

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K/A

Current report filing [amend]

Filing Date: **1999-03-26** | Period of Report: **1998-11-12**  
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FILER

**IMPATH INC**

CIK: **1003114** | IRS No.: **133459685** | State of Incorporation: **DE** | Fiscal Year End: **1231**  
Type: **8-K/A** | Act: **34** | File No.: **000-27750** | Film No.: **99574428**  
SIC: **8071** Medical laboratories

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K/A

AMENDMENT NO 1 TO CURRENT REPORT

PURSUANT TO SECTION 13 OR 15 (D) OF  
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported):

November 12, 1998

IMPATH INC.

(Exact Name of Registrant as Specified in Charter)

<TABLE>  
<CAPTION>

<S>	<C>	<C>
Delaware	0-27750	13-3459685
(State or other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

521 West 57th Street, New York, New York	10019
(Address of Principal Executive Offices)	(ZIP CODE)

Registrant's Telephone Number, Including Area Code: (212) 698-0300

(Not applicable)

(Former Name or former Address, if Changed, Since Last Report)

Item 2. Acquisition or Disposition of Assets

On August 31, 1998 the Registrant announced it had acquired Medical Registry Services, Inc. ("MRS"), a leading developer and marketer of cancer registry software products that are currently utilized in over 400 hospitals throughout the United States. The products are used to collect and manage critical diagnostic, treatment, follow-up and outcomes data on cancer patients. MRS shareholders received 550,000 shares of the Registrant's common stock in exchange for all of the outstanding shares of MRS. The acquisition was originally accounted for as pooling-of-interests. On October 26, 1998 the Registrant released its earnings for the third quarter ended September 30, 1998, which included results of at least 30 days of combined operations of the Registrant and MRS. On December 11, 1998, the Registrant announced it has initiated a stock repurchase program pursuant to which its Board authorized the repurchase of \$25,000,000. In accordance with SEC Rules and Regulations, specifically Staff Accounting Bulletin #96, such buyback required the Registrant to account for the business combinations as a purchase, as opposed to a pooling-of-interests. As such, the Company is restating its previously filed Form 10-Q for the quarter ended September 30, 1998.

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Item 7. Financial Statements and Exhibits

The audited financial statements of MRS as of and for the year ended December 31, 1997, and the unaudited interim financial statements of MRS as of and for the six month periods ended June 30, 1998 and 1997 required by this Item are included herein on pages F-4 through F-11 of this Form 8-K. These audited financial statements were not required under Rule 3-05 as it related to a pooling-of-interest transaction but they are now required as the Registrant is

now utilizing purchase accounting.

The Unaudited Pro Forma Financial Information required by this Item is also included on pages F-1 through F-3 of this Form 8-K. The Unaudited Pro Forma Financial Information assumes that the acquisition of MRS occurred, with respect to the June 30, 1998 balance sheet information, on June 30, 1998, and with respect to the statement of operations information at the beginning of each respective period.

The Unaudited Pro Forma Financial Information is not intended to be indicative of the financial position or results of operations had the acquisitions actually occurred on the dates indicated.

The Unaudited Pro Forma Balance Sheet reflects the allocation of the MRS purchase price to the estimated fair value of the assets acquired and liabilities assumed, including various intangible assets, with the residual being allocated to goodwill.

The unaudited pro forma statements of operations reflect the effects of the purchase allocation described above and the resultant amortization. It also assumes the 550,000 shares were outstanding for the entire period.

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Impath  
Consolidated Proforma Balance Sheet  
6/30/98

