SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

[**X**] Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended **September 30, 2001** 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 **0-16271**

DVI, INC.

(Exact name of registrant as specified in its charter)

Delaware	**22-2722773**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2500 York Road **Jamison, Pennsylvania**	**18929**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code **(215) 488-5000**

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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Common stock, $.005 par value – 14,340,437 shares as of October 31, 2001.

DVI, INC. AND SUBSIDIARIES

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DVI, Inc. and Subsidiaries

Consolidated Balance Sheets

Assets

(in thousands of dollars except share data)	September 30, 2001	June 30, 2001
	(Unaudited)	
Cash and cash equivalents	$ 12,961	$ 11,013
Restricted cash and cash equivalents	105,054	101,888
Accounts receivable	36,145	43,032
Investments	33,257	24,193
Contract receivables:		
Investment in direct financing leases and notes secured by equipment or medical receivables:		
Receivables in installments	1,081,175	1,030,887
Receivables and notes - related parties	-	3,413
Net notes collateralized by medical receivables	255,452	250,260
Residual valuation	24,680	22,659
Unearned income	(125,779)	(119,160)
Net investment in direct financing leases and notes secured by equipment or medical receivables	1,235,528	1,188,059
Less: Allowance for losses on receivables	(16,675)	(15,933)
Net contract receivables	1,218,853	1,172,126
Retained interests in securitizations - recourse credit enhancements	57,129	51,006
Servicing assets	9,415	8,792
Equipment on operating leases (net of accumulated depreciation of $4,284 and $3,749, respectively)	9,568	9,913
Repossessed assets	19,841	13,185
Furniture and fixtures (net of accumulated depreciation of $7,409 and $6,930, respectively)	5,623	5,588
Goodwill (net of accumulated amortization of $4,234 and $4,223, respectively)	8,876	8,854
Other assets	32,257	28,101
Total assets	$ 1,548,979	$ 1,477,691

The accompanying notes are an integral part of these consolidated financial statements.

DVI, Inc. and Subsidiaries

Consolidated Balance Sheets, continued

Liabilities and Shareholders' Equity

(in thousands of dollars except share data)	September 30, 2001 (Unaudited)	June 30, 2001
Accounts and equipment payables	$ 97,887	$ 81,821
Accrued expenses and other liabilities	34,753	31,479
Borrowings under warehouse facilities	397,729	340,195
Long-term debt:		
Discounted receivables (primarily limited recourse)	459,944	490,371
9 $^{7}/_{8}$% Senior notes due 2004	155,000	155,000
Other debt	109,306	85,134
Convertible subordinated notes	13,750	13,750
Total long-term debt	738,000	744,255
Deferred income taxes	47,992	50,390
Total liabilities	1,316,361	1,248,140
Commitments and contingencies (Note 7)		
Minority interest in consolidated subsidiaries	7,101	7,326
Shareholders' equity:		
Preferred stock, $10.00 par value; authorized 100,000 shares; no shares issued		
Common stock, $.005 par value; authorized 25,000,000 shares; outstanding 14,337,104 shares	72	72
Additional capital	136,856	136,795
Retained earnings	107,092	100,932
Accumulated other comprehensive loss	(18,503)	(15,574)
Total shareholders' equity	225,517	222,225
Total liabilities and shareholders' equity	$ 1,548,979	$ 1,477,691

The accompanying notes are an integral part of these consolidated financial statements.

<u>DVI, Inc. and Subsidiaries</u>

Consolidated Statements of Operations (unaudited)

(in thousands of dollars except share data)	Three Months Ended September 30, 2001	Three Months Ended September 30, 2000
Finance and other income:		
Amortization of finance income	$ 27,808	$ 29,222
Corvis deferred loan fees	-	1,621
Other income	3,452	2,003
Total finance and other income	31,260	32,846
Interest expense	22,078	23,224
Net interest and other income	9,182	9,622
Net gain on sale of financing transactions	14,892	3,977
Gain on revaluation of Corvis warrants	-	15,000
Net operating income	24,074	28,599
Selling, general and administrative expenses	10,633	12,452
Provision for losses on receivables	2,557	4,115
Earnings before minority interest, equity in net gain (loss) of investees, and provision for income taxes	10,884	12,032
Minority interest in net loss of consolidated subsidiaries	267	360
Equity in net gain (loss) of investees	11	(18)
Provision for income taxes	5,002	5,892
Net earnings	$ 6,160	$ 6,482
Net earnings per share:		
Basic	$ 0.43	$ 0.46
Diluted	$ 0.40	$ 0.42

The accompanying notes are an integral part of these consolidated financial statements.

DVI, Inc. and Subsidiaries

Consolidated Statements of Shareholders' Equity (unaudited)

(in thousands of dollars except share data)	Common Stock $.005 Par Value Shares	Common Stock $.005 Par Value Amount	Additional Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balances at June 30, 2000	14,222,974	$ 71	$ 135,346	$ 82,497	$ (2,551)	$ 215,363
Net earnings				18,435		18,435
Unrealized loss on available-for-sale securities (net of deferred taxes of $4,891)					(9,071)	(9,071)
Unrealized loss on derivative instruments designated as cash flow hedges (net of deferred taxes of $760)					(1,136)	(1,136)
Currency translation adjustment					(2,816)	(2,816)
Comprehensive income						5,412
Issuance of common stock upon exercise of stock options and warrants	99,980	1	1,230			1,231
Non-employee stock option grants			69			69
Conversion of subordinated notes	14,150		150			150
Balances at June 30, 2001	14,337,104	72	136,795	100,932	(15,574)	222,225
Net earnings				6,160		6,160
Unrealized loss on available-for-sale securities (net of deferred taxes of $754)					(1,387)	(1,387)
Unrealized loss on derivative instruments designated as cash flow hedges (net of deferred taxes of $1,645)					(2,460)	(2,460)
Currency translation adjustment					918	918
Comprehensive income						3,231
Non-employee stock option grants			61			61
Balances at September 30, 2001	14,337,104	$ 72	$ 136,856	$ 107,092	$ (18,503)	$ 225,517

The accompanying notes are an integral part of these consolidated financial statements.

