

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]

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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.: **96687718**
SIC: **8742** Management consulting services

Mailing Address
4447 EAST BROADWAY
SUITE 102
MESA AZ 85206

Business Address
4447 E BROADWAY STE 102
MESA AZ 85206
6028307414

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

	JUNE 30, 1996 RESTATED

ASSETS	
CURRENT ASSETS	
Cash	\$ 5,841,022
Accounts receivable	7,652,911
Management fee receivable	1,187,350
Prepaid expenses	99,841
Notes receivable	266,123
Other assets	48,486

	15,095,733

PROPERTY, PLANT AND EQUIPMENT, NET	1,390,281
FRANCHISE FEES, NET	877,800
ACQUIRED MANAGEMENT AGREEMENTS, NET	10,436,578

	12,704,659

TOTAL ASSETS	\$27,800,392

LIABILITIES AND SHAREHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Capital lease obligations	\$ 19,000
Notes payable, shareholders	121,910
Payroll taxes payable	30,000
Accrued liabilities	342,674
Accrued income taxes payable	1,455,104
Current portion - long term debt	1,501,026

	3,469,714

LONG TERM DEBT:	
Long term debt, less current portion	341,400

Obligations under capital lease, less current portion	65,100
Convertible subordinated debt	796,524

	1,203,024

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; 13,856,237 outstanding	13,733
Common stock to be issued, 1,803,892	7,739,777
Additional paid-in capital	14,149,657
Unearned Remuneration	(1,137,730)
Retained Earnings	2,359,217

	23,127,654

TOTAL LIABILITIES AND EQUITY	\$27,800,392

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

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

<S>	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30,		JUNE 30,	
	1996 RESTATED	1995 RESTATED	1996 RESTATED	1995 RESTATED
	-----	-----	-----	-----
NET REVENUE	\$4,212,307	\$2,118,033	\$7,745,780	\$3,637,494
	-----	-----	-----	-----
Salaries	1,109,953	353,641	2,090,975	833,093
Clinic and general and administrative	2,218,014	1,402,419	3,960,261	1,991,995
Depreciation and amortization	132,160	47,607	219,357	91,477
Interest	59,184		135,744	
	-----	-----	-----	-----
	3,519,311	1,803,667	6,406,337	2,916,565
	-----	-----	-----	-----
NET INCOME BEFORE INCOME TAXES	692,996	314,366	1,339,443	720,929
PROVISION FOR INCOME TAXES	307,333	144,378	599,216	329,929
	-----	-----	-----	-----
NET INCOME	\$385,663	\$169,988	\$740,227	\$391,000
	-----	-----	-----	-----
	-----	-----	-----	-----
WEIGHTED-AVERAGE NUMBER OF COMMON STOCK AND COMMON STOCK EQUIVALENTS	12,259,877	10,018,102	12,557,877	10,073,879
	-----	-----	-----	-----
	-----	-----	-----	-----

INCOME PER PRIMARY COMMON SHARE	\$0.03	\$0.02	\$0.06	\$0.04
	-----	-----	-----	-----
	-----	-----	-----	-----

</TABLE>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

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

	SIX MONTHS ENDED JUNE 30,	
	1996 RESTATED	1995 RESTATED
	-----	-----
Net income	\$740,227	\$391,000
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	219,357	91,477
Cash provided net of effects of medical transactions, by changes in:		
Accounts receivable	(2,439,111)	(396,985)
Management fee receivable	(273,550)	(141,609)
Other assets	(298,650)	(248,447)
Accrued liabilities	486,688	206,024
	-----	-----
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(1,565,039)	(98,540)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(234,247)	(40,962)
Net payments in medical practice transactions	(576,806)	
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(811,053)	(40,962)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of indebtedness	436,950	131,000
Sale of common stock	7,648,264	49,882
	-----	-----
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	8,085,214	180,882
NET INCREASE (DECREASE) IN CASH	5,709,122	41,380
CASH, AT THE BEGINNING OF THE YEAR	131,900	50,400
	-----	-----
CASH, AT END OF PERIOD	\$5,841,022	\$91,780
	-----	-----

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

Medical Asset Management, Inc.
Notes to Consolidated Financial Statements
June 30, 1996
(Unaudited)

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 six months ended June 30, 1996 and the three and six months ended June 30, 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, whichever is shorter. 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			
June 30, 1996			
(Unaudited)			
	NET INCOME	NET INCOME	SHAREHOLDER'S
	-----	PER SHARE	EQUITY
	-----	-----	-----
FISCAL 1996			
Quarter ended March 31:			
As previously reported	\$ 478,598	0.05	\$ 6,892,695
Adjustment	(124,034)	0.02	5,501,330
As presented herein	354,564	0.03	12,394,025
Quarter ended June 30:			
As previously reported	525,297	0.03	14,693,595
Adjustment	(139,634)	-0-	8,434,059
As presented herein	385,063	0.03	23,127,654
FISCAL 1995			
Quarter ended March 31:			
As previously reported	\$ 291,945	\$0.03	\$ 3,012,765
Adjustment	(70,933)	0.01	628,510
As presented herein	221,012	0.02	3,641,275
Quarter ended June 30:			
As previously reported	252,798	0.02	3,312,590
Adjustment	(82,821)	0.01	1,251,213

As presented herein	169,988	0.01	4,563,803
Quarter ended September 30:			
As previously reported	157,749	0.01	4,582,043
Adjustment	(88,749)	-0-	1,868,257
As presented herein	69,000	0.01	6,450,300