<TABLE>  
<CAPTION>

Assets	Impath	MRS	Adjustments Column (A)	Proforma Combined
	-----	-----	-----	-----
Current Assets:				
<S>	<C>	<C>	<C>	<C>
Cash and cash equivalents	\$ 61,952,571	\$ 891,604	\$ --	\$ 62,844,175
Marketable securities, at market value	17,240,436	--	--	17,240,436
Accounts receivable	15,830,324	48,911	--	15,879,235
Prepaid expenses	674,271	--	--	674,271
Prepaid taxes	950,506	--	--	950,506
Deferred tax assets	53,427	--	--	53,427
Other current assets	956,175	10,935	--	967,110
	-----	-----	-----	-----
Total current assets	97,657,710	951,450	--	98,609,160
Fixed assets, less accumulated depreciation & amortization	15,233,189	123,058	--	15,356,247
Deposits and other assets	160,282	--	--	160,282
Intangible assets, net of accumulated amortization	7,965,864	--	16,685,000	24,650,864
	-----	-----	-----	-----
Total assets	\$121,017,045	\$1,074,508	\$ 16,685,000	\$138,776,553
	=====	=====	=====	=====
Liabilities & Stockholder's Equity				
Current Liabilities:				
Current portion of capital lease obligations	\$ 1,506,178	\$ --	\$ --	\$ 1,506,178
Current portion of note payable	506,085	--	--	506,085
Accounts payable	1,978,443	291,380	775,000	3,044,823
Construction payments payable	--	--	--	--
Deferred Revenues	--	1,667,387	--	1,667,387
Income taxes payable	--	--	--	--
Accrued expenses	611,896	--	--	611,896
	-----	-----	-----	-----
Total current liabilities	4,602,602	1,958,767	775,000	7,336,369
	-----	-----	-----	-----
Capital lease obligations, net of current portion	2,818,997	--	--	2,818,997
Note payable, net of current portion	61,872	--	--	61,872
Deferred tax liability	--	--	1,210,000	1,210,000
Stockholders' equity:				
Common stock:	39,658	10,000	(7,250)	42,408
Additional paid-in capital	106,041,039	--	13,812,991	119,854,030
Retained earnings	8,014,935	(466,555)	466,555	8,014,935
Unrealized net depreciation of marketable securities	(67,392)	--	--	(67,392)
	-----	-----	-----	-----
Total stockholders' equity	114,028,240	(456,555)	14,272,296	127,843,981
Less:				
Cost of shares of common stock held in treasury	(100)	(427,704)	427,704	(100)
Deferred compensation	(494,566)	--	--	(494,566)
	-----	-----	-----	-----
Commitments and Contingencies	--	--	--	--
Total stockholders' equity	113,533,574	(884,259)	14,700,000	127,349,315
	-----	-----	-----	-----

Total liabilities and stockholders' equity                   \$121,017,045                   \$1,074,508                   \$ 16,685,000                   \$138,776,553  
=====

</TABLE>

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Impath  
Consolidated Proforma Statement of Operations  
For The Year Ended December 31, 1997

<TABLE>  
<CAPTION>

	Impath	MRS	Adjustments Column	Proforma Combined
<S>	<C>	<C>	<C>	<C>
<b>Revenues:</b>				
Net diagnostic and prognostic services	\$ 36,821,738	\$ 3,449,795	\$ -	\$ 40,271,533
Contract laboratory services	241,743	-	-	241,743
<b>Total Revenues</b>	<b>37,063,481</b>	<b>3,449,795</b>	<b>-</b>	<b>40,513,276</b>
<b>Operating expenses:</b>				
Salaries and related costs	15,056,221	2,285,703	(300,000) C	17,041,924
Selling, general, and administrative	16,222,332	1,152,047	1,009,000 B	18,383,379
<b>Total operating expenses</b>	<b>31,278,553</b>	<b>3,437,750</b>	<b>709,000</b>	<b>35,425,303</b>
Income from operations	5,784,928	12,045	(709,000)	5,087,973
Interest income	677,109	20,582	-	697,691
Interest expense	(339,903)	-	-	(339,903)
Gains on marketable securities, net	379,001	-	-	379,001
Income before tax expense	6,501,135	32,627	(709,000)	5,824,762
Income tax expense	(2,851,936)	(10,456)	28,000 D	(2,834,392)
<b>Net income</b>	<b>\$ 3,649,199</b>	<b>\$ 22,171</b>	<b>\$ (681,000)</b>	<b>\$ 2,990,370</b>
<b>Per common and common equivalent share:</b>				
<b>Basic</b>				
Net income per common share	\$ 0.68	N/A	N/A	\$ 0.50
Weighted average common and common equivalent shares outstanding	5,398,000	N/A	550,000 E	5,948,000
<b>Diluted:</b>				
Net income per common share - assuming dilution	\$ 0.63	N/A	N/A	\$ 0.47
Weighted average common and common equivalent shares outstanding - assuming dilution	5,809,000	N/A	550,000 E	6,359,000

</TABLE>

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Impath  
Consolidated Proforma Statement of Operations  
For The Six Months Ended June 30, 1998