DVI, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (unaudited)

(in thousands of dollars)	Three Months Ended September 30, 2001	2000
Cash flows from operating activities:		
Net earnings	$ 6,160	$ 6,482
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	6,850	5,958
Provision for losses on receivables	2,557	4,115
Net gain on sale of financing transactions	(14,892)	(3,977)
Unrealized gain on investments	-	(14,881)
Other, net	(278)	(342)
Changes in assets and liabilities:		
(Increases) decreases in:		
Restricted cash and cash equivalents	(3,166)	(57,156)
Accounts receivable	6,887	1,442
Other assets	(11,149)	(6,421)
Increases (decreases) in:		
Accounts payable	21,305	13,048
Accrued expenses and other liabilities	815	1,867
Deferred income taxes	(1,643)	(12,286)
Total adjustments	7,286	(68,633)
Net cash provided by (used in) operating activities	13,446	(62,151)
Cash flows from investing activities:		
Receivables originated or purchased	(277,644)	(186,025)
Portfolio receipts net of amounts included in income and proceeds from sale of financing transactions	220,341	145,157
Net (increase) decrease in notes collateralized by medical receivables	(5,192)	13,569
Furniture and fixtures additions	(501)	(1,215)
Net cash used in investing activities	(62,996)	(28,514)
Cash flows from financing activities:		
Exercise of stock options and warrants	-	85
Borrowings under warehouse facilities, net of repayments	57,534	67,189
Borrowings under long-term debt	35,806	64,554
Repayments on long-term debt	(42,061)	(41,741)
Net cash provided by financing activities	51,279	90,087
Effect of exchange rate changes on cash and cash equivalents	219	153
Net increase (decrease) in cash and cash equivalents	1,948	(425)
Cash and cash equivalents, beginning of period	11,013	6,353
Cash and cash equivalents, end of period	$ 12,961	$ 5,928

continued

DVI, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (unaudited) (concluded)

(in thousands of dollars)	Three Months Ended September 30, 2001	2000
Cash paid (received) during the period for:		
Interest	$ 21,954	$ 22,908
Income taxes, net of refunds	$ 198	$ 183

Supplemental disclosures of noncash transactions:

During the quarter ended September 30, 2001:

Investments:

Valley Health – $15.0 million was reclassified from contract receivables to investments to reflect the value of Convertible Series B shares received as consideration for amounts previously funded.

Primedex Health Systems, Inc. – $5.5 million was reclassified from investments to contract receivables to reflect the value of preferred shares exchanged for contract receivables and warrants.

Aegis Bio-Systems, LLC – $1.2 million was reclassified from contract receivables to investments to reflect the value of common stock received as consideration for amounts previously funded.

Diversified Therapy Corporation – $250,000 was reclassified from contract receivables to investments to reflect the value of common stock received as consideration for amounts previously funded.

Repossessed Assets:

Sylvania Diagnostics, L.P. – $4.2 million was reclassified from contract receivables to repossessed assets.

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements (unaudited)

In this discussion, the terms "DVI", the "Company", "we", "us" and "our" refer to DVI, Inc. and its subsidiaries, except where it is made clear that such terms mean only DVI, Inc. or an individual subsidiary.

Note 1. Basis of Presentation

The accompanying consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles (GAAP) for complete financial statements. The consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in our latest annual report on Form 10-K for the fiscal year ended June 30, 2001.

In the opinion of management, the consolidated financial statements contain all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation of the consolidated balance sheets as of September 30, 2001 and June 30, 2001, the consolidated statements of operations for the three month periods ended September 30, 2001 and 2000, the consolidated statements of shareholders' equity for the period from June 30, 2000 through September 30, 2001, and the consolidated statements of cash flows for the three month periods ended September 30, 2001 and 2000. The results of operations for the three month period ended September 30, 2001 are not necessarily indicative of the results of operations to be expected for the fiscal year ending June 30, 2002.

Certain amounts as previously reported have been reclassified to conform to the presentation for the three month period ended September 30, 2001.

Note 2. Derivative Instruments and Hedging Activities

The majority of our assets and liabilities are financial contracts with fixed and variable rates. Any mismatch between the repricing and maturity characteristics of our assets and liabilities exposes us to interest rate risk when interest rates fluctuate. To manage our interest rate risk, we employ a hedging strategy using derivative financial instruments.

Our equipment contracts are structured and permanently funded on a fixed-rate basis, but we use line-of-credit "warehouse" facilities until the permanent funding is obtained. Since funds borrowed through these warehouse facilities are obtained on a floating-rate basis, we are exposed to a certain degree of risk if interest rates rise and increase our borrowing costs. We manage this exposure through interest rate swaps or interest rate caps whereby we effectively change the variable borrowing cost to a fixed borrowing cost. These types of hedges are considered cash flow hedges.

In addition, when we originate equipment loans, we base our pricing in part on the spread we expect to achieve between the interest rate we charge our equipment loan customers and the effective interest cost we will pay when we permanently fund those loans, usually through securitization. Increases in interest rates that increase our permanent funding costs between the time the loans are originated and the time they are securitized could narrow, eliminate or even reverse this spread. We manage this exposure by using forward start interest rate swaps to effectively fix the benchmark-pricing index of our forecasted securitization transactions. These types of hedges are considered cash flow hedges.

Changes in the interest rates affect the fair value of fixed rate assets and liabilities. In a rising interest rate environment, fixed rate assets lose market value whereas fixed rate liabilities gain market value and vice versa. We manage our fixed rate asset exposure to fair value changes through the use of interest rate swaps whereby we attempt to limit the change in their fair value by effectively changing the benchmark pricing index from a fixed rate to a floating rate. These types of hedges are considered fair value hedges.

At September 30, 2001, we held the following derivative positions to manage our interest rate risk:

(in thousands of dollars)	**Notional Amount**	**Fair Value**
Cash Flow Hedges:		
Interest rate swaps	$168,000.0	$ (4,555.8)
Fair Value Hedges:		
Interest rate swaps	$ 14,707.4	$ (391.3)

In the next twelve months, we are forecasting to complete two domestic equipment securitizations. When these securitizations are completed, the fair value adjustments in accumulated other comprehensive loss (a component of shareholders' equity) will be reclassified into earnings and will be offset through the securitization closing entries, including adjustments to the gain on sale. If the fair value of the hedges is negative, the actual securitization pricing is lower than our hedged rate, which fixes our effective borrowing cost at our hedged rate. If the fair value of the hedges is positive, the actual securitization pricing is higher than our hedged rate, which also fixes our effective borrowing cost at our hedged rate. When the forecasted securitizations close, we currently expect $0.5 million in fair value adjustments to be reclassified from accumulated other comprehensive loss into earnings.

The maximum length of time that we are hedging the exposure of our future cash flows for forecasted transactions is through December 2005.

We have foreign currency exposures in our international operations due to lending in some areas in local currencies that are not funded with local currency borrowings but with U.S. dollars. In order to limit our exposure to foreign currency movements, we employ a hedging strategy using derivative instruments, primarily forward sales of the appropriate foreign currency. These types of hedges are considered net investment in foreign operations hedges.

