

AMERICAN SHARED HOSPITAL SERVICES
Form 10-Q
November 12, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2015 or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission file number 1-08789

American Shared Hospital Services

(Exact name of registrant as specified in its charter)

California **94-2918118**
(State or other jurisdiction of (IRS Employer
Incorporation or organization) Identification No.)

Four Embarcadero Center, Suite 3700, San Francisco, California 94111
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (415) 788-5300

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller reporting company

As of November 1, 2015, there are outstanding 5,364,147 shares of the Registrant's common stock.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

AMERICAN SHARED HOSPITAL SERVICES

CONDENSED CONSOLIDATED BALANCE SHEETS

| ASSETS | (unaudited) September 30, 2015 | December 31, 2014 |
|-----------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|----------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 2,184,000 | \$ 1,059,000 |
| Restricted cash | 50,000 | 50,000 |
| Certificate of deposit | - | 9,000,000 |
| Accounts receivable, net of allowance for doubtful accounts of \$100,000 at September 30, 2015 and \$100,000 at December 31, 2014 | 3,451,000 | 3,192,000 |
| Other receivables | 131,000 | 131,000 |
| Prepaid expenses and other current assets | 405,000 | 448,000 |
| Current deferred tax assets | 367,000 | 367,000 |
| Total current assets | 6,588,000 | 14,247,000 |
| Property and equipment: | | |
| Medical equipment and facilities | 83,120,000 | 82,151,000 |
| Office equipment | 721,000 | 721,000 |
| Deposits and construction in progress | 10,544,000 | 13,736,000 |
| | 94,385,000 | 96,608,000 |
| Accumulated depreciation and amortization | (46,136,000) | (46,572,000) |
| Net property and equipment | 48,249,000 | 50,036,000 |
| Investment in equity securities | 605,000 | 2,709,000 |
| Other assets | 444,000 | 536,000 |
| Total assets | \$ 55,886,000 | \$ 67,528,000 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | (unaudited) September 30, 2015 | December 31, 2014 |
| Current liabilities: | | |

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| | | |
|-------------------------------------------------------------------------------------------------|---------------|---------------|
| Accounts payable | \$ 454,000 | \$ 421,000 |
| Employee compensation and benefits | 156,000 | 179,000 |
| Other accrued liabilities | 1,370,000 | 763,000 |
| Current portion of long-term debt | 2,781,000 | 2,005,000 |
| Current portion of obligations under capital leases | 4,254,000 | 4,103,000 |
| Advances on line of credit | - | 8,780,000 |
| Total current liabilities | 9,015,000 | 16,251,000 |
| Long-term debt, less current portion | 7,465,000 | 8,586,000 |
| Long-term capital leases, less current portion | 10,310,000 | 12,190,000 |
| Deferred revenue, less current portion | 749,000 | 874,000 |
| Deferred income taxes | 3,581,000 | 3,473,000 |
| Shareholders' equity: | | |
| Common stock (5,364,000 shares at September 30, 2015 and 5,361,000 shares at December 31, 2014) | 10,376,000 | 10,376,000 |
| Additional paid-in capital | 5,660,000 | 5,508,000 |
| Retained earnings | 3,743,000 | 5,542,000 |
| Total equity-American Shared Hospital Services | 19,779,000 | 21,426,000 |
| Non-controlling interest in subsidiary | 4,987,000 | 4,728,000 |
| Total shareholders' equity | 24,766,000 | 26,154,000 |
| Total liabilities and shareholders' equity | \$ 55,886,000 | \$ 67,528,000 |

See accompanying notes

AMERICAN SHARED HOSPITAL SERVICES**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited)

| | Three months ended September | | Nine months ended September | |
|--------------------------------------------------------------|------------------------------|--------------|-----------------------------|---------------|
| | 30, | 2014 | 30, | 2014 |
| | 2015 | | 2015 | |
| Medical services revenue | \$ 3,875,000 | \$ 3,982,000 | \$ 12,386,000 | \$ 11,425,000 |
| Costs of revenue: | | | | |
| Maintenance and supplies | 252,000 | 382,000 | 866,000 | 1,320,000 |
| Depreciation and amortization | 1,521,000 | 1,478,000 | 4,619,000 | 4,695,000 |
| Other direct operating costs | 648,000 | 519,000 | 2,048,000 | 1,673,000 |
| | 2,421,000 | 2,379,000 | 7,533,000 | 7,688,000 |
| Gross Margin | 1,454,000 | 1,603,000 | 4,853,000 | 3,737,000 |
| Selling and administrative expense | 904,000 | 933,000 | 2,704,000 | 2,792,000 |
| Interest expense | 235,000 | 396,000 | 900,000 | 1,376,000 |
| Operating income (loss) | 315,000 | 274,000 | 1,249,000 | (431,000) |
| (Loss) on write down investment in equity securities | - | - | (2,114,000) | - |
| (Loss) on sale of subsidiary | - | - | - | (572,000) |
| Gain on foreign currency transactions | - | - | - | 161,000 |
| Interest and other income | 3,000 | 7,000 | 14,000 | 22,000 |
| Income (loss) before income taxes | 318,000 | 281,000 | (851,000) | (820,000) |
| Income tax expense | 92,000 | 29,000 | 328,000 | 33,000 |
| Net income (loss) | 226,000 | 252,000 | (1,179,000) | (853,000) |
| Less: Net (income) attributable to non-controlling interests | (183,000) | (239,000) | (620,000) | (157,000) |

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| | | | | |
|---------------------------------------------------------------------|-----------|-----------|-----------------|-----------------|
| Net income (loss) attributable to American Shared Hospital Services | \$ 43,000 | \$ 13,000 | \$ (1,799,000) | \$ (1,010,000) |
| Net income (loss) per share: | | | | |
| Income (loss) per common share - basic | \$ 0.01 | \$ 0.00 | \$ (0.33) | \$ (0.21) |
| Income (loss) per common share - assuming dilution | \$ 0.01 | \$ 0.00 | \$ (0.33) | \$ (0.21) |