<TABLE>  
<CAPTION>

	6 mo.end Impath 6/30/98	6 mo.end MRS 6/30/98	Adjustments Column	6 mo.end Proforma Combined
<S>	<C>	<C>	<C>	<C>

Revenues:				
Net diagnostic and prognostic services	\$ 24,897,988	\$ 1,811,380	\$ --	\$ 26,709,368
Contract laboratory services	249,429	--	--	249,429
	-----	-----	-----	-----
Total Revenues	25,147,417	1,811,380	--	26,958,797
	-----	-----	-----	-----
Operating expenses:				
Salaries and related costs	10,125,666	1,033,406	(150,000) C	11,009,072
Selling, general, and administrative	11,296,138	626,469	504,000 B	12,426,607
	-----	-----	-----	-----
Total operating expenses	21,421,804	1,659,875	354,000	23,435,679
	-----	-----	-----	-----
Income from operations	3,725,613	151,505	(354,000)	3,523,118
Interest income	1,384,152	8,290	--	1,392,442
Interest expense	(250,684)	--	--	(250,684)
	-----	-----	-----	-----
Income before tax expense	4,859,081	159,795	(354,000)	4,664,876
Income tax expense	(1,992,223)	(3,829)	74,000 D	(1,922,052)
	-----	-----	-----	-----
Net income	\$ 2,866,858	\$ 155,966	\$ (280,000)	\$ 2,742,824
	=====	=====	=====	=====
Per common and common equivalent share:				
Basic				
Net income per common share	\$ 0.41	N/A	N/A	\$ 0.36
	=====	=====	=====	=====
Weighted average common and common equivalent shares outstanding	6,968,000	N/A	550,000 E	7,518,000
	=====	=====	=====	=====
Diluted:				
Net income per common share - assuming dilution	\$ 0.39	N/A	N/A	\$ 0.35
	=====	=====	=====	=====
Weighted average common and common equivalent shares outstanding - assuming dilution	7,380,000	N/A	550,000 E	7,930,000
	=====	=====	=====	=====

</TABLE>

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IMPATH INC.

NOTES TO UNAUDITED CONDENSED  
COMBINED FINANCIAL STATEMENTS

The pro forma financial information is based on the purchase method of accounting. Under Accounting Principles Board Opinion No. 16, "Business Combinations," the acquiring corporation records as its cost the fair market value of the acquired assets less liabilities assumed. A difference between the sum of the fair values of all tangible and identifiable intangible assets acquired, less liabilities assumed, is recorded as goodwill. The reported income of an acquiring corporation includes the operations of the acquired company after the effective date of the acquisition.

The acquisition of MRS was consummated on August 31, 1998. The consideration and the allocation of the purchase price are summarized below (based upon June 30, 1998 MRS balance sheet):

<TABLE>

<CAPTION>

Purchase Price:

<S>

Issuance of 550,000 shares of IMPATH Inc. common stock  
(approximately \$25 per share)  
Non-compete payment (due 2/99)  
Acquisition costs

<C>

\$13,750,000  
200,000  
475,000

Net current assets and liabilities

\$14,425,000

=====

Allocation of Purchase Price:

Furniture and fixtures  
Net current assets and liabilities  
Net deferred tax liability  
Intangible assets: Workforce  
Tradename  
Software  
Customer list

\$ 123,000  
(1,007,000)  
(1,210,000)  
330,000  
145,000  
500,000  
2,657,000

Non-compete	200,000
Goodwill	12,687,000
	-----
	\$14,425,000
	=====

</TABLE>

The intangibles will be amortized over the following estimated useful lives:

Workforce	7 years
Tradename	20 years
Software	5 years
Customer list	20 years
Non-compete	5 years
Goodwill	20 years

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The following is a description of the pro forma adjustments:

- A) To record the issuance of IMPATH Inc. common shares and the fair values ascribed to the assets acquired and liabilities assumed; to eliminate the equity of MRS and to accrue certain estimated payments related to the merger.
- B) To record the amortization of the acquired intangibles.
- C) To reduce compensation expense related to the two former principal owners of MRS to amounts per their employment agreements with IMPATH (MRS formerly a subchapter S Corp.).
- D) To reflect a pro forma tax provision related to the net income of MRS. No tax benefit reflected regarding the amortization of goodwill as the transaction was a tax-free merger.
- E) To adjust earnings per share calculation to reflect the 550,000 shares issued as consideration as outstanding for the entire period.

