department
Member of the Board of Directors		Managing Director of Business Process Improvement Office
Senior Vice President	Kiyohito Nagata	Managing Director of Strategic Marketing Department
Member of the Board of Directors		
Senior Vice President	Hiroataka Sato	Managing Director of Accounts and Finance Department
Member of the Board of Directors		

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Position(s)	Name	Organizational Responsibilities
Senior Vice President	Kazuhiro Takagi	Managing Director of Human Resources Management Department
Member of the Board of Directors	Ryuji Yamada	Corporate Advisor
Member of the Board of Directors	Hiroo Kusumoto	
Executive Vice President	Katsuhiko Nakamura	Managing Director of Tokai Regional Office
Executive Vice President	Kiyoshi Tokuhiko	Managing Director of Kansai Regional Office
Executive Vice President	Masaki Yoshikawa	Managing Director of Credit Card Business Division
Executive Vice President	Seiji Nishikawa	Managing Director of Information Systems Department
Chief Information Officer	Tomohiro Kurosawa	Managing Director of Hokkaido Regional Office
Senior Vice President	Yuji Araki	Managing Director of Tohoku Regional Office
Senior Vice President	Mitoshi Hirokane	Managing Director of Hokuriku Regional Office
Senior Vice President	Kiyohiro Omatsuzawa	Managing Director of Chugoku Regional Office
Senior Vice President	Shoji Suto	Managing Director of Shikoku Regional Office
Senior Vice President	Toshinari Kunieda	Managing Director of Kyushu Regional Office
Senior Vice President	Akiko Ide	Managing Director of Information Security Department

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Senior Vice President	Minoru Etoh	Managing Director of R&D Strategy Department
Senior Vice President	Toshiki Nakayama	Managing Director of Frontier Services Department
Senior Vice President	Hiroyasu Asami	Managing Director of Smart Communication Services Department Responsible for: Multimedia
Senior Vice President	Kei Irie	Managing Director of Network Department
Senior Vice President	Kazunori Yamamoto	Managing Director of Sales Promotion Department

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Position	Name	Organizational Responsibilities
Senior Vice President	Yohji Maruyama	Managing Director of Network Service Operation Department
Senior Vice President	Syohei Sakaguchi	Managing Director of Front Support Center
Senior Vice President	Morikazu Takahashi	Deputy Managing Director of Corporate Marketing Division
Senior Vice President	Koji Aoyama	Managing Director of Corporate Marketing Department II
Senior Vice President	Yasuhiro Taguchi	Managing Director of Corporate Marketing Department III
Senior Vice President	Hajime Kii	Managing Director of Global Business Division

Position	Name
Corporate Auditor	Shuro Hoshizawa
Corporate Auditor	Takanori Utano
Corporate Auditor	Kyouichi Yoshizawa
Corporate Auditor	Haruo Morosawa
Corporate Auditor	Eiko Tsujiyama

For further information, please contact:

Investor Relations Department

Tel: +81-3-5156-1111

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Attachment

Career Summaries of New Representative Directors (candidates)

Kaoru Kato

- Birth: May 20, 1951

- Shares Owned: 115

- Career

April 1977 Entered NTT Public Corporation

June 2007 Executive Vice President and Member and the Board of Directors, NTT DoCoMo Kansai, Inc.

July 2007 Executive Vice President, Member of the Board of Directors and Managing Director of Corporate Strategy Planning Department of NTT DoCoMo Kansai, Inc.

June 2008 Executive Vice President, Member of the Board of Directors and Managing Director of Corporate Strategy Planning Department of NTT DOCOMO, INC.

April 2009 Executive Vice President, Member of the Board of Directors, Managing Director of Corporate Strategy Planning Department and Managing Director of Mobile Society Research Institute of NTT DOCOMO, INC.

July 2009 Executive Vice President, Member of the Board of Directors and Managing Director of Corporate Strategy Planning Department of NTT DOCOMO, INC.

Kazuto Tsubouchi

- Birth: May 2, 1952

- Shares Owned: 145

- Career

April 1976 Entered NTT Public Corporation

December 2000 General Manager of Kanazawa Branch of NTT West

June 2004 Member of the Board of Directors and Managing Director of Accounts and Finance Department of NTT DoCoMo Kansai, Inc.

June 2006 Senior Vice President and Member of the Board of Directors and Managing Director of Accounts and Finance Department of NTT DOCOMO, INC.

June 2008 Executive Vice President, Chief Financial Officer, Member of the Board of Directors and Managing Director of Accounts and Finance Department of NTT DOCOMO, INC.

