FORM 10QSB

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

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FILER

MEDICAL ASSET MANAGEMENT INC

CIK:**861822**| IRS No.: **330359976** | State of Incorp.:**DE** | Fiscal Year End: **1231**
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SIC: **8093** Specialty outpatient facilities, nec

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U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

x QUARTERLY REPORT UNDER SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1997

TRANSITION REPORT UNDER SECTION 13 or 15(d) OF THE EXCHANGE ACT

For the transition period from _______________ to______________

COMMISSION FILE NO. 0-27236

MEDICAL ASSET MANAGEMENT, INC.
(Exact name of small business issuer as specified in its charter)

Delaware	33-0359976
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

25241 Paseo de Alicia, Suite 230
Laguna Hills, CA 92653
Telephone: (714) 829-8333

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 / /

APPLICABLE ONLY TO CORPORATE ISSUERS:

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 15,733,413 shares of Common Stock were outstanding as of December 19, 1997 (15,662,625 shares of Common Stock were outstanding as of September 30, 1997).

Transitional Small Business Disclosure Format (check one): Yes / / No /X/

MEDICAL ASSET MANAGEMENT, INC.

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PART I

<TABLE>
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Item 1. Financial Statements.

Medical Asset Management, Inc. and Subsidiary
Consolidated Balance Sheets

	SEPTEMBER 30, 1997	DECEMBER 31, 1996
ASSETS	(UNAUDITED)	
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	$52,000	$3,400,000
Restricted cash	-	1,264,000
Accounts receivable, less $3,539,000 at September 30, 1997 and $3,586,000 at December 31, 1996	4,665,000	4,480,000
Physicians receivables, less $875,000 at September 30, 1997 and $150,000 at December 31, 1996	3,029,000	2,660,000
Other current assets	136,000	269,000
Total current assets	7,882,000	12,073,000
Property and equipment:		
Land	195,000	-
Buildings	1,510,000	680,000
Furniture and equipment	1,906,000	1,668,000
	3,611,000	2,348,000
Less accumulated depreciation	494,000	507,000
Total property and equipment, net	3,117,000	1,841,000
Intangible assets and other:		
Acquired management contracts	14,640,000	12,202,000
Excess of cost of acquired assets over fair value	5,270,000	5,431,000
Computer software license agreement	1,254,000	1,238,000
Other assets	-	20,000
	21,164,000	18,891,000
Less accumulated amortization	1,433,000	885,000
Total intangible assets and other, net	19,731,000	18,006,000
Total assets	$30,730,000	$31,920,000

</TABLE>

<TABLE>
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Medical Asset Management, Inc. and Subsidiary
Consolidated Balance Sheets
(continued)

LIABILITIES AND STOCKHOLDERS' EQUITY	SEPTEMBER 30, 1997 (UNAUDITED)	DECEMBER 31, 1996
<S>	<C>	<C>
Current liabilities:		
Line of credit and notes payable	$34,000	$1,707,000
Current portion of long-term liabilities	2,593,000	1,393,000
Accrued litigation settlements	1,131,000	1,573,000
Accounts payable	981,000	705,000
Accrued payroll	223,000	268,000
Accrued professional fees	967,000	945,000
Accrued expenses	288,000	379,000
Total current liabilities	6,217,000	6,970,000
Notes payable and capital lease obligations	4,725,000	2,301,000
Convertible subordinated debt	125,000	126,000
Deferred tax liability	3,274,000	3,274,000
Total liabilities	14,341,000	12,671,000
Stockholders' equity		
Convertible preferred stock - $.001 par value-10,000,000 shares authorized; Class A - 2,250,000 shares issued and outstanding at September 30, 1997 and December 31, 1996	2,000	2,000
Common Stock - $.001 par value - 50,000,000 shares authorized, 15,663,000 shares issued and outstanding at September 30, 1997 and 14,945,000 shares issued and outstanding at December 31, 1996	16,000	15,000
Additional paid-in capital	20,196,000	18,382,000
Common Stock to be issued, 1,805,000 shares at September, 1997 and 1,988,000 shares at December 31, 1996	8,072,000	9,574,000
Unearned remuneration	(1,007,000)	(1,494,000)
Deficit	(10,890,000)	(7,231,000)
Total stockholders' equity	16,389,000	19,249,000
Total liabilities and stockholders' equity	$30,730,000	$31,920,000

SEE ACCOMPANYING NOTES.