See accompanying notes

AMERICAN SHARED HOSPITAL SERVICES**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Unaudited)

| | Three months ended September 30, | | Nine months ended September 30, | |
|-------------------------------------------------------------------------------|-------------------------------------|-----------|------------------------------------|-----------------|
| | 2015 | 2014 | 2015 | 2014 |
| Net income (loss) attributable to American Shared Hospital Services | \$ 43,000 | \$ 13,000 | \$ (1,799,000) | \$ (1,010,000) |
| Other comprehensive income: | | | | |
| Foreign currency translation adjustments | - | - | - | 779,000 |
| Total comprehensive income (loss) | 43,000 | 13,000 | (1,799,000) | (231,000) |
| Less comprehensive (loss) attributable to the non-controlling interest | - | - | - | (337,000) |
| Comprehensive income (loss) attributable to American Shared Hospital Services | \$ 43,000 | \$ 13,000 | \$ (1,799,000) | \$ 106,000 |

See accompanying notes

AMERICAN SHARED HOSPITAL SERVICES**CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY**

PERIODS ENDED DECEMBER 31, 2014 AND SEPTEMBER 30, 2015

| | Common Shares | Common Stock | Additional Paid-in Capital | Accumulated Other Comprehensive Income (Loss) | Retained Earnings | Sub-Total ASHS | Non-controlling Interests in Subsidiaries | Total |
|--------------------------------------------------------------|------------------|-----------------|----------------------------------|-----------------------------------------------------------|----------------------|-------------------|-------------------------------------------------|------------|
| Balances at January 1, 2014 | 4,609,000 | 8,578,000 | 4,990,000 | (442,000) | 6,494,000 | 19,620,000 | 4,435,000 | 24,055,000 |
| Repurchase common stock | (1,000) | (2,000) | - | - | - | (2,000) | - | (2,000) |
| Stock based compensation expense | 3,000 | - | 373,000 | - | - | 373,000 | - | 373,000 |
| Private placement common stock | 750,000 | 1,800,000 | - | - | - | 1,800,000 | - | 1,800,000 |
| Fair value of warrants issued with promissory notes | - | - | 145,000 | - | - | 145,000 | - | 145,000 |
| Non-controlling interest investment in subsidiaries | - | - | - | - | - | - | 517,000 | 517,000 |
| Cash distributions to non-controlling interests | - | - | - | - | - | - | (951,000) | (951,000) |
| Cumulative translation adjustment | - | - | - | 442,000 | - | 442,000 | 337,000 | 779,000 |
| | - | - | - | - | (952,000) | (952,000) | 390,000 | (562,000) |

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| | | | | | | | | |
|--------------------------------------------------------------|-----------|------------|-----------|---|-------------|--------------|------------|--------------|
| Net (loss) income | | | | | | | | |
| Balances at December 31, 2014 | 5,361,000 | 10,376,000 | 5,508,000 | - | 5,542,000 | 21,426,000 | 4,728,000 | 26,154,000 |
| Stock based compensation expense | 3,000 | - | 152,000 | - | - | 152,000 | - | 152,000 |
| Non-controlling interest investment in subsidiaries | - | - | - | - | - | - | 27,000 | 27,000 |
| Cash distributions to non-controlling interests | - | - | - | - | - | - | (388,000) | (388,000) |
| Net (loss) income | - | - | - | - | (1,799,000) | (1,799,000) | 620,000 | (1,179,000) |
| Balances at September 30, 2015 | 5,364,000 | 10,376,000 | 5,660,000 | - | 3,743,000 | 19,779,000 | 4,987,000 | 24,766,000 |

See accompanying notes

AMERICAN SHARED HOSPITAL SERVICES**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

| | Nine Months ended September 30, | |
|----------------------------------------------------------------------------|---------------------------------|---------------|
| | 2015 | 2014 |
| Operating activities: | | |
| Net (loss) | \$ (1,179,000) | \$ (853,000) |
| Adjustments to reconcile net (loss) to net cash from operating activities: | | |
| Depreciation and amortization | 4,659,000 | 4,808,000 |
| Loss on write down of investment in equity securities | 2,114,000 | - |
| Loss on sale of subsidiary | - | 572,000 |
| Deferred income tax | 108,000 | 33,000 |
| (Gain) on foreign currency transactions | - | (161,000) |
| Stock based compensation expense | 152,000 | 53,000 |
| (Gain) on sale of assets | - | (1,000) |
| Other non-cash items | (43,000) | - |
| Changes in operating assets and liabilities: | | |
| Receivables | (259,000) | 431,000 |
| Prepaid expenses and other assets | 113,000 | 141,000 |
| Customer deposits/deferred revenue | (43,000) | (37,000) |
| Accounts payable and accrued liabilities | 535,000 | (573,000) |
| Net cash from operating activities | 6,157,000 | 4,413,000 |
| Investing activities: | | |
| Payment for purchase of property and equipment | (1,517,000) | (338,000) |
| Investment in equity securities | (10,000) | (4,000) |

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| | | |
|------------------------------------------------------------------|--------------|-----------------|
| Proceeds from sale of subsidiary | - | 768,000 |
| Net cash (used in) from investing activities | (1,527,000) | 426,000 |
| Financing activities: | | |
| Principal payments on long-term debt | (1,417,000) | (2,457,000) |
| Principal payments on capital leases | (2,983,000) | (3,240,000) |
| Proceeds from long-term debt financing of property and equipment | 1,036,000 | - |
| Proceeds from certificate of deposit | 9,000,000 | - |
| Advances on line of credit | - | 640,000 |
| Payments on line of credit | (8,780,000) | (1,200,000) |
| Non-controlling interest investment in subsidiaries | 27,000 | 102,000 |
| Cash distributions to non-controlling interests | (388,000) | (748,000) |
| Common stock repurchased | - | (2,000) |
| Private placement common stock | - | 1,580,000 |
| Net cash (used in) from financing activities | (3,505,000) | (5,325,000) |
| Effect of changes in foreign exchange rates on cash | - | (8,000) |
| Net change in cash and cash equivalents | 1,125,000 | (494,000) |
| Cash and cash equivalents at beginning of period | 1,059,000 | 1,909,000 |
| Cash and cash equivalents at end of period | \$ 2,184,000 | \$ 1,415,000 |
| Supplemental cash flow disclosure: | | |
| Cash paid during the period for: | | |
| Interest | \$ 1,251,000 | \$ 1,604,000 |
| Income taxes | \$ 1,000 | \$ 60,000 |
| Schedule of non-cash investing and financing activities | | |
| Acquisition of equipment with capital lease financing | \$ 1,343,000 | \$ 2,732,000 |
| Equipment relieved in sale of subsidiary | \$ - | \$ (4,921,000) |
| Other assets relieved in sale of subsidiary | \$ - | \$ (826,000) |
| Debt relieved in sale of subsidiary | \$ - | \$ 5,181,000 |
| Other liabilities relieved in sale of subsidiary | \$ - | \$ 14,000 |
| Net equity relieved in sale of subsidiary | \$ - | \$ 1,351,000 |