At September 30, 2001, we held the following derivative positions to manage our foreign currency exposure:

(in thousands of dollars)	**Notional Amount**	**Fair Value**
Net Investment in Foreign Operations Hedges:		
Foreign currency denominated forward rate agreements	$ 6,379.1	$ 45.5

Gains totaling $0.8 million were included in cumulative translation adjustments at September 30, 2001.

Before entering into a derivative transaction for hedging purposes, we determine that a high degree of initial effectiveness exists between the projected change in the value of the hedged item and the projected change in the value of the derivative from a movement in interest rates or foreign currency rates, as applicable. High effectiveness means that the change in the value of the derivative will effectively offset the change in the value of the hedged item. We measure the effectiveness of each hedge throughout the hedge period. Any hedge ineffectiveness as defined by SFAS 133 is recognized in the income statement during each quarterly period. When options are used for hedging, the time value of the option is excluded from this effectiveness assessment. For the three months ended September 30, 2001, there were no changes to the fair values of cash flow hedges due to hedge ineffectiveness.

Accumulated Derivative Loss

The following table summarizes activity in accumulated other comprehensive loss related to derivatives classified as cash flow hedges that we held for the three months ended September 30, 2001:

(in thousands of dollars, net of deferred taxes)	
Beginning balance, July 1, 2001	$ (1,136)
Losses reclassified into earnings	(215)
Change in fair value of derivatives	(2,245)
Accumulated derivative loss included in accumulated other comprehensive loss as of September 30, 2001	$ (3,596)

Note 3. Corvis Corporation Warrants

Our investment in Corvis at December 31, 2000 reflected its market value at that date of $17.0 million, or $23 per share. We made the decision at that date to hold our investment based on our belief in the future of all-optical long distance communications and, because of its unique technology, the prospects for Corvis' stock to eventually rise to levels that existed during the prior year. We review our investment in Corvis each quarter and adjust its carrying value for changes in the market price of its shares, and we assess whether those changes are other than temporary. The price of Corvis' stock continued to drop subsequent to December 31, 2000, reflecting the general slowing of the economy and significant weakening in the telecommunications industry. Corvis' shares closed at $1.52 on September 30, 2001. We reduced our investment in Corvis by $15.9 million during those nine months to reflect this drop. We also reduced DVI's book value by $15.9 million (before a tax benefit of $5.6 million). That reduction in book value, however, was recorded in accumulated other comprehensive loss (a component of shareholders' equity) rather than in the Consolidated Statement of Operations based on our continued belief in the future of this technology and Corvis' future prospects. At December 31, 2001, we will once again adjust our investment to reflect its market price and, based on our reassessment of the stock's future prospects, we may elect at that date to realize in our Consolidated Statement of Operations that portion of the reduction in value that is considered other than temporary. DVI's book value will be unaffected by our conclusions.

Note 4. Allowance for Losses on Receivables

The following is an analysis of the allowance for losses on receivables:

	Three Months Ended September 30,	
(in thousands of dollars)	**2001**	**2000**
Balance, beginning of period	$ 15,933	$ 14,307
Provision for losses on receivables	2,557	4,115
Provision for losses on recourse credit enhancements	688	749
Net charge-offs	(2,503)	(1,774)
Balance, end of period	$ 16,675	$ 17,397

Note 5. Other Assets

The following represents a summary of the major components of other assets:

(in thousands of dollars)	September 30, 2001	June 30, 2001
Unamortized debt issuance costs	$ 13,137	$ 14,424
Refunds due on foreign taxes paid	9,024	5,187
Prepaid expenses	7,459	6,133
Miscellaneous	2,637	2,357
Total other assets	$ 32,257	$ 28,101

Note 6. Note Exchange Agreement on Convertible Subordinated Notes

In June 1994, the Company issued 9 1/8% convertible subordinated notes that were scheduled to mature in 2002. This debt features a conversion option to equity at a fixed price of $10.60 per share. At September 30, 2001, the outstanding principal on this debt was $13.8 million. A new Note Exchange Agreement, effective August 1, 2001, extended the maturity of this debt until June 2004. The debt terms remain consistent with the original debt issue except for the new maturity date.

Note 7. Commitments and Contingencies

In December 2000, a former employee of the Company filed an action in the Circuit Court of Cook County, Illinois (the Company subsequently had the case removed to the U.S. District Court for the Northern District of Illinois) arising out of the Company’s purchase of a partnership interest in and assets of Third Coast Capital (“TCC”), the Company’s venture leasing division, in 1998. The plaintiff alleges that his decision to sell his interest in TCC and accept employment with the Company was based on his reliance on a number of promises allegedly made by the Company, including the Company’s ability and willingness to fund the venture business in the future. The complaint alleges that these promises were false when made and represented a scheme to facilitate the Company’s misappropriation and conversion of TCC’s worth, alleged to be $25.0 million. The complaint alleges, among other things, fraud and breach of contract and seeks various remedies. The litigation is in the motion and discovery phase.

The Company believes the lawsuit is without merit and will vigorously defend against it. The Company believes it will prevail in this matter and, accordingly, no contingent loss provision has been recorded.

Note 8. Reconciliation of Earnings per Share Calculation

	Three Months Ended September 30,	
(in thousands except per share data)	**2001**	**2000**
Basic		
Income available to common shareholders	$ 6,160	$ 6,482
Average common shares	14,337	14,223
Basic earnings per common share	$ 0.43	$ 0.46
Diluted		
Income available to common shareholders	$ 6,160	$ 6,482
Effect of dilutive securities:		
Convertible debentures	182	184
Diluted income available to common shareholders	$ 6,342	$ 6,666
Average common shares	14,337	14,223
Effect of dilutive securities, net:		
Convertible debentures	1,297	1,311
Options	172	291
Warrants	-	11
Diluted average common shares	15,806	15,836
Diluted earnings per common share	$ 0.40	$ 0.42

Note 9. Segment Reporting

We have the following reportable segments based on the types of our financings:

- Equipment financing, which includes:
  - Sophisticated medical equipment financing directly to U.S. and international end users,
  - Medical equipment contracts acquired from originators that generally do not have access to cost-effective permanent funding and
  - "Small ticket" equipment financing.
- Medical receivables financing, which includes:
  - Medical receivable lines of credit issued to a wide variety of healthcare providers and
  - Software tracking of medical receivables.
- Corporate and all other, which includes:
  - Interim real estate financing, mortgage loan placement, subordinated debt financing for assisted living facilities and, to a lesser extent, merger and acquisition advisory services to our customers operating in the long-term care, assisted care and specialized hospital markets;
  - Asset-backed financing (including lease lines of credit) to emerging growth companies and
  - Miscellaneous financial advisory services, corporate income and overhead allocations.

