

SECURITIES AND EXCHANGE COMMISSION

FORM 10QSB/A

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d) [amend]

Filing Date: **1996-12-30** | Period of Report: **1996-03-31**
SEC Accession No. **0000912057-96-030440**

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FILER

MEDICAL ASSET MANAGEMENT INC

CIK: **861822** | IRS No.: **330359976** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **10QSB/A** | Act: **34** | File No.: **000-27236** | Film No.: **96687715**
SIC: **8742** Management consulting services

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MESA AZ 85206
6028307414

U. S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10 - QSB\A

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1996

COMMISSION FILE NO. 0-27236

MEDICAL ASSET MANAGEMENT, INC.

A DELAWARE CORPORATION

EIN: 33 - 0359976

4447 E. BROADWAY, SUITE 102
MESA, ARIZONA 85206

TELEPHONE: 602-830-7414

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 periods 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
--- ---

As of November 15, 1996, 13,473,374 shares of the registrant's common stock were issued and outstanding.

Medical Asset Management, Inc.
Form 10 - QSB\A
March 31, 1996

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MEDICAL ASSET MANAGEMENT, INC.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	MARCH 31, 1996 RESTATED

ASSETS	
CURRENT ASSETS	
Cash	\$ 169,490
Accounts receivable	6,081,321
Management fee receivable	1,094,350
Notes receivable	99,841
Other assets	15,842

	7,460,844

PROPERTY, PLANT AND EQUIPMENT, NET	772,385
FRANCHISE FEES, NET	889,900
ACQUIRED MANAGEMENT AGREEMENTS, NET	7,503,343

	9,165,628
TOTAL ASSETS	\$16,626,472
LIABILITIES AND SHAREHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Capital lease obligations	\$ 19,000
Notes payable, shareholders	186,910
Payroll taxes payable	92,012
Accrued liabilities	314,219
Accrued income taxes payable	1,147,771
Current portion - long term debt	1,292,511
	3,052,423
LONG TERM DEBT:	
Long term debt, less current portion	341,400
Obligations under capital lease, less current portion	65,100
Convertible subordinated debt	773,524
	1,180,024
SHAREHOLDERS' EQUITY	
Preferred stock -\$.001 par value; 10,000,000 shares authorized; Class A-3,000,000 shares issued, 3,000,000 outstanding	3,000
Common stock -\$.001 par value; 50,000,000 shares authorized; 11,423,327 outstanding	11,325
Common stock to be issued, 1,208,708 shares	5,437,781
Additional paid-in capital	6,184,835
Unearned Remuneration	(1,216,470)
Retained Earnings	1,973,554
	12,394,025
TOTAL LIABILITIES AND EQUITY	\$16,626,472

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

MEDICAL ASSET MANAGEMENT, INC.
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

<TABLE>

	THREE MONTHS ENDED MARCH 31,	
	1996 RESTATED	1995 RESTATED
<S>	<C>	<C>
NET REVENUE	\$3,533,473	\$1,519,461
	-----	-----
EXPENSES		
Salaries	981,022	479,452
Clinic and general and administrative	1,742,247	589,576
Depreciation and amortization	87,197	43,870
Interest	76,560	
	-----	-----
	2,887,026	1,112,898
	-----	-----
NET INCOME BEFORE INCOME TAXES	646,447	406,563
PROVISION FOR INCOME TAXES	291,883	185,551
	-----	-----
NET INCOME	\$354,564	\$ 221,012
	-----	-----
	-----	-----
WEIGHTED-AVERAGE NUMBER OF COMMON STOCK AND COMMON STOCK EQUIVALENTS	12,173,027	9,894,656
	-----	-----
	-----	-----
INCOME PER PRIMARY COMMON SHARE	\$0.03	\$0.02
	-----	-----
	-----	-----

</TABLE>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

MEDICAL ASSET MANAGEMENT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOW
(UNAUDITED)

<TABLE>

	THREE MONTHS ENDED MARCH 31,	
	1996 RESTATED	1995 RESTATED
<S>	<C>	<C>
Net income	\$ 354,564	\$ 221,012
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	87,197	43,870
Cash provided net of effects of medical transactions, by changes in:		
Accounts receivable	(867,521)	(79,579)
Management fee receivable	(180,550)	(21,660)
Other assets	117	(75)
Accrued liabilities	277,912	25,178
	-----	-----
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(328,281)	188,746
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(28,475)	(18,285)
Net payments in medical practice transactions	(117,863)	
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(146,338)	(18,285)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of indebtedness	205,435	(196,796)
Sale of common stock	306,774	63,743
	-----	-----
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	512,209	(133,053)
NET INCREASE (DECREASE) IN CASH	37,590	37,408
CASH, AT THE BEGINNING OF THE YEAR	131,900	50,400
	-----	-----
CASH, AT END OF PERIOD	\$ 169,490	\$ 87,808
	-----	-----
	-----	-----