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| | | |
|---------------------------------------------------------|------|-----------------|
| OCI released to net income in sale of subsidiary | \$ - | \$ (779,000) |
| Investment released to net income in sale of subsidiary | \$ - | \$ (1,360,000) |

See accompanying notes

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AMERICAN SHARED HOSPITAL SERVICES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Basis of Presentation

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of normal recurring accruals and entries to record the impairment of the Company's investment in equity securities and the sale of EWRS Tibbi Cihazlar Ticaret Ltd Sti, "EWRS Turkey") necessary to present fairly American Shared Hospital Services' consolidated financial position as of September 30, 2015 and the results of its operations for the three and nine month periods ended September 30, 2015 and 2014, which results are not necessarily indicative of results on an annualized basis. Consolidated balance sheet amounts as of December 31, 2014 have been derived from audited financial statements.

These unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2014 included in the Company's 10-K filed with the Securities and Exchange Commission.

These condensed consolidated financial statements include the accounts of American Shared Hospital Services (the "Company") and its wholly-owned subsidiaries: OR21, Inc. ("OR21"); MedLeader.com, Inc. ("MedLeader"); PBRT Orlando, LLC ("Orlando"); and American Shared Radiosurgery Services ("ASRS"); ASRS' majority-owned subsidiary, GK Financing, LLC ("GKF"); GKF's wholly-owned subsidiaries, GK Financing U.K., Limited ("GKUK"), Instituto de Gamma Knife del Pacifico S.A.C. ("GKPeru"); ASHS' majority owned subsidiary, Long Beach Equipment, LLC ("LBE"), GKF's majority owned subsidiaries, Albuquerque GK Equipment, LLC ("AGKE"), Jacksonville GK Equipment, LLC ("JGKE") and EWRS, LLC ("EWRS"). EWRS owned 100% of EWRS Turkey. The Company sold EWRS Turkey on June 10, 2014.

The Company through its majority-owned subsidiary, GKF, provided Gamma Knife units to seventeen medical centers as of September 30, 2015 in the states of Arkansas, California, Connecticut, Florida, Illinois, Massachusetts, Mississippi, Nevada, New Jersey, New Mexico, New York, Tennessee, Oklahoma, Ohio, Texas, and Washington.

The Company also directly provides radiation therapy and related equipment, including Intensity Modulated Radiation Therapy ("IMRT"), Image Guided Radiation Therapy ("IGRT") and a CT Simulator to the radiation therapy department at an existing Gamma Knife site in the United States.

The Company formed the subsidiaries GKUK and GKPeru, for the purposes of expanding its business internationally into the United Kingdom and Peru; LBE and Orlando to provide proton beam therapy services in Long Beach, California; and AGKE and JGKE to provide Gamma Knife services in Albuquerque, New Mexico and Jacksonville, Florida. AGKE began operation in the second quarter 2011 and JGKE began operation in the fourth quarter 2011. GKPeru is expected to begin operation in early 2016. GKUK is inactive and LBE is not expected to generate revenue within the next two years.

Based on guidance provided in accordance with Accounting Standards Codification (“ASC”) 830, *Foreign Currency Matters* (“ASC 830”), the Company has analyzed its operations outside the United States to determine the functional currency of each operation. Management determined that these operations were initially accounted for in U.S. dollars since the primary transactions incurred were in U.S. dollars and the Company provided significant funding towards the startup of the operation. When Management determined that the operation had become predominantly self-sufficient, the Company changed its accounting for the operation to the local currency from the U.S. dollar.

As of June 10, 2014 EWRS Turkey’s balance sheet accounts were translated at rates in effect as of those dates, respectively, and income and expense accounts were translated at the weighted average rates of exchange during those respective periods. Gains and losses from foreign currency transactions and remeasurement are listed in the Company’s Condensed Consolidated Statements of Operations. The Company recorded a net foreign currency gain of \$161,000 for the nine month period ended September 30, 2014.

Based on guidance provided in accordance with Accounting Standards Update (“ASU”) No. 2014-08 *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* (“ASU 2014-08”), the Company has analyzed the factors that define a discontinued operation and determined that the sale of EWRS Turkey is considered the sale of a significant component, but does not represent a major shift in the business, and therefore is not a discontinued operation.

Based on guidance provided in accordance with ASU No 2013-05 *Parent’s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries of Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity* (“ASU 2013-05”), the Company no longer holds a financial interest in EWRS Turkey. As of December 31, 2014, the cumulative translation adjustments previously recognized under accumulated other comprehensive income (loss) were released into net income as a component of the loss for the sale of EWRS Turkey in the statement of operations. The total cumulative translation adjustment of \$779,000, previously recognized under accumulated other comprehensive income (loss), was included as a component of the loss calculation for the sale of EWRS Turkey, reported in the statement of operations for the year ended 2014.

Based on guidance provided in accordance with ASC 280 *Segment Reporting* (“ASC 280”), the Company has analyzed the factors that define an operating segment and determined that there is only one operating segment. The seventeen locations are aggregated into one reportable segment because, in the Company’s judgment, these operating segments have similar historical economic characteristics and are expected to have similar economic characteristics in the future. Furthermore, each operating segment utilizes the same business model and technologies, servicing the same end users (radiation therapy patients). All significant intercompany accounts and transactions have been eliminated in consolidation.

Effective May 31, 2014 (with closing occurring June 10, 2014) the Company sold EWRS Turkey for EUR 4.2 million (approximately \$6.0M). The proceeds were used to reduce outstanding debt and the excess was cash to the Company of \$768,000. Cash transactions were recorded for the time period June 1, to June 10, 2014, the date of closing. The Company recorded a loss on sale of subsidiary of \$572,000. The Company was eligible for an earn-out in fiscal year 2014 based on future revenue derived from the units sold to Euromedic. The Company did not meet its 2014 earn-out milestone. The Company is also eligible for an earn-out in fiscal year 2015 based on future revenues, but does not anticipate it will meet the 2015 earn out therefore no amounts have been recorded as of September 30, 2015.