The following information reconciles our reportable segment information to the consolidated financial statement totals:

	Three Months Ended September 30, 2001			
(in thousands of dollars)	**Total Finance and Other Income**	**Interest Expense**	**Net Earnings**	**Net Financed Assets**
Equipment financing	$ 24,894	$ 17,612	$ 5,846	$ 985,179
Medical receivables financing	7,162	4,132	340	253,445
Corporate and all other	(796)	334	(26)	63,601
Consolidated total	$ 31,260	$ 22,078	$ 6,160	$ 1,302,225

	Three Months Ended September 30, 2000			
(in thousands of dollars)	**Total Finance and Other Income (1)**	**Interest Expense**	**Net Earnings**	**Net Financed Assets**
Equipment financing	$ 23,240	$ 17,010	$ 363	$ 863,513
Medical receivables financing	8,511	5,279	1,025	227,481
Corporate and all other	16,095	935	5,094	57,657
Consolidated total	$ 47,846	$ 23,224	$ 6,482	$ 1,148,651

(1) Corporate and all other includes the gain on revaluation of Corvis warrants.

Monthly interest expense for warehouses and securitization debt are expensed to the divisions based upon the underlying collateral and advance rates. The interest expense for unsecured debt is charged according to the amount allocated on the balance sheet using the quarterly yield of unsecured debt. On the balance sheet, unsecured debt is allocated according to the percent of unsecured debt to the sum of the unsecured debt and shareholders' equity at the consolidated level. Income taxes are allocated to each division using the best estimate of tax rates for that division.

Geographic Information

We attribute finance and other income earned and net financed assets to geographic areas based on the location of our subsidiaries. Finance and other income earned and the balances of net financed assets for the three month periods ended and as of September 30, 2001 and 2000 by geographic area are as follows:

	Three Months Ended September 30, 2001	
(in thousands of dollars)	**Total Finance and Other income**	**Net Financed Assets**
United States	$ 22,470	$ 956,345
International	8,790	345,880
Total	$ 31,260	$ 1,302,225

	Three Months Ended September 30, 2000	
(in thousands of dollars)	**Total Finance and Other income**	**Net Financed Assets**
United States	$ 39,462	$ 870,687
International	8,384	277,964
Total	$ 47,846	$ 1,148,651

Major Customer Information

We have no single customer that accounts for 10% or more of revenue for the three month periods ended September 30, 2001 and 2000.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Total equipment financing contracts originated and acquired increased 64.7% to $271.0 million for the three month period ended September 30, 2001. This increase is due to higher volumes of new business in our retail, Third Coast Capital and international businesses.

Net financed assets increased 4.3% to $1.3 billion at September 30, 2001 when compared to the total as of June 30, 2001. Not included in net financed assets were the contracts sold but still serviced by us, which increased 5.2% to $1.1 billion as of September 30, 2001. Managed net financed assets, the aggregate of those appearing on our balance sheet and those which have been sold and are still serviced by us, totaled $2.4 billion as of September 30, 2001, representing a 4.5% increase over the total as of June 30, 2001.

During the three month period ended September 30, 2001, new line of credit commitments in our medical receivables financing business increased 201.0% to $58.7 million when compared to the same period of the prior year. Net medical receivables funded at September 30, 2001 totaled $255.5 million, an increase of 2.1%, or $5.2 million when compared to the balance at June 30, 2001. Average net medical receivables funded during the three month period ended September 30, 2001 increased 4.0% to $262.5 million from $252.5 million for the same period of the prior year. The yield on average net medical receivables funded for the three month period ended September 30, 2001 was 8.8% compared to 11.5% for the same period of the prior year.

Total finance and other income decreased by 4.8% to $31.3 million for the three month period ended September 30, 2001 when compared to the same period of the prior year.

- Amortization of finance income was $27.8 million for the three month period ended September 30, 2001 compared to $29.2 million for the three month period ended September 30, 2000. A $142.8 million increase in average net financed assets contributed $3.4 million to the increase in finance income, while a decrease in average yields caused a $4.8 million decrease in finance income. Based on average net financed assets of $1.4 billion and $1.2 billion for these respective three month periods, the annualized yields were 8.2% and 9.6%.

- Other income increased 72.3% to $3.5 million for the three month period ended September 30, 2001 when compared to the same period of the prior year. The increase is attributable mainly to income realized from forfeited deposits and proceeds received for the sale of an imaging center in which we had an interest. Recurring sources of other income consist primarily of medical receivables fees, late fees, net service fee income, and contract fees and penalties.

Interest expense decreased $1.1 million, or 4.9%, to $22.1 million for the three month period ended September 30, 2001 when compared to the three month period ended September 30, 2000. A lower cost of funds accounted for $3.7 million of this decrease, offset by an increase of $2.6 million due to an increase in average interest-bearing liabilities of $117.4 million. The rate on average interest-bearing debt for this period decreased to 7.6% when compared to 8.9% for the same period of the prior year.

The net gain on sale of financing transactions increased 274.5% to $14.9 million, representing 9.4% of the $158.5 million in contracts sold during the period. This compares to $4.0 million recognized for the three month period ended September 30, 2000, or 4.3% of the $93.3 million in contracts sold. The increase in gains of $10.9 million is due to both additional loans sold and improvements in pricing.

Net selling, general and administrative expenses ("SG&A") decreased 14.6% to $10.6 million when comparing the three month period ended September 30, 2001 to the same period of the prior year. The decrease is primarily due to lower legal collection costs related to the resolution of loan delinquencies, decreased salary and fringe benefit costs, and the suspension of monthly goodwill amortization in accordance with Statement of Financial Accounting Standards No. 142. These decreases were partially offset by increases in consultant costs, legal settlement costs, and inventory repairs and maintenance.

The allowance for losses was $16.7 million at September 30, 2001, or 0.70% of our managed portfolio, compared to $17.4 million at September 30, 2000, which represented 0.87% of the managed portfolio at that time. We made provisions for losses on receivables for the three month period ended September 30, 2001 of $3.2 million (including $688,000 on recourse credit enhancements), compared to $4.9 million (including $749,000 on recourse credit enhancements) for the same period ended September 30, 2000. Each month we charge off contracts in which losses are probable and all reasonable remedies have been pursued. We then evaluate the adequacy of the allowance for losses to absorb our current estimates of credit losses that have occurred in our managed portfolio. We make additional provisions for loss to restore the allowance to its required level. Our net charge-offs for the three months ended September 30, 2001 and 2000 were $2.5 million and $1.8 million, respectively, which represented 15.0%, and 10.2%, respectively, of the quarter-end allowance for losses. Recoveries on receivables previously charged off totaled $66,000 and $186,000 for the three month periods ended September 30, 2001 and 2000, respectively.