July 2008 Executive Vice President, Chief Financial Officer, Member of the Board of Directors, Managing Director of Accounts and Finance Department and Responsible for Business Alliance Department of NTT DOCOMO, INC.

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Fumio Iwasaki

- Birth: February 28, 1953

- Shares Owned: 124

- Career

April 1977 Entered NTT Public Corporation

June 2004 Member of the Board of Directors and Managing Director of Network Planning Department of NTT DOCOMO, INC.

June 2005 Senior Vice President and Managing Director of Network Planning Department of NTT DOCOMO, INC.

June 2007 Senior Executive Vice President, Member of the Board of Directors and Managing Director of Corporate Marketing Division of NTT DoCoMo Kyushu, Inc.

July 2008 Senior Vice President and Managing Director of Kyushu Regional Office of NTT DOCOMO, INC.

June 2010 Executive Vice President, Member of the Board of Directors and Responsible for Network of NTT DOCOMO, INC.

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Net increase (decrease) in Cash and Cash Equivalents

(2,232) 384

Cash and Cash Equivalents Beginning of Period

5,974 3,587

Cash and Cash Equivalents End of Period

\$3,742 \$3,971

Supplement Disclosure of Cash Flow Information:

Cash Paid (Received) for:

Interest

\$390 \$562

Income taxes

\$76 \$29

See notes to condensed consolidated financial statements.

SUNLINK HEALTH SYSTEMS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED DECEMBER 31, 2015

(all dollar amounts in thousands except per share amounts)

(unaudited)

Note 1. Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements as of December 31, 2015 and for the three and six month periods ended December 31, 2015 and 2014 have been prepared in accordance with Rule 10-01 of Regulation S-X of the Securities and Exchange Commission (SEC) and, as such, do not include all information required by accounting principles generally accepted in the United States of America (GAAP). The condensed consolidated June 30, 2015 balance sheet included in this interim filing has been derived from the audited financial statements at that date but does not include all of the information and related notes required by GAAP for complete financial statements. These Condensed Consolidated Financial Statements should be read in conjunction with the audited consolidated financial statements included in the SunLink Health Systems, Inc. (SunLink , we , our , ours , u the Company) Annual Report on Form 10-K for the fiscal year ended June 30, 2015, filed with the SEC on September 25, 2015. In the opinion of management, the Condensed Consolidated Financial Statements, which are unaudited, include all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position and results of operations for the periods indicated. The results of operations for the three and six months period ended December 31, 2015 are not necessarily indicative of the results that may be expected for the entire fiscal year or any other interim period.

Note 2. Business Operations

Business Operations

SunLink Health Systems, Inc., through subsidiaries, owns businesses which are providers of healthcare services in certain markets in the United States. SunLink s business is composed of the ownership of two business segments:

The Healthcare Facilities Segment which is composed of two operational areas:

Three community hospital subsidiaries in two states with a total of 183 licensed beds;

Two nursing homes with a total of 166 licensed beds, each of which is located adjacent to a corresponding SunLink community hospital; and

The Pharmacy Segment which is composed of four material service lines:

Retail pharmacy products and services, all of which are conducted in rural markets;

Institutional pharmacy services;

Pharmacy services; and

Durable medical equipment.

SunLink subsidiaries have conducted the healthcare facilities business since 2001 and the Pharmacy business since 2008. The Pharmacy Segment currently is operated through Carmichael's Cashway Pharmacy, Inc. (Carmichael), a subsidiary of SunLink ScriptsRx, LLC.

Note 3. Discontinued Operations

All of the businesses discussed in the note below are reported as discontinued operations and the condensed consolidated financial statements for all prior periods have been adjusted to reflect this presentation.

Results for all of the businesses included in discontinued operations are presented in the following table:

	Three Months Ended		Six Months Ended	
	December 31		December 31	
	2015	2014	2015	2014
Net Revenues:				
Fulton Hospital	\$ 11	\$ 3,321	\$ 64	\$ 6,730
Dexter Hospital	4	90	28	131
Memorial of Adel	18	69	40	53
	\$ 33	\$ 3,480	\$ 132	\$ 6,914
Earnings (loss) before income taxes:				
Fulton Hospital	\$ 41	\$ (449)	\$ 72	\$ (897)
Dexter Hospital	4	532	(225)	570
Memorial of Adel	9	56	19	32
Life sciences and engineering	(35)	(30)	(71)	(64)
Earnings (loss) before income taxes	19	109	(205)	(359)
Loss on Sale:				
Fulton Hospital	0	(191)	0	(191)
Earnings (Loss) before income taxes	0	(191)	0	(191)
Income tax expense (benefit)	77	(70)	0	(236)
Loss from discontinued operations	\$ (58)	\$ (12)	\$ (205)	\$ (314)