</TABLE>

<TABLE>
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Medical Asset Management, Inc. and Subsidiary
Consolidated Statements of Operations
(Unaudited)

	THREE MONTHS ENDED SEPTEMBER 30, 1997	THREE MONTHS ENDED SEPTEMBER 30, 1996 (RESTATED)	NINE MONTHS ENDED SEPTEMBER 30, 1997	NINE MONTHS ENDED SEPTEMBER 30, 1996 (RESTATED)
<S>	<C>	<C>	<C>	<C>
Net revenue	$3,304,000	$2,699,000	$10,729,000	$6,435,000

Operating expenses:				
Clinic salaries, wages, and benefits	1,169,000	1,015,000	3,501,000	2,421,000
Clinic laboratory and fees	552,000	448,000	1,583,000	1,069,000
Clinic rent	456,000	370,000	1,351,000	882,000
Other clinic costs	482,000	362,000	1,470,000	863,000
Consulting fees	2,000	19,000	175,000	44,000
Depreciation and amortization	434,000	257,000	843,000	613,000
Total operating expenses	3,095,000	2,471,000	8,923,000	5,892,000
	209,000	228,000	1,806,000	543,000
General and administrative Expenses	1,656,000	1,009,000	3,961,000	2,406,000
	(1,447,000)	(781,000)	(2,155,000)	(1,863,000)
Other income (expense):				
Net loss on litigation settlements	--	--	--	(749,000)
Clinic terminations and reserves	(1,630,000)	--	(1,630,000)	--
Interest income	29,000	29,000	109,000	70,000
Interest expense	(135,000)	(65,000)	(310,000)	(155,000)
Forgiveness of debt	318,000	--	318,000	--
Other (net)	2,000	(19,000)	9,000	(45,000)
Total other income (expense)	(1,416,000)	(55,000)	(1,504,000)	(879,000)
Loss before income taxes	(2,863,000)	(836,000)	(3,659,000)	(2,742,000)
Income tax expense	--	--	--	--
Net loss	$ (2,863,000)	$ (836,000)	$ (3,659,000)	$ (2,742,000)
Net loss per share	$ (0.18)	$ (0.06)	$ (0.24)	$ (0.21)
Weighted average number of common shares outstanding	15,662,000	14,409,000	15,371,000	12,806,000

SEE ACCOMPANYING NOTES.

</TABLE>

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Medical Asset Management, Inc. and Subsidiary
Consolidated Statements of Cash Flows

(Unaudited)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1997	1996 (RESTATED)	1997	1996 (RESTATED)
CASH FLOWS FROM OPERATING ACTIVITIES				
<S>	<C>	<C>	<C>	<C>
Net loss	$(2,863,000)	$ (836,000)	$(3,659,000)	$(2,742,000)
Adjustments to reconcile net income to net cash used in operating activities:				
Depreciation and amortization	434,000	257,000	843,000	613,000
Clinic terminations	1,630,000	--	1,630,000	--
Forgiveness of debt	(318,000)	--	(318,000)	--
Bad debt and contractual allowances	184,000	--	409,000	--

Write-off of franchise fees	--	--		749,000
Common stock issued for services	--	--		375,000
Changes in operating assets and liabilities, Net of effects of acquisitions				
Accounts and physician receivables	(609,000)	(157,000)	(2,039,000)	(1,472,000)
Other current assets	98,000	(48,000)	106,000	480,000
Accounts payable	(92,000)	100,000	(15,000)	293,000
Accrued payroll and expenses	468,000	--	(159,000)	8,000
Net cash provided (used) by operating activities	(1,068,000)	(684,000)	(3,202,000)	(2,224,000)
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease in restricted cash	2,500,000	--	1,264,000	--
Net cash used to fund acquisitions	(554,000)	(1,011,000)	(881,000)	(2,100,000)
Net cash provided (used) in investing activities	1,946,000	(1,011,000)	383,000	(2,100,000)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from debt issuances	872,000	800,000	2,770,000	1,125,000
Repayment of debt	(2,758,000)	(125,000)	(3,299,000)	(375,000)
Net proceeds from issuances of common stock	--	--	--	8,260,000
Net cash provided (used) by financing activities	(1,886,000)	675,000	(529,000)	9,010,000
Net increase (decrease) in cash	(1,008,000)	(1,020,000)	(3,348,000)	4,686,000
Cash, beginning of period	1,060,000	5,838,000	3,400,000	132,000
Cash, end of period	$ 52,000	$ 4,818,000	$ 52,000	$ 4,818,000
Supplemental disclosure of cash flow information:				
Interest paid	$ 80,000	$ 65,000	$ 121,000	$ 155,000
Assets acquired with stock issuance, Assumption of debt and other liabilities	$ 525,000	$ 1,811,000	$ 3,982,000	$ 8,102,000

SEE ACCOMPANYING NOTES.