Earnings before minority interest, equity in net gain of investees and provision for income taxes decreased 9.5% to $10.9 million for the three month period ended September 30, 2001.

The provision for income taxes decreased 15.1% to $5.0 million. The effective income tax rate for the three months ended September 30, 2001 was 46.0%. This effective tax rate is higher than the U.S. statutory rate of 35.0% because of state income taxes, foreign withholding taxes (which are not affected by a decrease in pretax earnings) and our inability to record a tax benefit for foreign losses. The deferred tax balance at September 30, 2001 decreased a net $2.4 million from June 30, 2001 as a result of unrealized losses on our available-for-sale security investments and unrealized losses on cash flow hedges.

Net earnings were $6.2 million or $0.40 per diluted share for the three month period ended September 30, 2001 as compared to net earnings of $6.5 million or $0.42 per diluted share for the same period of the prior year.

Business Segments

Equipment Financing

In our equipment financing business, net financed assets increased $121.7 million to $985.2 million at September 30, 2001 from $863.5 million at September 30, 2000. Net earnings for the three month period ended September 30, 2001 were $5.8 million compared to $0.4 million for the same period of the prior year.

Amortization of finance income increased $0.2 million for the three month period ended September 30, 2001 when compared to the same period of the prior year. A $124.8 million increase in average net financed assets contributed $3.1 million of the increase in finance income. A decrease in average yields to 8.8% during the three month period ended September 30, 2001 from 10.0% during the same period of the prior year caused a decrease of $2.9 million.

Other income increased $1.4 million for the three month period ended September 30, 2001 when compared to the same period of the prior year due to higher miscellaneous fees offset by lower service fees. The net gain on sale of financing transactions increased $8.4 million due to an increase in contracts sold both domestically and internationally and improvements in pricing.

Interest expense increased $0.6 million for the three month period ended September 30, 2001 when compared to the same period of the prior year. Of this increase, $2.3 million is due to an increase in average interest-bearing liabilities used to fund a larger portfolio. Partially offsetting this was a decrease of $1.7 million related to a decrease in the average cost of funds. The rate on average interest bearing debt was 7.9% for the three month period ended September 30, 2001 compared with 8.7% for the same period of the prior year.

Net SG&A expenses decreased $0.6 million due to lower legal collection costs related to the resolution of loan delinquencies and the increased capitalization of initial direct costs, partially offset by increased staffing levels, sales commissions and equipment costs.

Medical Receivables Financing

In our medical receivables financing business, net financed assets at September 30, 2001 were $253.4 million, an increase of 11.4%, or $26.0 million over the amount at September 30, 2000. Net earnings for the three month period ended September 30, 2001 were $0.3 million compared to $1.0 million for the same period of the prior year.

Amortization of finance income decreased $1.5 million for the three month period ended September 30, 2001 when compared to the same period of the prior year. An increase in average net financed assets contributed $0.3 million to finance income, offset by a decrease in average yields for a decrease of $1.8 million. The yield on average net financed assets was 8.8% for the three month period September 30, 2001 compared to 11.5% for the three month period ended September 30, 2000.

Interest expense decreased $1.1 million to $4.1 million for the three month period ended September 30, 2001 when compared to the same period of the prior year. The rate on average interest bearing debt decreased to 6.9% for the three month period ended September 30, 2001 from 9.9% for the same period of the prior year.

After a $0.7 million increase in net SG&A expenses due to increased staffing levels and legal collection costs related to the resolution of loan delinquencies, after-tax net earnings decreased $0.7 million to $0.3 million when comparing the three month period ending September 30, 2001 to the same period of the prior year.

Corporate and All Other

Net financed assets increased $5.9 million to $63.6 million at September 30, 2001 from $57.7 million at September 30, 2000. For the three months ended September 30, 2001, net earnings decreased $5.1 million when compared to the same period of the prior year.

Finance and other income decreased $16.9 million when comparing the three month period ending September 30, 2001 to the same period of the prior year, due mainly to a $15.0 million gain on the revaluation of Corvis warrants recorded during the three months ended September 30, 2000. Interest expense decreased $0.6 million for the three month period ended September 30, 2001 compared to the same period of the prior year, due equally to decreases in yields and average debt balances.

Financial Condition

Total shareholders' equity increased $3.3 million to $225.5 million at September 30, 2001 from $222.2 million at June 30, 2001. The increase was primarily due to net earnings of $6.2 million and cumulative foreign currency translation adjustments of $1.0 million, offset by unrealized losses on available-for-sale securities of $1.4 million and unrealized losses on derivative instruments designated as cash flow hedges of $2.5 million.

At September 30, 2001 we had available an aggregate of $676.9 million under various warehouse credit facilities for medical equipment and medical receivables financing, consisting of $406.9 million available for domestic equipment contracts, $187.0 million for international contracts, and $83.0 million for medical receivables contracts.

Permanent Funding Methods

Through September 30, 2001, we have completed 28 securitizations for medical equipment and medical receivables financings totaling approximately $3.6 billion, consisting of public debt issues and private placements of debt and contract sales, each totaling $1.8 billion. We expect to continue to use securitization (on both a public and private basis) or other structured finance transactions as our principal means to permanently fund our contracts for the foreseeable future.

We have $287.6 million available under two credit facilities with the option to sell to each certain equipment contracts. As of September 30, 2001, $286.9 million was sold to these facilities. Our obligations under these facilities include servicing of the assets and assisting the owners in the securitization of the assets if the owners choose to do so.

We believe that our present warehouse and permanent funding sources are sufficient to fund our current needs for our equipment and medical receivables financing businesses.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to two primary types of market risk: interest rate risk and foreign currency exchange risk. We actively manage both of these risks.

Interest Rate Risk

The majority of our assets and liabilities are financial contracts with fixed and variable rates. Any mismatch between the repricing and maturity characteristics of our assets and liabilities exposes us to interest rate risk when interest rates fluctuate. For example, our equipment loans are structured and permanently funded on a fixed-rate basis, but we use line-of-credit "warehouse" facilities until the permanent matched funding is obtained. Since funds borrowed through warehouse facilities are obtained on a floating-rate basis, we are exposed to a certain degree of risk if interest rates rise and increase our borrowing costs. In addition, when we originate equipment loans, we base our pricing in part on the spread we expect to achieve between the interest rate we charge our equipment loan customers and the effective interest cost we will pay when we permanently fund those loans. Increases in interest rates that increase our permanent funding costs between the time the loans are originated and the time they are permanently funded could narrow, eliminate or even reverse this spread. In addition, changes in interest rates affect the fair market value of fixed rate assets and liabilities. In a rising interest rate environment, fixed rate assets lose market value whereas fixed rate liabilities gain market value and vice versa.