</TABLE>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

Medical Asset Management, Inc.
Notes to Consolidated Financial Statements

Note 1 -- Basis of Presentation and Restatement

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

In the opinion of management, the unaudited consolidated financial statements in this report reflect normal recurring adjustments considered necessary for a fair presentation of the financial position and results of operations for the interim period presented. To conform to the presentation for the three months ended September 30, 1996, the contractual allocation of revenues to medical-owner(s) of clinics and practices managed by the Company has been reclassified as a reduction of net revenues in the three months ended March 31, 1995. Previously, these contractual allocations were reported as consulting fees. This reclassification had no effect on net income for any period presented.

During the third quarter of 1996, it was determined that the Company had incorrectly accounted for contingent stock committed to be issued in future years under management agreements acquired in 1994 as purchase price adjustments rather than compensation expense as required by generally accepted accounting principles. The Company continues to account for nonforfeitable stock committed to be issued for management agreements acquired in 1995 and 1996 as a component of their purchase price. This intangible asset is amortized over 25 years or the life of the agreement. Both nonforfeitable and contingent common stock committed to be issued in future periods is shown as a separate component in shareholders equity in accordance with generally accepted accounting principles. These amounts were previously reported as unissued shares. The unearned remuneration associated with contingent shares is also shown as a reduction of equity. The following schedule summarizes the effect of restating the Company's 1995 and 1996 financial statements:

Medical Asset Management, Inc.
Notes to Consolidated Financial Statements
March 31, 1996
(Unaudited)

	NET INCOME	NET INCOME PER SHARE	SHAREHOLDER'S EQUITY
	-----	-----	-----
FISCAL 1996			

Quarter ended March 31:			
As previously reported	\$496,598	.05	\$ 6,892,695
Adjustment	(142,034)	(.02)	5,501,330
As presented herein	354,564	.03	12,394,025

FISCAL 1995

Quarter ended March 31:			
As previously reported	\$291,945	\$0.03	\$ 3,012,765
Adjustment	(70,933)		628,510
As presented herein	221,012	0.02	3,641,275

The presentation of the Company's financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as disclosures on contingent assets and liabilities. Because of inherent uncertainties in the process, actual future results could differ from those expected, and thus accrued, at the reporting date. These unaudited financial statements, footnote disclosures and other information should be read in conjunction with the financial statements and notes thereto included in the Company's Form 10-KSB, as may be amended.

Medical Asset Management, Inc.
Notes to Consolidated Financial Statements
March 31, 1996
(Unaudited)

Note 2 -- Medical Service Revenue

Medical service revenue for services to patients by clinics and practices affiliated with the Company is recorded when services are rendered based upon established or negotiated charges reduced by contractual adjustments and allowances for doubtful accounts. Differences between estimated contractual adjustments and final settlements are reported in the period when final settlements are determined. Medical service revenue of the affiliated clinics and practices is also reduced by the contractual amounts retained by the medical groups to arrive at the Company's revenue shown on its income statement.

The following presents the amounts included in the determination of the Company's net revenue (in thousands):

	Three Months Ended March 31	
	----- 1996 -----	1995 -----
Medical service revenue	\$5,450	\$2,549
Amounts retained by medical groups	1,917	1,030

	-----	-----
Net Revenue	\$3,533	\$1,519
	-----	-----
	-----	-----
Number of management service agreements at end of period	23	11

Note 3 -- Medical Practice Transactions

During the first three months of 1996, the Company acquired certain non-medical assets of and entered into long-term management service agreements with five medical practices. The transactions have been accounted for as asset purchases. The following presents the aggregate consideration required to complete those transactions (in thousands):

Medical Asset Management, Inc.
Notes to Consolidated Financial Statements
March 31, 1996
(Unaudited)

	Three Months Ended March 31	
	----- 1996 -----	----- 1995 -----
Cash and transaction costs	\$ 118	-0-
Issuance of notes	497	91
Common stock (Include shares to be issued)	2,381	625

The Company is currently committed to issue shares of Common Stock pursuant to completed acquisition transactions as follows: 38,345 shares in 1996; 302,177 shares in 1997; 302,177 shares in 1998; 302,177 shares in 1999; and 263,832 shares in 2000. Although such shares are not issued or outstanding for legal purposes, such shares are nonforfeitable and considered as outstanding for per share calculations.