Fulton Hospital - On December 31, 2014, the Company's subsidiary, HealthMont of Missouri, LLC (Fulton) sold substantially all the assets of its Callaway Community Hospital and related clinics in Fulton, Missouri for approximately \$6,090. Fulton retained accounts receivable and certain other assets, including the right to Medicare and Medicaid incentive payments (EHR Funds) for meaningful use of electronic health record technology, and substantially all liabilities of the hospital as of the sale closing date. Fulton's operations have been classified as discontinued operations in our condensed consolidated financial statements for the three and six month periods ended December 31, 2015 and 2014.

Dexter Hospital - On December 31, 2012, the Company completed the sale of substantially all the assets and the leasehold interest of its subsidiary, Dexter Hospital, LLC (Dexter), to Southeast Health Center of Stoddard County, LLC, an indirect subsidiary of Southeast Missouri Hospital Association (SoutheastHEALTH). Dexter's operations have been classified as discontinued operations in our condensed consolidated financial statements for the three and six month periods ended December 31, 2015 and 2014. In the six months ended December 31, 2015, Dexter recorded expenses of \$253 relating to liabilities retained at the sale date.

Memorial Hospital of Adel - On July 2, 2012, the Company and its HealthMont of Georgia, Inc. (Memorial) subsidiary completed the sale of substantially all the assets of the Company's Memorial Hospital of Adel and Memorial Convalescent Center to the Hospital Authority of Tift County, Georgia for approximately \$8,350. Memorial's operations have been classified as discontinued operations in our condensed consolidated financial

statements for the three and six month periods ended December 31, 2015 and 2014.

Life Sciences and Engineering Segment SunLink retained a defined benefit retirement plan which covered substantially all of the employees of this segment when the segment was sold in fiscal 1998. Effective February 28, 1997, the plan was amended to freeze participant benefits and close the plan to new participants. Pension expense and related tax benefit or expense is reflected in the results of operations for this segment for the three and six months ended December 31, 2015 and 2014.

The components of pension expense for the three and six months ended December 31, 2015 and 2014, respectively, were as follows:

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2015	2014	2015	2014
Interest Cost	\$ 16	\$ 16	\$ 32	\$ 33
Expected return on assets	(8)	(7)	(16)	(15)
Amortization of prior service cost	27	23	55	48
Net pension expense	\$ 35	\$ 32	\$ 71	\$ 66

SunLink contributed \$32 and \$64 to the plan in the three and six months ended December 31, 2015.

Note 4. Shareholders Equity

Stock-Based Compensation

For the three months ended December 31, 2015 and 2014, the Company recognized \$9 and \$15, respectively, in stock based compensation for options issued to employees and directors of the Company. For the six months ended December 31, 2015 and 2014, the Company recognized \$39 and \$21, respectively, in stock based compensation for options issued to employees and directors of the Company. The fair value of the share options granted was estimated using the Black-Scholes option pricing model. There were 45,000 and 90,000 share options granted under the 2005 Equity Incentive Plan during the six months ended December 31, 2015 and 2014, respectively. There were 30,000 and 0 share options granted under the 2011 Director Stock Option Plan during the six months ended December 31, 2015 and 2014, respectively.

Note 5. Revenue Recognition and Accounts Receivables

The Company's subsidiaries recognize revenues in the period in which services are provided. Accounts receivable primarily consist of amounts due from third-party payors and patients. The Company's subsidiaries' ability to collect outstanding receivables is critical to their results of operations and cash flows. Amounts the Company's subsidiaries receive for treatment of patients covered by governmental programs such as Medicare and Medicaid and other third-party payors such as health maintenance organizations (HMOs), preferred provider organizations (PPOs) and other private insurers are generally less than the Company's subsidiaries' established billing rates. Additionally, to provide for accounts receivable that could become uncollectible in the future an allowance for doubtful accounts is established to reduce the carrying value of such receivables to their estimated net realizable value. Accordingly, the revenues and accounts receivable reported in the accompanying unaudited condensed consolidated financial statements are recorded at the net amount expected to be received.