To manage our interest rate risk, we employ a hedging strategy using derivative financial instruments such as forward rate agreements, Treasury locks, forward start swaps and interest rate swaps, caps and collars. We do not use derivative financial instruments for trading or speculative purposes. We manage the credit risk of possible counterparty default in these derivative transactions by dealing exclusively with counterparties with investment grade ratings.

Before entering into a derivative transaction for hedging purposes, we determine that a high degree of initial effectiveness exists between the change in the value of the hedged item and the change in the value of the derivative from a movement in interest rates. High effectiveness means that the change in the value of the derivative will be effectively offset by the change in the value of the hedged asset or liability. We measure the effectiveness of each hedge throughout the hedge period. Any hedge ineffectiveness, as defined by Statement of Financial Accounting Standards ("SFAS") No. 133, is recognized in the income statement during each quarterly period.

There can be no assurance that our hedging strategies or techniques will be effective, that our profitability will not be adversely affected during any period of change in interest rates or that the costs of hedging will not exceed the benefits.

The following table provides information about certain financial instruments held that are sensitive to changes in interest rates. For assets and liabilities, the table presents principal cash flows and related weighted average interest rates by expected maturity date at September 30, 2001. For derivative financial instruments, the table presents notional amounts and weighted average interest rates by expected (contractual) maturity dates. These notional amounts generally are used to calculate the contractual payments to be exchanged under the contract. Weighted average variable rates, which are generally LIBOR-based, represent the interest rates in effect at September 30, 2001. The information is presented in U.S. dollar equivalents, which is our reporting currency. The actual cash flows are denominated in U.S. dollars (US), Singapore dollars (SGD), Hong Kong dollars (HKD), Japanese yen (JPY), Australian dollars (AUD), British pounds (GBP), Euro (EUR) and South African Rand (ZAR), as indicated in parentheses. The table excludes investments in direct financing leases totaling $240.4 million in accordance with disclosure requirements, although our lease contracts are exposed to interest rate risk. The information does not include any estimates for prepayments, reinvestment, refinancing or credit losses.

(in thousands of dollars)	Expected Maturity Date – Qtr Ended September 30, 2002	2003	2004	2005	2006	There-after	Total	Fair Value
Rate-Sensitive Assets:								
Fixed rate receivables in installments (US)	$ 93,803	$ 63,641	$ 54,275	$ 39,713	$ 24,263	$ 11,880	$ 287,575	$ 287,851
Average interest rate	9.96%	10.03%	10.01%	9.73%	9.64%	10.17%	9.96%	
Fixed rate receivables in installments (SGD)	$ 1,297	$ 672	$ 742	$ 501	$ 200	$ 44	$ 3,456	$ 3,436
Average interest rate	9.86%	9.86%	9.86%	9.86%	7.93%	8.36%	9.86%	
Fixed rate receivables in installments (JPY)	$ 3,606	$ 3,863	$ 3,016	$ 1,243	$ 153	-	$ 11,881	$ 11,200
Average interest rate	6.13%	6.13%	6.13%	6.48%	6.75%	-	6.13%	
Fixed rate receivables in installments (AUD)	$ 201	$ 64	$ 45	$ 88	-	-	$ 398	$ 391
Average interest rate	6.44%	8.86%	8.65%	8.68%	-	-	6.44%	
Fixed rate receivables in installments (GBP)	$ 39	$ 61	-	-	-	-	$ 100	$ 101
Average interest rate	10.88%	10.88%	-	-	-	-	10.88%	
Fixed rate receivables in installments (EUR)	$ 6,708	$ 7,224	$ 7,247	$ 6,089	$ 4,486	$ 730	$ 32,484	$ 31,880
Average interest rate	8.39%	8.44%	8.58%	8.73%	8.92%	8.70%	8.39%	
Floating rate receivables in installments (US)	$ 43,427	$ 40,176	$ 26,536	$ 11,654	$ 6,821	$ 582	$ 129,196	$ 129,196
Average interest rate	6.78%	7.53%	8.04%	7.05%	7.18%	6.07%	6.78%	
Floating rate notes collateralized by medical receivables (US)	$164,688	$ 71,728	$ 5,383	$ 19,363	-	-	$ 261,162	$ 261,162
Average interest rate	7.85%	7.58%	7.21%	7.88%	-	-	7.85%	
Fixed rate recourse credit enhancements (US)	$ 14,883	$ 14,633	$ 11,929	$ 9,333	$ 5,066	$ 1,285	$ 57,129	$ 56,357
Average interest rate	6.23%	6.19%	6.17%	6.05%	5.82%	5.87%	6.23%	
Totals	$328,652	$202,062	$109,173	$ 87,984	$ 40,989	$ 14,521	$ 783,381	$ 781,574
Average interest rate	8.24%	8.25%	8.77%	8.46%	8.66%	9.55%	8.33%	
Derivatives Matched Against Assets:								
Interest Rate Swaps								
Pay variable rate swaps (US)	-	$ 2,000	-	-	-	-	$ 2,000	$ (25)
Weighted average pay rate	-	3.79%	-	-	-	-	3.79%	
Weighted average receive rate	-	3.58%	-	-	-	-	3.58%	
Pay fixed rate swaps (AUD)	-	-	-	$ 1,279	$ 1,378	-	$ 2,657	$ (99)
Weighted average pay rate	-	-	-	6.64%	6.42%	-	6.53%	
Weighted average receive rate	-	-	-	4.66%	4.67%	-	4.66%	
Pay fixed rate swaps (EUR)	-	-	$ 7,091	$ 2,960	-	-	$ 10,051	$ (268)
Weighted average pay rate	-	-	5.16%	5.34%	-	-	5.21%	
Weighted average receive rate	-	-	4.03%	4.37%	-	-	4.13%	
Totals		$ 2,000	$ 7,091	$ 4,239	$ 1,378		$ 14,708	$ (392)