The accompanying unaudited consolidated financial statements include the results of operations from the Company's management service agreements from their respective effective dates. The following unaudited proforma information presents the results of operations for the three months ended March 31, 1995, assuming all 1995 and 1996 transactions were consummated on January 1, 1995 and for the three months ended March 31, 1996 assuming all 1996 transactions were consummated January 1, 1996. Such proforma information is based on the historical financial information of the medical practices and does not include

operational or other changes which might have been effected pursuant to the Company's management of the nonmedical aspects of such practices. The proforma information presented below is for illustrative information only and is not necessarily indicative of results which would have been achieved or results which may be achieved in the future (in thousands, except share amounts):

	Three Months Ended March 31	
	1996	1995
Revenue	\$3,909	\$2,074
Net income	450	248
Net income per share	0.04	0.03

Medical Asset Management, Inc.
Notes to Consolidated Financial Statements
March 31, 1996
(Unaudited)

Note 4 -- Capitalization

As part of entering into long-term management agreements with medical practices described in Note 3, the Company has nonforfeitable commitments to issue shares of Common Stock at specified future dates for no further consideration. Both contingent and nonforfeitable common stock to be issued is shown as a separate component in shareholders' equity and the amounts, upon issuance of the shares, will be reclassified to par value and additional paid in capital.

During the first quarter of 1996, the Company raised \$306,774 through a private placement through the sale of 183,352 shares of the Company's stock.

Note 5 -- Net Income Per Share

The computation of net income per share is based on the weighted average number of shares of Common Stock and Common Stock equivalents outstanding during the periods in accordance with the requirements of the Securities and Exchange Commission (SEC). Fully diluted net income per share has not been presented because it does not differ materially from the primary per share computations.

The following table summarizes the determination of shares used in per share calculations (in thousands):

	Three Months Ended March 31	
	1996	1995
Outstanding at end of period		

Common Stock	11,737	9,840
Common Stock to be issued	1,055	153
	-----	-----
	12,792	9,993
Effect of weighting	(619)	(98)
	-----	-----
Shares used in per share calculations	12,173	9,895
	-----	-----
	-----	-----

Medical Asset Management, Inc.
Management's Discussion and Analysis of
Financial Condition and Results of Operations

Introduction

Medical Asset Management, Inc. (the "Company") enters into management agreements with, and purchases the nonmedical assets of medical clinics and practices. Under the terms of these management agreements, the Company provides comprehensive management services to its affiliated practices, including operational and administrative services, and furnishes management personnel, facilities, supplies and equipment. The Company's revenue consists of management fees and includes the reimbursement of all medical practice non-medical operating costs.

The Company's objective is to create a national network of regionally integrated medical clinics and practices that preserve the individual contracting physician's practice, thereby establishing the individual practice or clinic as a stable going concern, thus assisting older physicians to transition their medical practices to younger associates.

Results of Operations

Since June of 1994 when the Company completed its recapitalization as a public company, it has grown from managing three affiliated physicians in one state to 45 affiliated physicians and 23 practices in four states as of March 31, 1996. For the first three months of 1995, four of the Company's affiliated practices each contributed more than 10% of the Company's revenue. For the first three months of 1996, only one of the Company's affiliated practices contributed more than 10% of the Company's revenue and that clinic contributed 25% of total revenue in that period. For the first three months of 1995, the payor mix of medical practice revenue, expressed as a percentage, was 35% for Medicare and Medicaid, 30% for managed care and 35% for private insurance and other payors. For the first three months of 1996, the payor mix of medical practice revenue was 35% for Medicare and Medicaid, 35% for managed care and 30% for private insurance and other payors. As a result of the Company's rapid growth, the Company's limited period of affiliation with the physician practices and the different payor and patient mixes of the practices, the Company does not believe that the period-to-period comparisons and percentage relationships

within periods are fully meaningful at this time.

The following table sets forth the percentages of revenue represented by certain items reflected in the Company's Statement of Income. The information that follows should be read in conjunction with the Company's unaudited consolidated financial statements and notes thereto included elsewhere herein.