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MEDICAL REGISTRY SERVICES, INC.  
AND AFFILIATED COMPANY

Combined Financial Statements

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

The Board of Directors and Stockholders  
Medical Registry Services, Inc.:

We have audited the accompanying combined balance sheet of Medical Registry Services, Inc. and affiliated company as of December 31, 1997, and the related combined statements of operations and accumulated deficit, and cash flows for the year then ended. These combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Medical Registry Services, Inc. and affiliated company as of December 31, 1997, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

Short Hills, New Jersey  
July 1, 1998

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MEDICAL REGISTRY SERVICES, INC.  
AND AFFILIATED COMPANY

Combined Balance Sheets

Assets	June 30, 1998	December 31, 1997
	----- (Unaudited) <C>	----- <C>
<S>		
Current assets:		
Cash	\$ 891,604	\$ 261,772
Accounts receivable	48,911	187,732
Total current assets	----- 940,515	----- 449,504
Furniture and fixtures, net of accumulated amortization of \$402,557 and \$378,186, respectively	123,058	147,429
Other assets	10,935	11,155
Total assets	----- \$ 1,074,508 =====	----- \$ 608,088 =====
Liabilities and Stockholders' Deficit		
Liabilities:		
Accounts payable	\$ 217,180	\$ 285,097
Accrued pension expense	74,200	70,492
Deferred revenues	1,667,387	1,247,724
Total liabilities	----- 1,958,767	----- 1,603,313
Stockholders' deficit:		
Common stock, no par value. Authorized, issued and outstanding 1,000 shares	10,000	10,000
Accumulated deficit	(466,555)	(577,521)
Treasury stock, at cost	(427,704)	(427,704)
Total stockholders' deficit	----- (884,259)	----- (995,225)
Total liabilities and stockholders' deficit	----- \$ 1,074,508 =====	----- \$ 608,088 =====

&lt;/TABLE&gt;

See accompanying notes to combined financial statements.

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MEDICAL REGISTRY SERVICES, INC.  
AND AFFILIATED COMPANY

Combined Statements of Operations and Accumulated Deficit

	Six-month Period ended June 30		Year ended December 31,
	----- 1998	----- 1997	----- 1997
	----- (Unaudited)		-----
<TABLE>			
<CAPTION>			

<S>	<C>	<C>	<C>
Revenues:			
License fees and rental income	\$ 1,811,390	\$ 1,726,221	\$ 3,449,795
Interest and dividend income	8,290	8,633	20,582
Total revenues	1,819,680	1,734,854	3,470,377
Expenses:			
Salaries and related costs	1,033,406	1,024,115	2,285,703
Selling, general and administrative expense	626,479	631,981	1,152,047
Total expenses	1,659,885	1,656,096	3,437,750
Net income before state income taxes	159,795	78,758	32,627
State income taxes	(3,829)	(4,095)	(10,456)
Net income	155,966	74,663	22,171
Accumulated deficit at beginning of period	(577,521)	(439,692)	(439,692)
Distributions	(45,000)	(127,000)	(160,000)
Accumulated deficit at end of period	\$ (466,555)	\$ (492,029)	\$ (577,521)

</TABLE>

See accompanying notes to combined financial statements.

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MEDICAL REGISTRY SERVICES, INC.  
AND AFFILIATED COMPANY

Combined Statements of Cash Flows

<TABLE> <CAPTION>	Six-month Period ended June 30		Year ended December 31, 1997
	1998	1997	
	(Unaudited)		
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income	\$ 155,966	\$ 74,663	\$ 22,171
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	24,371	19,221	37,948
Changes in assets and liabilities:			
(Increase) decrease in accounts receivables	138,821	78,403	(56,324)
(Increase) decrease in other assets	220	--	(1,720)
Increase (decrease) in accounts payable	(67,917)	136,621	75,269
Increase (decrease) in accrued pension expense	3,708	(6,726)	4,216
Increase in deferred revenue	419,663	364,945	121,968
Net cash provided by operating activities	674,832	667,127	203,528
Cash flows from financing activities - distributions	(45,000)	(127,000)	(160,000)
Net increase in cash	629,832	540,127	43,528
Cash at beginning of period	261,772	218,244	218,244
Cash at end of period	\$ 891,604	\$ 758,371	\$ 261,772
Supplementary disclosure - taxes paid	\$ 10,456	\$ 4,210	\$ 8,206



See accompanying notes to combined financial statements.