Based on guidance provided in ASC 320 *Investments – Debt and Equity Securities* (“ASC 320”) and Staff Accounting Bulletins (“SAB”) Topic 5M *Other Than Temporary Impairment (“OTTI”) of Certain Investments in Equity Securities* (“SAB Topic 5M”), the Company analyzed the recent events of Mevion Medical Systems, Inc. (“Mevion”), formerly Still River Systems, and determined that these circumstances indicate a decline in value of its Mevion investment that is other-than-temporary, and determined that a write-down of the carrying value should be recognized at this time. During the three months ended June 30, 2015, the Company adjusted its investment in Mevion to the determined fair value of \$600,000 and recorded a \$2,114,000 impairment loss. The \$2,114,000 other than temporary impairment of its investment in Mevion is recorded in other income (loss) on the Company’s Condensed Consolidated Statement of Operations for the nine months ended September 30, 2015.

Recently Issued Accounting Pronouncements

In January 2015, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2015-01, *Income Statement - Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items* (“ASU No. 2015-01”), which eliminates from United States Generally Accepted Accounting Principles (“GAAP”) the concept of extraordinary items and requires that an entity separately classify, present, and disclose extraordinary events and transactions. This ASU will also align more closely GAAP income statement presentation guidance with *International Accounting Standards (“IAS”) 1, Presentation of Financial Statements*, which prohibits the presentation and disclosure of extraordinary items. The new standard is effective for the Company on January 1, 2016. Early application is permitted. The standard permits the use of either the retrospective or prospective application. The Company is evaluating the effect that ASU 2015-01 will have on its consolidated financial statements and related disclosures and has not yet selected a transition method.

In February 2015, the FASB issued ASU No. 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis* (“ASU No. 2015-02”), which is intended to improve targeted areas of consolidation guidance for legal entities. The ASU focuses on the consolidation evaluation for reporting organizations that are required to evaluate whether they should consolidate certain legal entities. In addition to reducing the number of consolidation models from four to two, the new standard simplifies the FASB ASC and improves current GAAP. The new standard is effective for the Company on January 1, 2016. Early adoption is permitted. The Company is evaluating the effect that ASU 2015-02 will have on its consolidated financial statements and related disclosures and has not yet selected a transition method.

In April 2015, the FASB issued ASU No. 2015-03, *Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* (“ASU 2015-03”), which requires that debt issuance costs related to a recognized debt liability, be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. The new standard is effective for the Company on January 1, 2016. Early adoption is permitted. The amendments should be applied on a retrospective basis, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. The Company is evaluating the effect that ASU 2015-03 will have on its consolidated financial statements and related disclosures.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, (“ASU 2014-09”), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective. The new standard is effective for the Company on January 1, 2017. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. In July 2015, the FASB voted to delay the effective date of this standard until the first quarter of 2018. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures and has not yet selected a transition method.

Note 2. Per Share Amounts

The following table sets forth the computation of basic and diluted earnings per share for the three and nine month periods ended September 30, 2015 and 2014:

| | Three Months ended September 30, | | Nine Months ended September 30, | |
|---------------------------------------------------------------------|-------------------------------------|-----------|------------------------------------|-----------------|
| | 2015 | 2014 | 2015 | 2014 |
| Net income (loss) attributable to American Shared Hospital Services | \$ 43,000 | \$ 13,000 | \$ (1,799,000) | \$ (1,010,000) |
| Weighted average common shares for basic earnings per share | 5,494,000 | 5,261,000 | 5,485,000 | 4,858,000 |
| Diluted effect of stock options and restricted stock | 22,000 | 43,000 | - | - |
| Weighted average common shares for diluted earnings per share | 5,516,000 | 5,304,000 | 5,485,000 | 4,858,000 |
| Basic earnings (loss) per share | \$ 0.01 | \$ 0.00 | \$ (0.33) | \$ (0.21) |
| Diluted earnings (loss) per share | \$ 0.01 | \$ 0.00 | \$ (0.33) | \$ (0.21) |

Pursuant to GAAP, potentially dilutive common stock equivalents, such as dilutive stock options, are not considered when their inclusion in reporting earnings per share would be dilutive to reported losses incurred per share. Because the Company reported a loss for the nine month period ended September 30, 2015, the potentially dilutive effects of approximately 25,000 of the Company's stock options, 200,000 warrants, and 7,000 unvested restricted stock units were not considered for the reporting period. Because the Company reported a loss for the nine month period ended September 30, 2014, the potentially dilutive effects of approximately 38,000 of the Company's stock options and 8,000 unvested restricted stock units were not considered for the reporting period.

Note 3. Stock-based Compensation

On June 2, 2010, the Company's shareholders approved an amendment and restatement of the 2006 Stock Incentive Plan (the "2006 Plan"). Among other things, the amendment and restatement renamed the 2006 Plan to the Incentive Compensation Plan (the "Plan") and increased the number of shares of the Company's common stock reserved for issuance under the Plan by an additional 880,000 shares from 750,000 shares to 1,630,000 shares. The shares are reserved for issuance to officers of the Company, other key employees, non-employee directors, and advisors. The Plan serves as successor to the Company's previous two stock-based employee compensation plans, the 1995 and 2001 Stock Option Plans. The shares reserved under those two plans, including the shares of common stock subject to currently outstanding options under the plans, were transferred to the Plan, and no further grants or share issuances will be made under the 1995 and 2001 Plans. On June 16, 2015, the Company's shareholders approved an amendment and restatement of the Plan in order to extend the term of the Plan by two years.

Stock-based compensation expense associated with the Company's stock-based awards to employees is calculated using the Black-Scholes valuation model. The Company's stock-based awards have characteristics significantly different from those of traded options, and changes in the subjective input assumptions can materially affect the fair value estimates. The estimated fair value of the Company's option grants is estimated using assumptions for expected life, volatility, dividend yield, and risk-free interest rate which are specific to each award. The estimated fair value of the Company's options is amortized over the period during which an employee is required to provide service in exchange for the award (requisite service period), usually the vesting period. Accordingly, stock-based compensation cost before income tax effect in the amount of \$58,000 and \$152,000 is reflected in net income for the three and nine month periods ended September 30, 2015, compared to \$7,000 and \$53,000 in the same periods in the prior year, respectively.