Revenues by payor were as follows for the three and six months ended December 31, 2015 and 2014:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2015	2014	2015	2014
Healthcare Facilities Segment:				
Medicare	\$ 4,520	\$ 6,685	\$ 10,201	\$ 13,963
Medicaid	3,617	3,602	6,782	6,971
Self-pay	869	2,002	2,706	3,990
Managed Care & Other Insurance	3,590	4,189	7,340	8,514
Other	46	43	94	96
Revenues before provision for doubtful accounts	12,642	16,521	27,123	33,534
Provision for doubtful accounts	(1,135)	(1,982)	(2,933)	(4,215)
Healthcare Facilities Segment Net Revenues	11,507	14,539	24,190	24,189
Specialty Pharmacy Segment Net Revenues	8,568	8,430	16,135	15,884
Other Revenues	207	157	429	299
Total Net Revenues	\$ 20,282	\$ 23,126	\$ 40,754	\$ 45,502

The net revenues of the Pharmacy Segment are presented net of contractual adjustments. The provision for bad debts of the Pharmacy Segment is presented as a component of operating expenses in the Condensed Consolidated Statements of Operations and Comprehensive Loss.

Summary information for accounts receivable is as follows:

	December 31, 2015	June 30, 2015
Accounts receivable (net of contractual allowances)	\$ 13,554	\$ 14,972
Less allowance for doubtful accounts	(4,487)	(5,347)
Patient accounts receivable - net	\$ 9,067	\$ 9,625

The following is a summary of the activity in the allowance for doubtful accounts for the Healthcare Facilities Segment and the Pharmacy Segment for the three and six months ended December 31, 2015 and 2014:

	Healthcare Facilities	Specialty Pharmacy	Total
Three Months Ended December 31, 2015:			
Balance at October 1, 2015	\$ 4,781	\$ 444	\$ 5,225
Additions recognized as a reduction to revenues:			
Continuing Operations	1,135	138	1,273
Discontinued Operations	(33)		(33)
Accounts written off, net of recoveries	(1,828)	(150)	(1,978)
Balance at December 31, 2015	\$ 4,055	\$ 432	\$ 4,487

	Healthcare Facilities	Specialty Pharmacy	Total
Six Months Ended December 31, 2015:			
Balance at July 1, 2015	\$ 4,962	\$ 385	\$ 5,347
Additions recognized as a reduction to revenues:			
Continuing Operations	2,933	360	3,293
Discontinued Operations	(99)		(99)
Accounts written off, net of recoveries	(3,741)	(313)	(4,054)
Balance at December 31, 2015	\$ 4,055	\$ 432	\$ 4,487

	Healthcare Facilities	Specialty Pharmacy	Total
Three Months Ended December 31, 2014:			
Balance at October 1, 2014	\$ 7,117	\$ 213	\$ 7,330
Additions recognized as a reduction to revenues:			
Continuing Operations	1,982	80	2,062
Discontinued Operations	1,126		1,126
Accounts written off, net of recoveries	(3,170)	(69)	(3,239)
Balance at December 31, 2014	\$ 7,055	\$ 224	\$ 7,279

	Healthcare Facilities	Specialty Pharmacy	Total
Six Months Ended December 31, 2014:			
Balance at July 1, 2014	\$ 6,649	\$ 254	\$ 6,903
Additions recognized as a reduction to revenues:			
Continuing Operations	4,215	80	4,295
Discontinued Operations	2,082		2,082
Accounts written off, net of recoveries	(5,891)	(110)	(6,001)

Balance at December 31, 2014	\$ 7,055	\$ 224	\$ 7,279
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Net revenues included reductions of \$815 and \$297 for the three and six months ended December 31, 2015 and 2014, respectively, for the settlements and filings of prior year Medicare and Medicaid cost reports.

Note 6. Medicare and Medicaid Electronic Health Records Incentives Deferred Gain Medicare Electronic Health Records Incentives

For the three months ended December 31, 2015, the Company reported a net expense of \$7 for Medicare and Medicaid incentive payments resulting from prior year utilization. For the six months ended December 31, 2015, the Company reported a net expense of \$100 for Medicare and Medicaid incentive payments resulting from prior year utilization. For the three and six months ended December 31, 2014, the Company reported no Medicare and Medicaid EHR incentive payments.