(in thousands of dollars)	Expected Maturity Date – Qtr Ended September 30, 2002	2003	2004	2005	2006	There-after	Total	Fair Value
Rate-Sensitive Liabilities:								
Variable rate borrowings under warehouse facilities (US)	$303,000	-	-	-	-	-	$ 303,000	$ 303,000
Average interest rate	4.99%	-	-	-	-	-	4.99%	
Variable rate borrowings under warehouse facilities (AUD)	$ 4,415	-	-	-	-	-	$ 4,415	$ 4,415
Average interest rate	6.18%	-	-	-	-	-	6.18%	
Variable rate borrowings under warehouse facilities (GBP)	$ 17,769	-	-	-	-	-	$ 17,769	$ 17,769
Average interest rate	6.68%	-	-	-	-	-	6.68%	
Variable rate borrowings under warehouse facilities (JPY)	$ 5,264	-	-	-	-	-	$ 5,264	$ 5,264
Average interest rate	2.88%	-	-	-	-	-	2.88%	
Variable rate borrowings under warehouse facilities (SGD)	$ 7,213	-	-	-	-	-	$ 7,213	$ 7,213
Average interest rate	4.40%	-	-	-	-	-	4.40%	
Variable rate borrowings under warehouse facilities (HKD)	$ 3,762	-	-	-	-	-	$ 3,762	$ 3,762
Average interest rate	5.25%	-	-	-	-	-	5.25%	
Variable rate borrowings under warehouse facilities (EUR)	$ 55,823	-	-	-	-	-	$ 55,823	$ 55,823
Average interest rate	5.31%	-	-	-	-	-	5.31%	
Variable rate borrowings under warehouse facilities (ZAR)	$ 483	-	-	-	-	-	$ 483	$ 483
Average interest rate	13.50%	-	-	-	-	-	13.50%	
Fixed rate discounted receivables (US)	$ 93,059	$ 70,534	$ 46,622	$ 25,446	$ 7,611	$ 1,212	$ 244,484	$ 254,302
Average interest rate	6.92%	6.98%	7.08%	6.99%	6.73%	7.10%	6.92%	
Variable rate discounted receivables (US)	$ 97,429	$101,812	$ 10,329	$ 4,777	$ 1,113	-	$ 215,460	$ 215,460
Average interest rate	4.81%	4.83%	6.86%	6.86%	6.86%	-	4.97%	
Senior notes (US)	-	-	$155,000	-	-	-	$ 155,000	$ 139,500
Average interest rate	-	-	9.88%	-	-	-	9.88%	
Subtotals	$588,217	$172,346	$211,951	$ 30,223	$ 8,724	$ 1,212	$1,012,673	$1,006,991

(in thousands of dollars)	Expected Maturity Date – Qtr Ended September 30, 2002	2003	2004	2005	2006	There-after	Total	Fair Value
Rate-Sensitive Liabilities (continued):								
Other debt (US)	$ 18,017	$ 17,077	$ 5,082	$ 28,241	$ 656	-	$ 69,073	$ 68,421
Average interest rate	7.74%	7.71%	7.57%	6.84%	4.96%	-	7.33%	
Other debt (GBP)	$ 2,542	$ 2,451	$ 1,993	$ 1,918	$ 1,994	$ 4,746	$ 15,644	$ 12,292
Average interest rate	7.17%	7.10%	6.99%	6.92%	6.90%	7.41%	7.14%	
Other debt (EUR)	$ 2,175	$ 9,750	$ 5,127	$ 4,226	$ 3,311	-	$ 24,589	$ 23,128
Average interest rate	6.27%	7.73%	7.40%	7.40%	6.64%	-	7.49%	
Convertible sub notes (US)	-	-	$ 13,750	-	-	-	$ 13,750	$ 22,830
Average interest rate	-	-	9.12%	-	-	-	9.12%	
Totals	$610,951	$201,624	$237,903	$ 64,608	$ 14,685	$ 5,958	$1,135,729	$1,133,662
Average interest rate	5.42%	5.99%	9.03%	6.94%	6.66%	7.35%	6.38%	
Derivatives Matched Against Liabilities:								
Interest Rate Swaps								
Pay fixed rate swaps (US)	$177,298	-	-	$ 8,000	-	-	$ 185,298	$ (4,559)
Weighted average pay rate	4.69%	-	-	5.84%	-	-	4.74%	
Weighted average receive rate	3.72%	-	-	4.71%	-	-	3.76%	
Pay fixed rate swaps (JPY)	$ 15,577	-	-	-	-	-	$ 15,577	$ -
Weighted average pay rate	0.12%	-	-	-	-	-	0.12%	
Weighted average receive rate	2.66%	-	-	-	-	-	2.66%	
Pay fixed rate swaps (AUD)	$ 2,163	-	-	-	-	-	$ 2,163	$ -
Weighted average pay rate	5.18%	-	-	-	-	-	5.18%	
Weighted average receive rate	2.66%	-	-	-	-	-	2.66%	
Totals	$195,038			$ 8,000			$ 203,038	$ (4,559)

Total rate-sensitive assets increased $34.9 million from the total at June 30, 2001. This increase is primarily due to higher fixed-rate domestic equipment receivables of $20.8 million.

Total rate-sensitive liabilities increased $51.3 million from the total at June 30, 2001. This increase was primarily due to additional borrowings under domestic warehouse facilities.

Changes in the overall derivative positions held at September 30, 2001 compared to those held at June 30, 2001 reflect the changes in the Company's exposures in its financial contracts.

Foreign Currency Exchange Rate Risk

We have foreign currency exposures in our international operations due to lending in some areas in local currencies. As a general practice, we have not hedged the foreign exchange exposure related to either the translation of overseas earnings into U.S. dollars or the translation of overseas equity positions back to U.S. dollars. Our preferred method for minimizing foreign currency transaction exposure is to fund local currency assets with local currency borrowings. For specific local currency-denominated receivables or for a portfolio of local currency-denominated receivables for a specific period of time, hedging with derivative financial instruments may be necessary to manage the foreign currency exposure derived from funding in U.S.

dollars. The types of derivative instruments used are foreign exchange forward contracts and cross-currency interest rate swaps.

The following table provides information about certain financial instruments held that are sensitive to changes in foreign exchange rates. For assets and liabilities, the table presents principal cash flows and related weighted average interest rates by expected maturity date at September 30, 2001. For foreign currency forward exchange agreements, the table presents notional amounts and weighted average exchange rates by expected (contractual) maturity dates. These notional amounts generally are used to calculate the contractual payments to be exchanged under the contract. The information is presented in U.S. dollar equivalents, which is our reporting currency. The actual cash flows are denominated in Singapore dollars (SGD), Japanese yen (JPY), Australian dollars (AUD), British pounds (GBP), Euro (EUR), Hong Kong dollars (HKD) and South African Rand (ZAR), as indicated in parentheses. The table excludes investments in direct financing leases totaling $165.5 million in accordance with disclosure requirements, although our lease contracts are exposed to foreign currency rate risk. The information does not include any estimates for prepayments, reinvestment, refinancing or credit losses.