The following table summarizes unvested restricted stock awards, consisting primarily of annual automatic grants and deferred compensation to non-employee directors, for the nine month period ended September 30, 2015:

| | Restricted Stock Awards/Units | Grant Date Weighted- Average Fair Value | Intrinsic Value |
|-----------------------------------|-------------------------------------|--------------------------------------------------|--------------------|
| Outstanding at January 1, 2015 | 3,000 | \$ 2.43 | \$ - |
| Granted | 31,000 | \$ 2.87 | \$ - |
| Vested | (24,000) | \$ 2.84 | \$ - |
| Forfeited | - | \$ - | \$ - |
| Outstanding at September 30, 2015 | 10,000 | \$ 2.80 | \$ - |

The following table summarizes stock option activity for the nine month period ended September 30, 2015:

| | Stock Options | Grant Date Weighted- Average Exercise Price | Weighted- Average Remaining Contractual Life (in Years) |
|-----------------------------------|------------------|---------------------------------------------------------|------------------------------------------------------------------------|
| Outstanding at January 1, 2015 | 659,000 | \$ 3.13 | 5.57 |
| Granted | 20,000 | \$ 2.48 | - |
| Exercised | (2,000) | \$ 2.30 | - |
| Forfeited | (55,000) | \$ 5.97 | - |
| Outstanding at September 30, 2015 | 622,000 | \$ 2.86 | 5.36 |
| Exercisable at September 30, 2015 | 82,000 | \$ 2.74 | 3.20 |

Note 4. Investment in Equity Securities

As of September 30, 2015 and December 31, 2014, the Company had a \$605,000 and \$2,709,000 investment, respectively, in the common stock of Mevion. As of September 30, 2015, the Company also had \$5,000,000 in non-refundable deposits toward the purchase of three MEVION S250 systems from Mevion.

The Company has carried its investment in Mevion at cost and reviews it for impairment on a quarterly basis, or as events or circumstances might indicate that the carrying value of the investment may be below its cost basis on an other-than-temporary impairment basis. The Company evaluated this investment for impairment at December 31, 2014 and reviewed it at June 30, 2015 in light of the length of time and extent to which market value has been below cost, the financial condition and near term prospects of Mevion, current market conditions and events, and our ability and intent to retain our investment for a period sufficient to allow for an anticipated recovery in the market value. On July 27, 2015, Mevion cancelled its planned initial public offering (“IPO”) and announced on August 4, 2015 that it had entered into an investment agreement where up to \$200 million will be invested by HOPU Investments, YuanMing Capital and existing U.S. investors. Concurrent with this investment, Mevion and the lead investors intend to form a joint venture to produce, sell, and service proton therapy systems for the Chinese market. The Company’s investment in the common stock of Mevion, will represent an approximate 0.56% interest following this latest private placement transaction on a fully diluted basis.

The Company analyzed the recent events stated above and determined that the cancellation of Mevion’s IPO indicated a decline in value of its Mevion investment that is other-than-temporary, and determined that a write-down of the carrying value should be recognized. In assessing whether the impairment is OTTI, we evaluated the length of time and extent to which market value has been below cost, the financial conditions and near term prospects of Mevion, the significance of recent events and our ability and intent to retain our investment for a period sufficient to allow for an

anticipated recovery in the market value. There are no current plans to dispose of this investment but based on the extended period of impairment, coupled with the cancellation of a planned IPO, the Company adjusted its investment in Mevion to the determined fair value of \$600,000 and recorded a \$2,114,000 impairment loss during the nine months ended September 30, 2015.

In determining the fair value of the Company's common stock in Mevion, the Company was able to obtain several common stock estimates based under a probability weighted expected return method ("P-WERM"). The P-WERM analysis considered the probability of several potential outcomes in its determination of a fair value of the Mevion investment. The Company reviewed certain scenarios from the P-WERM analysis as well as additional analyses and estimated the value of its common stock investment in Mevion at approximately \$600,000.

The \$2,114,000 other than temporary impairment of its investment in Mevion is recorded in other income (loss) on the Company's Condensed Consolidated Statement of Operations. This transaction is treated as a capital loss for tax purposes which may be deducted only to the extent the Company has capital gains. The Company is not aware of any event or transaction planned where the Company would generate a capital gain. Therefore, a full valuation allowance was recorded against the income tax benefit from the impairment loss, and the net impact to the income tax provision for the three and nine month periods ended September 30, 2015 was \$0.

The first MEVION S250, located at Barnes-Jewish Hospital in St. Louis, MO ("Barnes-Jewish Hospital"), treated its first patient on December 19, 2013. The second MEVION S250, located at the Ackerman Cancer Center in Jacksonville, Florida ("Ackerman Cancer Center"), treated its first patient in April 2015. The third MEVION S250, located at Robert Wood Johnson University Hospital in New Brunswick, New Jersey ("Robert Wood Johnson"), started in May 2015. The Company's first MEVION S250 system was delivered to UF Health Cancer Center at Orlando Health in November 2014 and anticipates treating patients in the first quarter of 2016.

Note 5. Line of Credit

As of December 31, 2014, the Company had a \$9,000,000 renewable line of credit with a bank secured by a certificate of deposit. The line of credit had been in place since June 2004. The Company's earnings in 2013 were insufficient to satisfy the "profitability" covenant in the line of credit. The Bank waived this default on August 8, 2014 and agreed to change the maturity date of the facility to December 31, 2014. The line was paid-off using the proceeds from the certificate of deposit on January 2, 2015.

Borrowing under the line of credit was subject to interest expense at a rate equal to the bank's prime rate minus 0.5 percentage point, or alternatively at the Company's discretion, the LIBOR rate plus 1.0 percentage point. The weighted average interest rate on money borrowed against the line of credit during 2014 was 1.40%. As of December 31, 2014, there was \$8,780,000 borrowed against the line of credit.

Note 6. Fair Value of Financial Instruments

The Company's disclosures of the fair value of financial instruments is based on a fair value hierarchy which prioritizes the inputs to the valuation techniques used to measure fair value into three levels. Level 1 inputs are unadjusted quoted market prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for assets or liabilities, and reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Other than the methodology used to fair value the Company's investment in equity securities, there have been no changes in methods or methodologies used in fair value assessment, which was consistent with those used in the prior year.