</TABLE>

Medical Asset Management, Inc. and Subsidiary
Notes to Consolidated Statements

1. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting and in accordance with Rule 10-01 of Regulation S-X.

In the opinion of management, the unaudited consolidated interim financial statements contained in this report reflect all adjustments, consisting of only normal recurring accruals which are necessary for a fair presentation of the financial position and the results of operations for the interim periods presented. The results of operations for any interim period are not necessarily indicative of results for the full year.

These unaudited consolidated financial statements, footnote disclosures and other information should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-KSB for the year ended December 31, 1996. The 1996 quarterly financial statements were restated. See Note 3.

2. Acquisitions

The Company entered into acquisitions and long-term management service agreements with nine and twelve medical groups during the nine months ended September 30, 1997 and 1996, respectively.

<TABLE>
<CAPTION>

<S>	1997 (UNAUDITED) <C>	1996 <C>
Cash and transaction costs	$394,000	$847,000
Notes payable	2,334,000	1,512,000
Common stock issued and to be issued	1,765,000	5,717,000
Liabilities assumed	292,000	26,000
Total costs	$4,785,000	$8,102,000

</TABLE>

The following unaudited pro forma information presents the results of operations of the Company for the nine months ended September 30, 1997 as if the 1997 transactions had been consummated on January 1, 1997, and for the nine months ended September 30, 1996 as if the 1997 and 1996 transactions were consummated on January 1, 1996.

The unaudited pro forma 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:

<TABLE>
<CAPTION>

<S>	1997 (UNAUDITED) <C>	1996 (UNAUDITED) <C>
Revenue	$12,595,000	$9,815,000
Net loss	(3,007,000)	(2,496,000)
Net loss per share	$(0.20)	$(0.19)

</TABLE>

3. Restatement

During 1996, management restated the 1995 consolidated financial statements for certain corrections of accounting principles and misapplications of facts that existed at the time the 1995 financial statements were prepared. The corrections also required restatement of and adjustments to previously reported 1996 quarterly financial information as follows (unaudited):

<TABLE>
<CAPTION>

	NET INCOME (LOSS)	NET INCOME (LOSS) PER SHARE	STOCKHOLDERS' EQUITY
Three months ended September 30, 1996			
<S>	<C>	<C>	<C>
As previously reported	$ 717,000	$0.06	$26,226,000
Adjustment	(1,553,000)	(0.12)	(5,007,000)
As restated	$ (836,000)	$(0.06)	$21,219,000

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</TABLE>

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

OVERVIEW.

GENERAL. The Company is a physician practice management company that develops contractual affiliations with physician practices that provide for management by the Company and clinical autonomy for the physicians. The Company also offers a full array of management services as a management service organization under long term service contracts, to both affiliated physicians and other independent healthcare entities, directly and through its subsidiary, Healthcare Professional Management, Inc. ("HPM"). HPM also provides management services on a consulting basis to over 200 physicians in Pennsylvania, West Virginia and Ohio.

For the year ended December 31, 1996, the medical groups affiliated with the Company derived approximately 35% of their medical service revenue from service provided under Medicare and Medicaid programs and approximately 30% from contractual fee-for-service arrangements with numerous payors and managed care programs, respectively, none of which individually aggregated more than 10% of medical service revenue. The remaining 35% of medical service revenue was derived from various fee-for-service payors. Changes in the medical group's payor mix can affect the Company's revenue. Management believes that the payor mix during the first, second and third quarters of 1997 remained approximately the same as for the year ended December 31, 1996.

RESTATEMENT. During 1996 management restated the prior periods' financial statements for certain corrections of accounting principles and misapplication of facts that existed at the time the financial statements were prepared. The aggregate amount of the restatement resulted in a reduction in earnings from the previously reported net income for the three months ended September 30, 1996 of $717,000 to a net loss of $836,000.