	Expected Maturity Date – Qtr Ended September 30,					There-		Fair
(in thousands of dollars)	2002	2003	2004	2005	2006	after	Total	Value
Foreign Currency Sensitive Assets:								
Fixed rate receivables in installments (SGD)	$ 1,297	$ 672	$ 742	$ 501	$ 200	$ 44	$ 3,456	$ 3,436
Average interest rate	9.86%	9.86%	9.86%	9.86%	7.93%	8.36%	9.86%	
Fixed rate receivables in installments (JPY)	$ 3,606	$ 3,863	$ 3,016	$ 1,243	$ 153	-	$ 11,881	$ 11,200
Average interest rate	6.13%	6.13%	6.13%	6.48%	6.75%	-	6.13%	
Fixed rate receivables in installments (AUD)	$ 201	$ 64	$ 45	$ 88	-	-	$ 398	$ 391
Average interest rate	6.44%	8.86%	8.65%	8.68%	-	-	6.44%	
Fixed rate receivables in installments (GBP)	$ 39	$ 61	-	-	-	-	$ 100	$ 101
Average interest rate	10.88%	10.88%	-	-	-	-	10.88%	
Fixed rate receivables in installments (EUR)	$ 6,708	$ 7,224	$ 7,247	$ 6,089	$ 4,486	$ 730	$ 32,484	$ 31,880
Average interest rate	8.39%	8.44%	8.58%	8.73%	8.92%	8.70%	8.39%	
Totals	$ 11,851	$ 11,884	$ 11,050	$ 7,921	$ 4,839	$ 774	$ 48,319	$ 47,008
Average interest rate	7.84%	7.78%	8.00%	8.45%	8.81%	8.68%	7.93%	
Derivatives Matched Against Assets:								
Foreign Exchange Agreements								
Receive USD / Pay EUR	$ 6,379	-	-	-	-	-	$ 6,379	$ 46
Avg. contractual exchange rate	0.92	-	-	-	-	-	0.92	

(in thousands of dollars)	Expected Maturity Date – Qtr Ended September 30, 2002	2003	2004	2005	2006	There-after	Total	Fair Value
Foreign Currency Sensitive Liabilities:								
Variable rate borrowings under warehouse facilities (AUD)	$ 4,415	-	-	-	-	-	$ 4,415	$ 4,415
Average interest rate	6.18%	-	-	-	-	-	6.18%	
Variable rate borrowings under warehouse facilities (GBP)	$ 17,769	-	-	-	-	-	$ 17,769	$ 17,769
Average interest rate	6.68%	-	-	-	-	-	6.68%	
Variable rate borrowings under warehouse facilities (JPY)	$ 5,264	-	-	-	-	-	$ 5,264	$ 5,264
Average interest rate	2.88%	-	-	-	-	-	2.88%	
Variable rate borrowings under warehouse facilities (SGD)	$ 7,213	-	-	-	-	-	$ 7,213	$ 7,213
Average interest rate	4.40%	-	-	-	-	-	4.40%	
Variable rate borrowings under warehouse facilities (HKD)	$ 3,762	-	-	-	-	-	$ 3,762	$ 3,762
Average interest rate	5.25%	-	-	-	-	-	5.25%	
Variable rate borrowings under warehouse facilities (EUR)	$ 55,823	-	-	-	-	-	$ 55,823	$ 55,823
Average interest rate	5.31%	-	-	-	-	-	5.31%	
Variable rate borrowings under warehouse facilities (ZAR)	$ 483	-	-	-	-	-	$ 483	$ 483
Average interest rate	13.50%	-	-	-	-	-	13.50%	
Other debt (GBP)	$ 2,542	$ 2,451	$ 1,993	$ 1,918	$ 1,994	$ 4,746	$ 15,644	$ 12,292
Average interest rate	7.17%	7.10%	6.99%	6.92%	6.90%	7.41%	7.14%	
Other debt (EUR)	$ 2,175	$ 9,750	$ 5,127	$ 4,226	$ 3,311	-	$ 24,589	$ 23,128
Average interest rate	6.27%	7.73%	7.40%	7.40%	6.64%	-	7.49%	
Totals	$ 99,446	$ 12,201	$ 7,120	$ 6,144	$ 5,305	$ 4,746	$ 134,962	$ 130,149
Average interest rate	5.50%	7.60%	7.29%	7.25%	6.74%	7.41%	6.01%	
Derivatives Matched Against Liabilities:								
Foreign Exchange Agreements								
Receive USD / Pay EUR	$ 14,128	-	-	-	-	-	$ 14,128	$ 777
Avg. contractual exchange rate	0.86	-	-	-	-	-	0.86	
Receive USD / Pay JPY	$ 15,577	-	-	-	-	-	$ 15,577	$ (539)
Avg. contractual exchange rate	123.81	-	-	-	-	-	123.81	
Receive USD / Pay AUD	$ 2,163	-	-	-	-	-	$ 2,163	$ 90
Avg. contractual exchange rate	0.52	-	-	-	-	-	0.52	
Totals	$ 31,868						$ 31,868	$ 328

Total foreign currency sensitive liabilities increased $9.0 million from the total at June 30, 2001 due primarily to new international borrowings.

The derivative positions held at September 30, 2001 and June 30, 2001 are forward sales of currencies to hedge foreign currency denominated assets and liabilities funded on a short-term basis with U.S. dollars.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

Any statements contained in this Form 10-K that are not historical facts are forward-looking statements. Such statements are based upon many important factors that may be outside the Company's control, causing actual results to differ materially from those suggested. Such factors include, but are not limited to, changes (legislative and regulatory) in the healthcare industry, demand for our services, pricing, market acceptance, the effect of economic conditions, litigation, competitive products and services, corporate financing arrangements, the ability to complete transactions, and other risks identified in our filings with the Securities and Exchange Commission.

PART II – OTHER INFORMATION

Items 1 through 5 have been omitted because the related information is either inapplicable or has been previously reported.

ITEM 6. **EXHIBITS AND REPORTS ON FORM 8-K**

(a) Form 8-K

None

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.

DVI, INC.
(Registrant)

Date: November 13, 2001 By /s/ MICHAEL A. O'HANLON
Michael A. O'Hanlon
President and Chief Executive Officer

Date: November 13, 2001 By /s/ STEVEN R. GARFINKEL
Steven R. Garfinkel
Executive Vice President and Chief Financial Officer