Note 7. - Goodwill and Intangible Assets

SunLink's goodwill and intangible assets are composed of:

	December 31, 2015	June 30, 2015
Specialty Pharmacy Segment Goodwill	\$ 461	\$ 461

Intangibles consist of the following, net of amortization:

	December 31, 2015	June 30, 2015
Specialty Pharmacy Segment Intangibles		
Trade Name (non-amortizing)	2,000	2,000
Customer Relationships	1,089	1,089
Medicare License	769	769
	3,858	3,858
Accumulated Amortization	(1,092)	(1,021)
Total Intangibles	\$ 2,766	\$ 2,837

Amortization expense was \$35 and \$35 for the three months ended December 31, 2015 and 2014, respectively and \$71 and \$71 for the six months ended December 31, 2015 and 2014, respectively.

Note 8. Long-Term Debt

Long-term debt consisted of the following:

	December 31, 2015	June 30, 2015
Trace RDA Loan	\$ 7,941	\$ 8,175
SHPP RDA Loan	1,970	1,992
Carmichael Notes	1,627	1,741
Capital lease obligations and other	41	137
Total	11,579	12,045
Less current maturities	(8,246)	(816)
	\$ 3,333	\$ 11,229

Trace RDA Loan and Trace Working Capital Loan On July 11, 2012, SunLink and two wholly owned subsidiaries of the Company, closed on a \$9,975 Mortgage Loan Agreement (Trace RDA Loan) and a Working Capital Loan Agreement, both dated as of July 5, 2012 (Trace Working Capital Loan).

The Trace RDA Loan has a term of 15 years with monthly payments of principal and interest until repaid. The Trace RDA Loan bears a floating rate of interest equal to the greater of (i) the prime rate (as published in The Wall Street Journal) plus 1.5%, or (ii) 6% (6.0% at December 31, 2015). The Trace RDA Loan is collateralized by real estate and equipment of Trace Regional Hospital (Trace) in Houston, MS and is partially guaranteed under the

U.S. Department of Agriculture, Rural Development Business and Industry Program. Approximately \$8,500 of the Trace RDA Loan proceeds was used to repay a portion of the Company's then currently outstanding debt. Approximately \$850 of the Trace RDA Loan proceeds were used for improvements to the hospital and its medical office building with the remainder of the loan proceeds used for working capital and closing costs.

The Trace Working Capital Loan as amended provides for a revolving line of credit to Trace equal to the lesser of (i) a Borrowing Base equal to eighty percent (80%) of Eligible Accounts Receivable (as defined in the Working Capital Loan Agreement dated July 5, 2012) or (ii) \$500. The Trace Working Capital Loan expires July 2, 2016. It is subject to annual renewal at the discretion of the lender. At December 31, 2015 and June 30, 2015, there were no outstanding borrowings under the Trace Working Capital Loan.

The Trace RDA Loan contains various terms and conditions, including financial restrictions and limitations, and affirmative and negative covenants. The covenants include financial covenants measured on a quarterly basis which require Trace to comply with a ratio of current assets to current liabilities, debt service coverage, fixed charge coverage, and funded debt to EBITDA, all as defined in the Trace RDA Loan. At September 30, 2015 and December 31, 2015, Trace was not in compliance with the debt service coverage and funded debt to EBITDA ratios, and is discussing a modification or waiver of this non-compliance with the lender. No modification or waiver has been obtained as of February 16, 2016 and the \$7,941 of indebtedness under the Trace RDA Loan is presented in current liabilities in the condensed consolidated balance sheet as of December 31, 2015. If Trace is unable to obtain a waiver of the noncompliance at September 30, 2015 and December 31, 2015 or a modification of the covenant, it would cease to have a right to draw on the Trace Revolving Working Capital Loan (of which \$0 was drawn at December 31, 2015). The ability of Trace to continue to make the required debt service payments under the Trace RDA Loan depends on, among other things, its ability to generate sufficient cash flows, including from operating activities. If Trace is unable to generate sufficient cash flow from operations to meet debt service payments on the Trace RDA Loan, including in the event the lender were to declare an event of default and accelerate the maturity of the indebtedness, such failure could have material adverse effects on the Company. The Trace RDA Loan is guaranteed by the Company and one subsidiary.

SHPP RDA Loan On November 6, 2012, SunLink Healthcare Professional Property, LLC, a subsidiary of the Company, entered into and closed on a \$2,100 term loan dated as of October 31, 2012 (the SHPP RDA Loan) with a bank. SHPP owns and leases a medical office building to Southern Health Corporation of Ellijay, Inc. (SHC Ellijay). SHC Ellijay owns and operates North Georgia Medical Center (North Georgia), located in Ellijay, Georgia.