RESULTS OF OPERATIONS

The following table sets forth the percentages of revenues represented by certain items reflected in the Company's Statement of Operations:

<TABLE>
<CAPTION>

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1997	1996	1997	1996
<S>	<C>	<C>	<C>	<C>
Revenue	100.0%	100.0%	100.0%	100.0%
Operating Expenses:				
Clinic Expenses	80.6%	82.0%	75.3%	82.0%
Depreciation and amortization	13.1%	9.6%	7.9%	9.6%
Income from operations	6.3%	8.4%	16.8%	8.4%
General and administrative	50.1%	37.4%	36.9%	37.4%
Other income (expense)	(42.9)%	(2.0)%	(14.0)%	(13.6)%
Net loss	(86.7)%	(31.0%)	(34.1)%	(42.6%)

</TABLE>

COMPARATIVE QUARTERLY RESULTS

At September 30, 1997, the Company managed 29 practices having a total of 98 physicians in nine states pursuant to its standard equity arrangements as compared to 25 practices having a total of 32 physicians in eight states at September 30, 1996. During the three and nine months ended September 30, 1997, the Company entered into such arrangements with one and nine additional practices, respectively, as compared to none and twelve for the three and nine months ended September 30, 1996, respectively. Due to the drop in the Company's stock value and cash reserves they have hindered the Company's ability to acquire additional practices. During the three and nine months ended September 30, 1997, the Company terminated four and no such arrangements as compared to none and five for the three and nine months ended September 30, 1996. Changes in the results of operations for the three and nine months ended September 30, 1997, compared to the three and nine months ended September 30, 1996, were caused primarily by affiliations with these additional practices, the continued building of a corporate infrastructure, write-off of franchise fees and the settlement of certain litigation, with their corresponding professional fees.

NET REVENUE increased $605,000, or 22% to $3,304,000 for the three months ended September 30, 1997 as compared to $2,699,000 for the three months ended September 30, 1996. Net Revenue increased approximately $4,294,000 or 67%, to $10,729,000 for the nine months ended September 30, 1997 as compared to $6,435,000 for the nine months ended September 30, 1996. Medical service revenue prior to any provision for doubtful accounts, contractual adjustments or adjustments for amounts retained by medical groups increased $2,062,000, or 36%, to $7,795,000 for the quarter ended September 30, 1997 as compared to $5,733,000 for the quarter ended September 30, 1996. For the same periods, revenue from HPM increased $6,000, or 3%, from $238,000 to $244,000. Medical service revenue prior to any provision for doubtful accounts, contractual adjustments or adjustments for amounts retained by medical groups increased $10,893,000, or 82%, to $24,254,000 for the nine months ended September 30, 1997 as compared to $13,361,000 for the nine months ended September 30, 1996. For the same periods, revenue from HPM decreased $104,000, or 11%, from $931,000 to $829,000. The Company's growth in revenue is primarily attributable to the addition of new management services agreements.

OPERATING EXPENSES consist of (i) clinic salaries, wages and benefits, clinic laboratory and fees, clinic rent, other clinic costs and consulting fees and (ii) depreciation and amortization. Clinic expenses increased by $447,000, or 20%, to $2,661,000 for the quarter ended September 30, 1997 from $2,214,000 for the comparable period in 1996. Clinic expenses increased by $2,801,000, or 53%, to $8,080,000 for the nine months ended September 30, 1997 from $5,279,000 for the comparable period in 1996. The increases in clinic expenses for each of the respective periods reflects the addition of new physician affiliations.

Depreciation and amortization expenses for the quarter ended September 30, 1997 increased by $177,000, or 69%, to $434,000 as compared to $257,000 for the quarter ended September 30, 1996. Depreciation and amortization expenses for the nine months ended September 30, 1997 increased by $230,000, or 38%, to $843,000 as compared to $613,000 for the nine months ended September 30, 1996. This increase was primarily the result of the amortization and depreciation of newly acquired management services agreements and fixed assets.

INCOME FROM OPERATIONS decreased $19,000 or 8%, to $209,000 for the quarter ended September 30, 1997 from $228,000 for the comparable period in 1996. Income from Operations increased $1,263,000, or 233%, to $1,806,000 for the nine months ended September 30, 1997 from $543,000 for the comparable period in 1996. Substantially all of this increase was attributable to the addition of new affiliated physician practices.