The estimated fair value of the Company's assets and liabilities as of September 30, 2015 and December 31, 2014 were as follows (in thousands):

| | Level 1 | Level 2 | Level 3 | Total | Carrying Value |
|-----------------------------------------|----------|----------|---------|----------|----------------|
| September 30, 2015 | | | | | |
| Assets: | | | | | |
| Cash, cash equivalents, restricted cash | \$2,234 | \$- | \$ - | \$2,234 | \$2,234 |
| Investment in equity securities | - | - | 600 | 600 | 605 |
| Total | \$2,234 | \$- | \$ 600 | \$2,834 | \$2,839 |
| Liabilities | | | | | |
| Debt obligations | \$- | \$10,088 | \$ - | \$10,088 | \$10,246 |
| Total | \$- | \$10,088 | \$ - | \$10,088 | \$10,246 |
| December 31, 2014 | | | | | |
| Assets: | | | | | |
| Cash, cash equivalents, restricted cash | \$1,109 | \$- | \$ - | \$1,109 | \$1,109 |
| Certificate of deposit | 9,000 | - | - | 9,000 | 9,000 |
| Investment in equity securities | - | - | 330 | 330 | 2,709 |
| Total | \$10,109 | \$- | \$ 330 | \$10,439 | \$12,818 |
| Liabilities | | | | | |
| Advances on line of credit | \$8,780 | \$- | \$ - | \$8,780 | \$8,780 |
| Debt obligations | - | 10,658 | - | 10,658 | 10,591 |
| Total | \$8,780 | \$10,658 | \$ - | \$19,438 | \$19,371 |

Note 7. Repurchase of Common Stock

In 1999 and 2001, the Board of Directors approved resolutions authorizing the Company to repurchase up to a total of 1,000,000 shares of its own stock on the open market, which the Board reaffirmed in 2008. There were no shares repurchased in 2015. There were 1,000 shares repurchased in the first quarter and no shares repurchased in the second or third quarters of 2014. There are approximately 72,000 shares remaining under this repurchase authorization.

Note 8. Income Taxes

We generally calculate our effective income tax rate at the end of an interim period using an estimate of the annualized effective income tax rate expected to be applicable for the full fiscal year. However, when a reliable estimate of the annualized effective income tax rate cannot be made, we compute our provision for income taxes using the actual effective income tax rate for the results of operations reported within the year-to-date periods. Our effective income tax rate is highly influenced by relative income or losses reported and the amount of the nondeductible stock-based compensation associated with grants of our common stock options and historically from the results of foreign operations. A small change in estimated annual pretax income (loss) can produce a significant variance in the annualized effective income tax rate given the expected amount of these items. As a result, we have computed our provision for income taxes for the three and nine month periods ended September 30, 2015 and 2014 by applying the actual effective tax rates to income or (loss) reported within the condensed consolidated financial statements through those periods.

Note 9. Note, Warrant, & Common Stock Purchase Agreement

In June 2014, the Company sold in a private offering, an aggregate of 650,000 common shares for gross proceeds of approximately \$1,600,000. The purchasers were three members of the Board of Directors. In October 2014, the Company issued an aggregate of \$1,000,000 of 3-year promissory notes with warrants and 100,000 common shares to four members of the Board of Directors, for gross proceeds of approximately \$1,220,000.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This quarterly report to the Securities and Exchange Commission may be deemed to contain certain forward-looking statements with respect to the financial condition, results of operations and future plans of American Shared Hospital Services, which involve risks and uncertainties including, but not limited to, the risks of the Gamma Knife and radiation therapy businesses, the risks of developing The Operating Room for the 21st CenturySM program, the risks of investing in a development-stage company, Mevion, and the risks of timing, financing and operations of the Company's proton therapy business. Further information on potential factors that could affect the financial condition, results of operations and future plans of American Shared Hospital Services is included in the filings of the Company with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K for the year ended December 31, 2014 and the definitive Proxy Statement for the Annual Meeting of Shareholders held on June 16, 2015

The Company had seventeen Gamma Knife units in operation on September 30, 2015 and 2014. Two of the Company's customer contracts are through subsidiaries where GKF or its subsidiary is the majority owner and managing partner. Ten of the Company's seventeen current Gamma Knife customers are under fee-per-use contracts, and seven customers are under retail arrangements. The Company's contract to provide radiation therapy and related

equipment services to an existing Gamma Knife customer is also considered a retail arrangement. Retail arrangements are further classified as either turn-key or revenue sharing. Revenue from fee per use contracts is determined by each hospital's contracted rate. For revenue sharing arrangements, the Company receives a contracted percentage of the reimbursement received by the hospital. Under turn-key arrangements, the Company receives payment from the hospital in the amount of its reimbursement from third party payors, and is responsible for paying all the operating costs of the equipment. Operating costs are determined primarily based on historical treatment protocols and cost schedules with the hospital. The Company records an estimate of operating costs which are reviewed on a regular basis and adjusted as necessary to more accurately reflect the actual operating costs. For the turn-key sites, the Company also shares a percentage of net operating profit. The Company records an estimate of net operating profit based on estimated revenues, less estimated operating costs.

Prior to April 1, 2013, Medicare's reimbursement rate for Gamma Knife treatment had been relatively stable. Congress's enactment of the American Taxpayer Relief Act of 2012, however, reduced Medicare's Gamma Knife reimbursement rate from approximately \$10,000 to \$5,600, effective April 1, 2013. This change caused a substantial reduction in the Company's revenues during 2013 and 2014. Effective January 1, 2015, the Centers for Medicare and Medicaid (CMS) established a Comprehensive Ambulatory Payment Classification for single session radiosurgery treatments, which increased the reimbursement rate by more than \$4,000 to \$9,768. CMS has proposed a 2016 total reimbursement rate of approximately \$8,830 for a Medicare Gamma Knife treatment. CMS's 2016 proposal is subject to change before final adoption.

Medical services revenue decreased by \$107,000 and increased by \$961,000 to \$3,875,000 and \$12,386,000 for the three and nine month periods ended September 30, 2015, respectively, from \$3,982,000 and \$11,425,000 for the three and nine month periods ended September 30, 2014, respectively. For the three month period ended September 30, 2015, the revenue decrease was due to a decrease in procedures. For the nine month period ended September 30, 2015, excluding revenue from EWRS Turkey in 2014, Gamma Knife revenue increased \$1,492,000. The increase in Gamma Knife revenue was due to an increase in procedures at existing sites, procedures performed at the Company's new site which began treating patients in December 2014, and higher revenue per procedures compared to the Company's historical average.

The number of Gamma Knife procedures decreased by 15 and 91 to 481 and 1,478 for the three and nine month periods ended September 30, 2015, respectively, from 496 and 1,569 in the same periods in the prior year. For the three month period ended September 30, 2015, the decline in procedures was due to one customer site experiencing downtime in order to perform a Cobalt-60 reload. Excluding procedures performed in Turkey in 2014, procedures increased by 133 for the nine month period ended September 30, 2015, compared to the same period in the prior year. The increase in procedures was due to increased volume at the Company's existing sites and procedures performed at the Company's new site which began treating patients in December 2014.