The SHPP RDA Loan has a term of 25 years with monthly payments of principal and interest until repaid. The SHPP RDA Loan bears interest at a floating rate of interest equal to the greater of (i) the prime rate (as published in The Wall Street Journal) plus 2.0%, or (ii) 5% (5.25% at December 31, 2015). The SHPP RDA Loan is collateralized by SHPP's real estate, equipment and leases and is partially guaranteed under the U.S. Department of Agriculture, Rural Development Business and Industry Program. Of the SHPP RDA Loan proceeds, \$1,800 was used by SHC Ellijay to acquire a medical office building in Ellijay, Georgia which was then sold to SHPP, with the remainder of the SHPP RDA Loan proceeds used by SHPP for working capital and closing costs. The SHPP RDA Loan contains certain financial covenants with respect to the ratio of current assets to current liabilities and debt service coverage, all as defined in the SHPP RDA Loan Agreement, which SHPP must maintain and that are measured at the end of each fiscal year. The SHPP RDA Loan is guaranteed by the Company and one subsidiary.

Carmichael Notes On April 22, 2008, SunLink Scripts Rx, LLC issued a \$3,000 promissory note with an interest rate of 8% to the former owners of Carmichael as part of the acquisition purchase price (the Carmichael Purchase Notes). Under amendments and modifications to the Carmichael Purchase Notes during fiscal 2013 and 2014, the Company made payments of principal and interest with additional notes and extended the maturity date of the Carmichael Purchase Notes to October 22, 2017. The Carmichael Purchase Notes currently is payable in semi-annual installments of \$185 of principal and plus accrued interest, with the remaining balance of \$1,257 due October 22, 2017. The

Carmichael Purchase Notes is guaranteed by the Company.

Note 9. Income Taxes

Income tax expense of \$7,306 (\$6,640 federal tax expense and \$666 state tax expense) and income tax expense of \$799 (\$643 federal tax expense and \$156 state tax expense) was recorded for the three months ended December 31, 2015 and 2014, respectively. Income tax expense of \$6,852 (\$6,210 federal tax expense and \$642 state tax expense) and income tax expense of \$985 (\$863 federal tax expense and \$122 state tax expense) was recorded for the six months ended December 31, 2015 and 2014, respectively.

In accordance with the Financial Accounting Standards Board Accounting Standards Codification (ASC) 740, we evaluate our deferred taxes quarterly to determine if adjustments to our valuation allowance are required based on the consideration of available positive and negative evidence using a more likely than not standard with respect to whether deferred tax assets will be realized. Our evaluation considers, among other factors, our historical operating results, our expectation of future results of operations, the duration of applicable statutory carryforward periods and conditions of the healthcare industry. The ultimate realization of our deferred tax assets depends primarily on our ability to generate future taxable income during the periods in which the related temporary differences in the financial basis and the tax basis of the assets become deductible. The value of our deferred tax assets will depend on applicable income tax rates.

At December 31, 2015, consistent with the above process, we evaluated the need for a valuation allowance against our deferred tax assets and determined that it was more likely than not that none of our deferred tax assets would be realized. As a result, in accordance with ASC 740, we recognized an additional valuation allowance of \$7,384 against the deferred tax asset so that the net tax asset was \$0 at December 31, 2015. We conducted our evaluation by considering available positive and negative evidence to determine our ability to realize our deferred tax assets. In our evaluation, we gave more significant weight to evidence that was objective in nature as compared to subjective evidence. Also, more significant weight was given to evidence that directly related to our current financial performance as compared to less current evidence, including future plans.

The principal negative evidence that led us to determine at December 31, 2015 that all the deferred tax assets should have a full valuation allowances was the three-year cumulative pre-tax loss from continuing operations as well as the underlying negative business conditions for rural hospital businesses in which our Healthcare Facilities Segment businesses operate.

For Federal income tax purposes, at December 31, 2015, the Company had approximately \$8,700 of estimated net operating loss carry-forwards available for use in future years subject to the limitations of the provisions of Internal Revenue Code Section 382.

Note 10. Insurance settlement

In January 2015, the Company received a \$1,000 settlement on a claim made under its insurance policy covering, among other things, employee theft relating to misappropriation of funds by two now former employees over an eight year period beginning in 2006. Income of \$1,000 was recognized in three and six months ended December 31, 2014.

Note 11. Commitments and Contingencies

Sale of Hospital Facilities The Company has sold three hospital facilities since June 30, 2012 and in connection with the sales has retained certain assets and liabilities. See Note 3 Discontinued Operations.