GENERAL AND ADMINISTRATIVE EXPENSES consist of salaries paid to corporate staff, administrative, legal and accounting and development costs. General and administrative costs increased by $647,000, or 64%, to $1,656,000 for the quarter ended September 30, 1997 from $1,009,000 for the quarter ended September 30, 1996. General and administrative costs increased by $1,555,000, or 65%, to $3,961,000 for the first nine months of 1997 from $2,406,000 for the nine months ended September 30, 1996. These increases were primarily the result of a build-up in the Company's financial and operational staff, additional professional and additional administrative costs incurred in the first three and nine months of 1997 as compared to the corresponding periods in 1996.

OTHER INCOME (EXPENSE) increased by $1,361,000 to an expense of $1,416,000 for the quarter ended September 30, 1997 from an expense of $55,000 for the comparable period in 1996. The increase is principally the result of a $1,630,000 increase in clinic terminations and reserves for the quarter ended September 30, 1997, from no expense for the quarter ended September 30, 1996. Other Income (Expense) increased by $625,000 to an expense of $1,504,000 for the nine months ended September 30, 1997 from $879,000 for the comparable period in 1996. The increase consists principally of a $1,630,000 net loss on clinic terminations and reserves in the nine months ended September 30, 1997 as compared to no such expense for the nine months ended September 30, 1996, offset by a decrease in net loss on litigation settlements from $749,000 for the nine months ended September 30, 1996 to no such expense for the nine months ended September 30, 1997.

Interest expense increased by $155,000, to $310,000 for the nine months ended September 30, 1997 from $155,000 for the first nine months of 1996, primarily as a result of increased borrowings under the Company's credit facility.

Interest income was $29,000 for the quarter ended September 30, 1997 and for the quarter ended September 30, 1996. Interest income increased to $109,000 for the nine months ended September 30, 1997 from $70,000 for the nine months ended September 30, 1996. This increase in interest income resulted from the investment of a portion of funds received from a private placement that was completed in May 1996.

INCOME TAXES were zero for the three and nine months ended September 30, 1997 and 1996. The Company had net operating losses for federal and state income tax purposes at September 30, 1997 of approximately $11,000,000 which can be carried forward and used to offset the Company's future taxable income through the year 2009.

NET LOSS increased $2,027,000, or 242% to a loss of $2,863,000 for the quarter ended September 30, 1997 from a net loss of $836,000 for the quarter ended September 30, 1996. The increase in the net loss was primarily the result of the increase in clinic terminations of $1,630,000 and a $647,000 increase in general and administrative expenses, offset by an increase in income from forgiveness of indebtedness of $318,000 for the quarter ended September 30, 1997 as compared to the same period in 1996. Net Loss increased $917,000 or 33% to $3,659,000 for the nine months ended September 30, 1997 from a net loss of $2,742,000 for the nine months ended September 30, 1996. The increase was the result of the clinic terminations of $1,630,000 offset by $318,000 in forgiveness off indebtedness income for the nine months ended September 30, 1997 as compared to no such expense and income items in the nine months ended September 30, 1996. The increase was also attributable to an increase in operating revenue of $1,263,000 and an increase in general and administrative expenses of $1,555,000 offset by

a decrease in net loss on litigation settlements of $749,000 for the nine months ended September 30, 1997 as compared to the nine months ended September 30, 1996.

NET LOSS PER SHARE increased to ($.18) in the three months ended September 30, 1997 as compared to ($.06) per share for the corresponding period in 1996. Net Loss per Share

increased to ($.24) in the nine months ended September 30, 1997 as compared to ($.21) per share for the corresponding period in 1996. These increases resulted from the increase in net loss and a 29% and 33% increase in the weighted average number of shares of Common Stock outstanding, for the respective periods.

LIQUIDITY AND CAPITAL RESOURCES

SUMMARY. The Company has continued to experience losses from operations and negative cash flows from operating activities for the nine months ended September 30, 1997 and the year ended December 31, 1996. Significant contributing factors to the loss for the nine months ended September 30, 1997, were the rapid growth of the Company, the resulting increase in general and administrative expenses and the losses incurred on terminations. The increase in cash used in operations in the first nine months of 1997 was primarily the result of the Company's decision to defer the timely collection of management fees to support the growth of practices under management agreements. The Company's decision to reinvest funds in medical practices that are already owned, and fund acquisitions of additional medical practices along with cash required to meet debt obligations and fund operations has significantly reduced the amount of cash available to the Company. As a result, the Company will be required to seek additional financing from banks, institutional investors and other sources and to reduce or contain costs in order to fund operations and meet obligations and future commitments.