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MEDICAL REGISTRY SERVICES, INC.  
AND AFFILIATED COMPANY

Notes to Combined Financial Statements

(1) Organization and Business Activities

Medical Registry Services, Inc. was incorporated in 1979 and currently markets cancer registry software utilized in hospitals throughout the United States. The financial statements of RW Associates have been combined with those of Medical Registry Services, Inc. (the Company) because of common ownership. The operations of RW Associates are limited.

(2) Summary of Significant Accounting Policies

Interim Financial Statements

The interim combined financial statements as of June 30, 1998 and for the six-months periods ended June 30, 1998 and 1997 are unaudited, and certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted. In the opinion of management, all adjustments, consisting only of normal recurring adjustments necessary to fairly present the financial position, results of operations and cash flows with respect to the interim financial statements, have been included. The results of operations for the interim periods are not necessarily indicative of the results for the entire fiscal year.

Furniture and Fixtures

Furniture and fixtures are stated at cost, less accumulated depreciation and amortization. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, which range from three to seven years.

The Company reviews its fixed assets for impairment when events or changes in business conditions indicate that their full carrying value may not be recovered. Assets are considered to be impaired and written down to fair value if expected associated cash flows are less than the carrying amount. Fair value is generally the present value of the expected associated cash flows.

Research and Development

Research and product development costs are expensed as incurred.

Accounting for Income Taxes

The Company has elected S Corporation status as defined by the Internal Revenue Code and state tax statutes, whereby the Company is not subject to taxation for federal purposes. Under S Corporation status, the stockholders report their share of the Company's taxable earnings or losses in their personal tax returns. State taxes are provided for at the company level.

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MEDICAL REGISTRY SERVICES, INC.  
AND AFFILIATED COMPANY

Notes to Combined Financial Statements

Revenue Recognition

Revenue from the license of software is deferred and recognized on a straight-line basis over the term of the agreement. All license agreements have support and maintenance obligations by the Company.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and

accompanying notes. Actual results could differ from those estimates.

#### Fair Value of Financial Instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. The carrying amount of the Company's financial instruments included in the accompanying combined balance sheet approximates estimated fair value due to their short-term nature.

#### (3) Commitments

The Company maintains various operating leases, primarily for office space. As of December 31, 1997, future minimum lease payments under noncancellable leases are as follows:

<TABLE>

<CAPTION>

<S>	<C>
1998	\$ 71,645
1999	67,445
2000	26,087
2001	901
	-----
	\$ 166,078
	=====

</TABLE>

Rent expense for the year ended December 31, 1997 totaled approximately \$74,000.

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MEDICAL REGISTRY SERVICES, INC.  
AND AFFILIATED COMPANY

Notes to Combined Financial Statements

#### (4) Employee Benefits

Effective January 1, 1991, the Company adopted the Medical Registry Services Inc. Profit Sharing Plan (the Profit Sharing Plan) benefiting certain employees. Employees who are over the age of 21 and have completed one year of service are eligible for participation. The contribution to the Profit Sharing Plan is an amount determined by the Company each year. Employees are 100% vested in employer contributions over a six-year period.

Effective March 2, 1991 and amended and restated July 1, 1997, the Company adopted the Medical Registry Services Inc. 401(k) Plan (the Plan) benefiting certain employees. All employees who are over the age of 21 are eligible for immediate voluntary participation in the Plan. Employees may contribute 1% to 15% of their total salaries on a before tax basis. There is no matching contribution from the Company, however, the Company may decide to make an additional contribution to the Plan at their discretion. Plan participants become 100% vested in their contributions after five years of service. The Company contributed a total of \$123,359 related to these plan's for the year ended December 31, 1997.

#### (5) Related Party

The Company paid approximately \$41,000 in consulting fees to a company owned by the wife of one of the principals of the Company in 1997.

#### (6) Subsequent Event (Unaudited)

On August 31, 1998, the Company was acquired by IMPATH Inc. for 550,000 shares of IMPATH's common stock.

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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 hereunto duly authorized.

IMPATH INC.

Date: March 24, 1999

By /s/ John P. Gandolfo

-----  
Name: John P. Gandolfo  
Title: Executive Vice President,  
Chief Operating Officer and  
Chief Financial Officer