Medical Asset Management, Inc.
Management's Discussion and Analysis of
Financial Condition and Results of Operations

	Three Months Ended March 31	
	1996	1995

Revenue	100.0%	100.0%
Operating expenses:		
Salaries	27.8%	31.6%
Clinic and general and administrative	49.3%	38.8%
Depreciation and amortization	2.5%	2.9%
Interest	2.2%	
	-----	-----
Income before income taxes	18.3%	26.8%
Income taxes	8.3%	12.2%
	-----	-----
Net income	10.0%	14.5%
	-----	-----

Comparison of the Three Months Ended March 31, 1996 and the Three Months Ended March 31, 1995

The company entered into management agreements with two practices in the first three months of 1995 and five practices in the first three months of 1996, the results of which are included in the Company's operating results from the dates of affiliation. Changes in the results of operations from the first three months of 1995 to the first three months of 1996 were caused primarily by additional practices that the Company entered into management agreements with in 1995.

Revenue

Revenue for the three months ended March 31, 1996 increased \$2.0 million or 133% over the comparable prior year period. Substantially all of the increase was attributable to the addition of new practices subsequent to March 31, 1995

which are included in the results for the three months ended March 31, 1996.

Medical Asset Management, Inc.
Management's Discussion and Analysis of
Financial Condition and Results of Operations

Clinic and general and administrative expenses

Clinic and general and administrative expenses, which on a combined basis include both clinic and corporate operating expenses for the three months ended March 31, 1996, increased by \$1,153,000 or 196% over the comparable prior year period. Substantially all of the increase was attributable to the addition of new practices and growth in the corporate staff to support continued expansion.

Salaries

Salaries consist of the cost of corporate management and operations and development personnel. For the three months ended March 31, 1996, salaries increased by \$502,000 or 105% over the comparable prior year period. The increase was caused by additional staff required to support the Company's rapid growth.

Depreciation and Amortization

Depreciation and amortization expenses for the three months ended March 31, 1996 increased \$43,300 or 99% over the comparable prior year period. The increase was primarily the result of amortization of additional intangible assets acquired during 1995.

Interest

Interest expense for the three months ended March 31, 1996 increased \$76,600 or 100% over the comparable prior year period. The increase was primarily attributable to interest paid on the Company's Convertible Subordinated Debentures issued in 1995.

Medical Asset Management, Inc.
Management's Discussion and Analysis of
Financial Condition and Results of Operations

Liquidity and Capital Resources

The Company requires capital primarily to obtain management agreements with, and to purchase the nonmedical assets of additional medical practices pursuant to its business plan. From its incorporation through March 31, 1996, the Company has entered into management agreements with 23 medical practices. To fund this rapid growth and development, the Company has satisfied its

transaction and working capital needs through private placements of common stock and debt. To fund its operations, the Company relies primarily on management fees received from its affiliated physician practices. The Company had net cash used in Operations of \$328,000 for the three months ended March 31, 1996, primarily as a result of a \$867,000 increase in accounts receivable. The increase in accounts receivable was as a result of the company entering into agreements with five practices during the three months ended March 31, 1996. Cash flow from Operations was \$189,000 for the comparable prior year period.

As of March 31, 1996, the Company had working capital of approximately \$3.6 million and cash of approximately \$169,000. The Company currently expects that its principal use of funds in the near future will be in connection with anticipated transactions with affiliated physician groups and the related purchase of property, plant and equipment. The Company believes that its existing cash resources, the use of the Company's common stock as partial consideration for new acquisitions, together with the net proceeds from the contemplated offering of additional common stock by the Company for cash, will be sufficient to meet the Company's anticipated acquisition, expansion and working capital needs for the foreseeable future. The Company may raise capital through the issuance of long-term or short-term indebtedness or the issuance of additional equity securities in private or public transactions, at such times and terms as management deems appropriate and the market allows. To the extent that the Company is unable to raise needed levels of funding through sales of shares, the Company's business plan may need to be curtailed within available resources.

Medical Asset Management, Inc.
Management's Discussion and Analysis of
Financial Condition and Results of Operations

PART 2 -- OTHER INFORMATION

Item 1 -- Legal Proceedings

There has been no material change in legal proceedings from that reported on the Form 10-KSB for the year ended December 31, 1995.

Item 2 -- Changes in Securities

There have been no changes in the rights, preferences or privileges of any security of the Company during the first quarter of 1996.

Item 3 -- Defaults Upon Senior Securities

There have been no defaults on any senior security during the first quarter of 1996.

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

No matters have been submitted to a vote of security holders during the first quarter of 1996.

Item 5 -- Other Information

The Company is advised that the Securities and Exchange Commission is conducting an investigation of persons the Company may have done business with in the past. The status of the investigation is unknown.

Item 6 -- Exhibits and Reports on Form 8-K

During the first quarter of 1996 the Company filed no reports on Form 8-K.

SIGNATURE

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, this registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MEDICAL ASSET MANAGEMENT, INC.

Dated:

By: /s/ John Regan

John Regan, President

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