Total costs of revenue increased by \$42,000 and decreased by \$155,000 to \$2,421,000 and \$7,533,000 for the three and nine month periods ended September 30, 2015, respectively, from \$2,379,000 and \$7,688,000 for the three and nine month periods ended September 30, 2014, respectively. Excluding costs of revenue from EWRS Turkey, for the nine months ended September 30, 2015, costs of revenue increased \$416,000, compared to the same period prior year. Maintenance and supplies decreased by \$130,000 and \$266,000 for the three and nine month periods ended September 30, 2015 compared to the same periods in the prior year, due to the expiration of four maintenance contracts at existing sites. Depreciation and amortization increased by \$43,000 and \$315,000 for the three and nine month periods ended September 30, 2015, respectively, compared to the same periods in the prior year. The increase for the three and nine month periods is primarily due to the addition of one new site at the end of 2014 and two Cobalt-60 reloads which were done in the first and second quarters of 2015. When a reload is performed the book value of the unit increases which increases depreciation expense. Other direct operating costs increased by \$129,000 and \$367,000 for the three and nine month periods ended September 30, 2015, respectively, compared to the same periods in the prior year. The increase for the three and nine month periods was due to property taxes and operating costs at the Company's retail sites.

Selling and administrative costs decreased by \$29,000 for the three month period ended September 30, 2015 to \$904,000 from \$933,000 in the three month period ended September 30, 2014, and decreased \$88,000 for the nine month period ended September 30, 2015 to \$2,704,000 from \$2,792,000 for the nine month period ended September 30, 2014. For the three month period the decrease is primarily due to reduced consultant fees. For the nine month period the decrease was primarily due to reduced consultant fees and state and county taxes.

Interest expense decreased by \$161,000 and \$476,000 to \$235,000 and \$900,000 for the three and nine month periods ended September 30, 2015, respectively, compared to \$396,000 and \$1,376,000 for the same periods in the prior year. For the three month period ended September 30, 2015, interest expense decreased due to the closure of the Company's line of credit on January 2, 2015, the pay-down of the Company's existing debt obligation for its IGRT machine at the end of 2014, and a one-time benefit for a prior year lease modification, recorded in the third quarter 2015. The impact of this modification was not material to the financial statements. Excluding interest expense in Turkey, interest expense decreased for the nine month period ended September 30, 2015, by \$376,000 due to the closure of the Company's line of credit on January 2, 2015, the pay-down of the Company's existing debt obligation for its IGRT machine at the end of 2014 and an existing lease obligation for a Gamma Knife site at the end of the first quarter 2014, and a one-time benefit for a prior year lease modification, recorded in the third quarter 2015. The impact of this modification was not material to the financial statements.

The Company recorded a loss on the write down of its equity investment in Mevion of \$2,114,000 for the nine month period ended September 30, 2015. The Company determined its investment in Mevion was other-than-temporary and wrote down the carrying value of the investment accordingly. In determining the fair value of the Company's common stock in Mevion, the Company reviewed certain scenarios from the P-WERM analysis as well as additional analyses and estimated the value of its common stock investment in Mevion at approximately \$600,000. The Company adjusted its investment in Mevion to the determined fair value of \$600,000 and recorded a \$2,114,000 impairment loss. This transaction is treated as a capital loss for tax purposes which may be deducted only to the extent the Company has capital gains. The Company is not aware of any event or transaction planned where the Company would generate a capital gain. Therefore a full valuation allowance was recorded against the income tax benefit from the impairment loss, and the net impact to the income tax provision for the nine month period ended September 30, 2015 was \$0.

The Company recorded a loss from sale of EWRS Turkey of \$572,000 for the nine month period ended September 30, 2014. The loss on sale represents the net book value of EWRS's investment in EWRS Turkey at the date of the sale, after proceeds from the sale were used to pay off outstanding debt. The Company also recorded income tax expense due to the write off of a deferred tax asset of \$165,000 related to losses sustained by EWRS Turkey through December 31, 2013, for the nine month period ended September 30, 2014. The deferred tax asset could no longer be utilized since EWRS Turkey was sold on June 10, 2014.

The gain from foreign currency transactions was \$0 for the three and nine month periods ended September 30, 2015, respectively, compared to \$0 and \$161,000 for the three and nine month periods ended September 30, 2014, respectively. The gain or loss from foreign currency transactions was driven by fluctuations in the exchange rate between the US Dollar and Turkish Lira.

Interest and other income decreased by \$4,000 to \$3,000 for the three month period ended September 30, 2015 and decreased by \$8,000 to \$14,000 for the nine month period ended September 30, 2015. Interest income is generated from interest earned on the Company's certificate of deposit and other investments.

The Company had an income tax expense of \$92,000 and \$328,000 for the three and nine month periods ended September 30, 2015, respectively, compared to income tax expense of \$29,000 and \$33,000 for the three and nine month periods ended September 30, 2014, respectively. For both periods, the increase in income tax expense is primarily due to higher taxable income attributable to American Shared Hospital Services. For the nine month period ended September 30 2015, the Company recorded a valuation allowance of \$2,114,000 against the income tax benefit from the Mevion impairment loss, and the net impact to the income tax provision for the nine month period was \$0.

Net income attributable to non-controlling interest decreased \$56,000 and increased \$463,000 to \$183,000 and \$620,000 for the three and nine month periods ended September 30, 2015, respectively, from \$239,000 and \$157,000 for the three and nine month periods ended September 30, 2014, respectively. Non-controlling interest primarily represents the 19% interest of GK Financing owned by a third party, as well as non-controlling interests in subsidiaries of GK Financing owned by third parties that began operations in 2011. Variances in net income attributable to non-controlling interest represent the relative increase or decrease in profitability of GKF and these ventures.

The Company had net income of \$43,000, or \$0.01 per diluted share, and a net loss of \$1,799,000, or (\$0.33) per diluted share, for the three and nine month periods ended September 30, 2015, respectively, compared to net income of \$13,000, or \$0.00 per diluted share, and a net loss of \$1,010,000, or (\$0.21) per diluted share, in the same periods in the prior year. For the three month period ended September 30, 2015 net income was attributable to lower selling and administrative costs and interest expense. For the nine month period ended September 30, 2015 the net loss was attributable to an impairment charge of \$2,114,000 related to the Company's equity investment in Mevion.