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
June 30, 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		Six months	
	Ended June 30		Ended June 30	
	1996	1995	1996	1995
Medical service revenue	\$6,477	\$3,178	\$11,927	\$5,727
Amounts retained by medical groups	2,265	1,060	4,182	2,090
Net Revenue	\$4,212	\$2,118	\$7,745	\$3,637
Number of management service agreements at end of period	27	12	27	12

Note 3 -- Medical Practice Transactions

During the first six months of 1996, the Company acquired certain non-medical assets of and entered into long-term management service agreements with nine 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
June 30, 1996
(Unaudited)

	Three Months		Six months	
	Ended June 30		Ended June 30	
	1996	1995	1996	1995
	-----		-----	
Cash and transaction costs	\$ 459	-0-	\$ 577	\$ -0-
Issuance of notes	479	68	976	159
Common stock (Include shares to be issued)	2,331	625	4,712	1,250

The Company is currently committed to issue shares of Common Stock pursuant to completed acquisition transactions as follows: 81,710 shares in 1996; 450,973 shares in 1997; 450,973 shares in 1998; 450,973 shares in 1999; and 369,263 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 six months ended June 30, 1995, assuming all 1995 and 1996 transactions were consummated on January 1, 1995 and for the six months ended June 30, 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):

	Six months Ended June 30	
	1996	1995

Revenue	\$10,300	\$ 6,790
Net income	1,185	795
Net income per share	0.09	0.08

Medical Asset Management, Inc.
Notes to Consolidated Financial Statements
June 30, 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.

On May 31, 1996, the Company completed a private placement of 2,000,000 shares of common stock that yielded the Company \$7,165,000. There was no significant gain on the conversion.

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 share 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 June 30		Six months Ended June 30	
	1996	1995	1996	1995
	-----	-----	-----	-----
Outstanding at end of period				
Common Stock	11,898	9,957	11,898	9,957
Common Stock to be issued	902	153	1,650	307
	-----	-----	-----	-----
	12,800	10,110	13,548	10,264
Effect of weighting	(541)	(92)	(990)	(190)
	-----	-----	-----	-----
Shares used in per share calculations	12,259	10,018	12,558	10,074
	-----	-----	-----	-----

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 54 affiliated physicians and 27 practices in six states as of June 30, 1996. For the first six months of 1995, four of the Company's affiliated practices each contributed more than 10% of the Company's revenue. For the first six 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 six 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 six months of 1996, the payor mix of medical practice revenue was 35% for Medicare and Medicaid, 40% for managed care and 25% for private insurance and other payers. 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		Six months	
	Ended June 30		Ended June 30	
	1996	1995	1996	1995
	-----	-----	-----	-----
Revenue	100.0%	100.0%	100.0%	100.0%
Operating expenses:				
Salaries	26.3%	16.7%	27.0%	22.9%
Clinic and general and administrative	52.6%	66.3%	51.1%	54.8%
Depreciation and amortization	3.2%	2.2%	2.8%	2.5%
Interest	1.4%		1.8%	
	-----	-----	-----	-----
Income before income taxes	16.5%	14.8%	17.3%	19.8%
Income taxes	7.3%	6.8%	7.7%	9.0%
	-----	-----	-----	-----
Net income	9.2%	8.0%	9.6%	10.8%
	-----	-----	-----	-----

Comparison of the Second Quarter and Six months Ended June 30, 1996 and the Second Quarter and Six months Ended June 30, 1995

The company entered into management agreements with three practices in the first six months of 1995 and nine practices in the first six 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 second quarter and first six months of 1995 to the second quarter and first six months of 1996 were caused primarily by affiliations with these additional practices.

Revenue

Revenue for the second quarter ended June 30, 1996 increased \$2.1 million or 99% over the comparable prior year period. Revenue for the first six months ended June 30, 1996 increased \$4.1 million or 113% over the comparable prior year period. Substantially all of these increases were attributable to the addition of new practices.

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 second quarter ended June 30, 1996, increased by \$815,600 or 58% over the comparable prior year period. The same expenses for the six months ended June 30, 1996 increased by \$2.0 million or 99% over the comparable prior year period. Substantially all of these increases were attributable to the addition of new practices.

Salaries

Salaries consist of the cost of corporate management and operations and development personnel. For the second quarter ended June 30, 1996, salaries increased by \$756,300 or 214% over the comparable prior year period. Salaries for the six months ended June 30, 1996 increased by \$1,257,900 or 151% over the comparable prior year period. These increases were caused by additional staff required to support the Company's rapid growth.

Depreciation and Amortization

Depreciation and amortization expenses for the second quarter ended June 30, 1996 increased \$84,600 or 178% over the comparable prior year period, and year-to-date increased \$127,900 or 140% over the comparable prior year period. These increases were primarily the result of the amortization of additional intangible assets acquired in 1996.

Interest

Interest expense for the three and six months ended June 30, 1996 increased \$59,184 and \$135,700, respectively, which represents an increase of 100% over the comparable prior year periods. 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 June 30, 1996, the Company has entered into management agreements with 27 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. Cash used in operations was \$1.6 million for the first six months of 1996, a use of \$1.5 million over the comparable period of 1995, resulting primarily from a \$2.0 million increase in the Company's accounts receivables.

A private placement of common stock which closed on May 31, 1996 raised \$8,000,000 in gross proceeds, which, net of offering expenses, yielded the Company \$7,165,000. From the net proceeds the Company paid approximately \$1,500,000 to retire short term debt consisting of notes due to practices and clinics for the acquisition of receivables and other assets in prior transactions.

As of June 30, 1996, the Company had working capital of approximately \$10.8 million and cash of approximately \$5.8 million. 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 second quarter of 1996.

Item 3 -- Defaults Upon Senior Securities

There have been no defaults on any senior security during the second 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 second 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 second 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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