WORKING CAPITAL. At September 30, 1997, the Company's net working capital was $1,665,000, as compared to $5,103,000 at December 31, 1996. The principal components of the Company's working capital are cash and accounts receivable. Unrestricted cash decreased to $52,000 from $3,400,000 at December 31, 1996 primarily as a result of cash used in operations. Accounts receivable principally represent receivables from patients and third parties for medical services provided by physician groups. Accounts receivable are a function of net physician practice revenue rather than net revenue of the Company. Accounts receivable increased $185,000, or 4%, to $4,665,000 at September 30, 1997 from $4,480,000 at December 31, 1996, reflecting the increase in practice billings that the Company manages. Physician receivables were $2,660,000 at December 31, 1996, as compared to $3,029,000 at September 30, 1997, reflecting the Company's decision to continue to reinvest funds in medical practices managed. Total current liabilities at September 30, 1997 decreased to $6,217,000 from $6,970,000 on December 31, 1996 primarily as a result of lower borrowings under the Company's credit line and notes payable. The ratio of current assets to current liabilities was 1.27 to 1.00 at September 30, 1997 as compared to 1.73 to 1.00 at December 31, 1996.

CASH FLOWS. Net cash provided in investing activities for the nine months ended September 30, 1997 was $383,000, compared to net cash used of $2,100,000 in investing activities for the comparable period in 1996. The difference was primarily the result of a decrease in restricted cash required by the Company's credit facility from $1,264,000 to $0 and a decrease of $1,219,000 in amounts used to fund acquisitions.

Net cash used by financing activities during the nine months ended September 30, 1997 was $529,000, compared to $9,010,000 cash provided by financing activities during the first nine months of 1996. The difference reflects the private placement of Common Stock on May 31, 1996, which yielded proceeds, net of offering expenses, of $7.2 million as well as an increase in the repayment of debt of $2,924,000 offset by a decrease in the proceeds from debt issuances of $1,645,000.

Net cash used in operations for the nine months ended September 30, 1997 was $3,202,000, a $978,000 increase over funds used in operations for the nine months ended September 30, 1996. While the net loss for the nine months ended September 30, 1997 increased to $3,659,000 from the net loss of $2,742,000 for the nine months ended September 30, 1996, the increase in net cash used in operations was primarily the result of a $1,630,000 in clinic terminations.

DEBT FACILITIES. The Company's outstanding debt obligations consist of a line of credit, notes payable, long-term debt, and convertible subordinated debt.

At September 30, 1997, the Company's long-term debt in aggregate principal amount of $7,318,000 (including current portion of $2,593,000) consisted of:

(i) Mortgage payable of $1,115,000 to a banks, collateralized by a building with a net book value of $1,665,000 with interest at 10%

(ii) Unsecured note payable to a finance company in the amount of $375,000 with interest at 7.9%

(iii) Note payable to a computer vendor of $738,000 with interest at 10%

(iv) Capital lease obligations in the aggregate amount of $2,028,000 with varying interest rates not exceeding 26.5%

(v) Notes payable to various individuals in conjunction with asset acquisitions, of $2,989,000 at 10% with varying maturity dates

(vi) Other debt in the amount of $73,000

SUBSEQUENT DEVELOPMENTS

On October 15, 1997, the Company entered into a $1,250,000 accounts receivable factoring line of credit under which approximately $572,000 was outstanding and fully

repaid on November 24, 1997, at which time the line of credit was terminated. The Company borrowings were limited to a formula equal to 40% of accounts receivable outstanding for less than 90 days at the time of the borrowing. A factoring commission of 1% for each 30 day period in addition to interest at the published prime rate plus 2% could be charged on outstanding borrowings. A reserve of 5% of the total outstanding invoices was also required. This facility was guaranteed by certain officers of the Company.

The Company entered into a new accounts receivable credit facility effective as of November 12, 1997, under which 80% of the net collectible value of the Company's accounts receivable could be advanced up to $2,500,000. The Company initially borrowed approximately $1,600,000 on November 24, 1997, the proceeds of which were used to repay the outstanding borrowings under the existing factoring accounts receivable line described above and to fund working capital needs. Various additional borrowings and repayments have occurred through December 30, 1997 at which time $2,198,000 was outstanding.