Liquidity and Capital Resources

The Company had cash and cash equivalents of \$2,184,000 at September 30, 2015 compared to \$1,059,000 at December 31, 2014. The Company's cash position increased by \$1,125,000 due to net cash from operating activities of \$6,157,000, proceeds from long-term debt financing on property and equipment of \$1,036,000, capital contributions of \$27,000, and net proceeds from the certificate of deposit and pay-down on the line of credit of \$220,000. These increases were offset by payments for the purchase of property and equipment of \$1,517,000, investment in equity securities of \$10,000, principal payments on long term debt and capital leases of \$4,400,000, and distributions to non-controlling interests of \$388,000.

The Company had cash and cash equivalents of \$1,415,000 at September 30, 2014 compared to \$1,909,000 at December 31, 2013. The Company's cash position decreased by \$494,000 due to payments for the purchase of property and equipment of \$338,000, investment in equity securities of \$4,000, principal payments on long term debt and capital lease of \$5,697,000, net payments on the Company's line of credit with a bank of \$560,000, distributions to non-controlling interests of \$748,000, repurchase of common stock of \$2,000 and changes in cash from foreign exchange rates of \$8,000. These decreases were offset by net cash from operating activities of \$4,413,000, capital contributions of \$102,000, proceeds from the sale of EWRS Turkey of \$768,000 and private placement of common stock of \$1,580,000 to three directors of the Company which closed on June 12, 2014.

The Company has scheduled interest and principal payments under its debt obligations of approximately \$3,345,000 and scheduled capital lease payments of approximately \$5,122,000 during the next 12 months. The Company believes that its cash flow from cash on hand, operations, and other cash resources are adequate to meet its scheduled debt and capital lease obligations during the next 12 months. See additional discussion below related to commitments.

The Company as of September 30, 2015 had shareholders' equity of \$24,766,000, negative working capital of \$2,427,000 and total assets of \$55,886,000.

Commitments

The Company has commitments to purchase three MEVION S250 PBRT systems for \$33,600,000 as of September 30, 2015. The Company has \$5,000,000 in non-refundable deposits toward the purchase of these three PBRT systems from Mevion. The non-refundable deposits are recorded in the Condensed Consolidated Balance Sheets as deposits and construction in progress. The Company's first PBRT system was delivered in November 2014. There is a cash payment of approximately \$7,800,000 due in January 2016 for the first PBRT system, which is expected to be financed with \$9,000,000 in lease financing, pending execution of definitive documents. The lease financing

commitment is structured so that the Company will be reimbursed \$1,000,000 of the progress payments paid, to date, the remainder will fund the payment due. The remaining two PBRT projects do not have anticipated delivery dates. The timing of progress payments for PBRT contracts two and three are dependent upon future events and the Company has some flexibility to delay the due dates of these commitments. Approximately \$25,800,000 of these commitments are not expected to start becoming due until 2017 or later and the Company is in discussions with lenders to finance the remaining two proton systems. There are no cash requirements for these commitments in the next 12 months.

The Company has commitments to purchase one Gamma Knife Perfexion system and is scheduled to install one Gamma Knife Model 4C system, which the Company previously financed and owns, as of September 30, 2015. Total Gamma Knife commitments as of September 30, 2015 are \$2,750,000. The Model 4C unit is scheduled to be installed in early 2016 at the Company's new customer site in Peru. There are cash requirements for the Peru commitment in the next 12 months of approximately \$600,000. The Company believes that cash flow from cash on hand and operations will be sufficient to cover this payment. The Perfexion unit is for a site yet to be determined and it is the Company's intent to finance this unit. There are no cash requirements for the Perfexion system in the next 12 months. There can be no assurance that financing will be available for the Company's current or future projects, or at terms that are acceptable to the Company.

The Company estimates the following commitments for each of the equipment systems, with expected timing of payments as follows as of September 30, 2015:

| | 2015 | 2016 | Thereafter | Total |
|-------------------|-----------|-------------|--------------|--------------|
| Proton Beam Units | \$- | \$7,800,000 | \$25,800,000 | \$33,600,000 |
| Gamma Knife Units | 600,000 | 2,150,000 | - | 2,750,000 |
| Total | \$600,000 | \$9,950,000 | \$25,800,000 | \$36,350,000 |

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company does not hold or issue derivative instruments for trading purposes and is not a party to any instruments with leverage or prepayment features. The Company does not have affiliation with partnerships, trusts or other entities whose purpose is to facilitate off-balance sheet financial transactions or similar arrangements, and therefore has no exposure to the financing, liquidity, market or credit risks associated with such entities. At September 30, 2015 the Company had no significant long-term, market-sensitive investments.

Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934. These controls and procedures are designed to ensure that material information relating to the company and its subsidiaries is communicated to the chief executive officer and the chief financial officer. Based on that evaluation, our chief executive officer and our chief financial officer concluded that, as of September 30, 2015, our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange

Act of 1934 is accumulated and communicated to the chief executive officer and the chief financial officer, and recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting during the three months ended September 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

There are no changes from those listed in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibit Index

| Exhibit Number | Description | Incorporated by reference herein | | |
|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|---------|------|
| | | Form | Exhibit | Date |
| 10.1 | Addendum Two to Equipment Lease Agreement for a Gamma Knife Unit dated as of July 31, 2015, between Mercy Hospital Oklahoma City, Inc., an Oklahoma not for profit corporation and GK Financing, LLC | | | |
| 31.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | * | | |
| 31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | * | | |
| 32.1 | Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | | | |
| 101.INS | XBRL Instance Document | * | | |
| 101.SCH | XBRL Taxonomy Extension Schema Document | * | | |
| 101.CAL | XBRL Taxonomy Calculation Linkbase Document | * | | |
| 101.DEF | XBRL Taxonomy Definition Linkbase Document | * | | |
| 101.LAB | XBRL Taxonomy Label Linkbase Document | * | | |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document | * | | |

* Filed herewith.
Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMERICAN SHARED HOSPITAL SERVICES

Registrant

Date: November 12, 2015 /s/ Ernest A. Bates, M.D.
Ernest A. Bates, M.D.
Chairman of the Board and Chief Executive Officer

Date: November 12, 2015 /s/ Craig K. Tagawa
Craig K. Tagawa
Senior Vice President
Chief Operating and Financial Officer