Management recognizes that the Company must generate additional financial resources and reduce operating expenses. To address future cash requirements, management developed a business plan in the fourth quarter of 1997 that includes:

- Securing additional financing to cover anticipated cash requirements.

- Reducing advances to physicians.

- Reducing compensation expense included in general and administrative expense by headcount and salary reductions.

- Reducing executive compensation by 30% effective November 1, 1997 and deferral of 1998 senior management compensation, if necessary.

- Completing refinancings of Company-owned medical buildings and equipment.

- Curtailing acquisition activity until cash resources are available and reducing associated travel and entertainment expenditures.

There can be no assurance that the additional financing, other sources of funds, or other cost reductions as described above will be achieved. If these financings, other sources of funds or other reductions are not achieved within acceptable ranges, the Company's liquidity would be materially adversely affected.

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128 (SFAS No. 128), "Earnings per Share," which is required to be adopted by the Company for the year ended December 31, 1997. The provisions of SFAS No. 128 will be adopted in the 1997 consolidated financial statements.

At that time, the Company will be required to change the method currently used to compute earnings per share and to restate all prior periods. Under the new requirements for calculating earnings per share, the dilutive effect of convertible preferred stock will be excluded for "basic earnings per share" and only included in "diluted" earnings per share. Further, contingently issuable shares will be included in basic earnings per share only if all

the necessary conditions have been satisfied by the end of the period and it is only a matter of time before they are issued. The impact of SFAS No. 128 on the calculation of earnings per share for the year ending December 31, 1997 has not been determined.

* * *

This report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts included in this report, may constitute forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct.

PART II

ITEM 1. LEGAL PROCEEDINGS

The Company is presently engaged in various proceedings occurring in the course of its business of entering its affiliations with physician practices and medical related entities. However, except as described in the Company's Form 10-KSB, management believes that the ultimate outcome of these proceedings is not expected to be material to operations or the Company's financial position.

In addition, Alastair Knott ("Plaintiff") filed a civil action on November 17, 1997, in the United States District Court for the District of Arizona against MAM, John Regan, Sandy Regan, Dennis Calvert, Michael Zaic, David Lilly, Esquire, Law Offices of Lance N. Kerr, and Holladay Stock Transfer, Inc., setting forth claims for damages in excess of $900,000 on theories of alter ego, civil conspiracy, breach of oral contract, breach of written contract, breach of covenants of good faith and fair dealings, fraud, breach of fiduciary duties, conversion and bad faith denial of contract. These claims arise from the allegedly wrongful cancellation of a stock certificate evidencing Plaintiff's alleged ownership of 194,425 shares of the Common Stock of MAM. MAM has not yet responded substantively to the complaint, but denies all liability and intends to vigorously defend the suit.

Reference is made to the Company's Form 10-QSB for the quarterly period ended June 30, 1997, which sets forth additional disclosures relating to legal proceedings.

ITEM 2. RECENT SALES OF UNREGISTERED SECURITIES

There have been no changes in the rights, preferences or privileges of any security of the Company during the quarter ended September 30, 1997. During the quarter ended September 30, 1997, the Company issued an aggregate of 18,000 shares of Common Stock pursuant to asset purchase agreements with physicians, of which 10,000 shares were issued pursuant to commitments entered into prior to June 30, 1997. During the quarter ended September 30, 1997, the Company agreed to issue, pursuant to new equity affiliation agreements with physicians, a total of 34,000 additional shares of Common Stock during the period 1998 to 2001. Further, during the quarter ended September 30, 1997, equity affiliation agreements pursuant to which 177,000 shares of Common Stock were to be issued were canceled. In addition, the Company issued 29,000 shares of Common Stock in settlement of litigation. The Company issued these shares in transactions in reliance upon the exemption provided under Section 4(2) of the Securities Act of 1933.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

EXHIBIT NO.	DESCRIPTION	SEQUENTIAL LOCATION NO.
27	Financial Data Schedule	Filed herewith

(b) During the quarter ended September 30, 1997, the Company filed no reports on Form-8-K.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MEDICAL ASSET MANAGEMENT, INC.

By: /s/ John W. Regan

John W. Regan
Chairman and President

By: /s/ Gary L. Steib

Gary L. Steib
Treasurer and Interim Chief Financial Officer

Date: January 5, 1998

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