TRIMEDYNE INC
Form 10QSB/A
May 16, 2001

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-QSB/A
(AMENDMENT NO. 1)
QUARTERLY REPORT

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

For the Quarter Ended	Commission File Number
March 31, 2001	0-10581

TRIMEDYNE, INC.
(Exact name of Registrant as specified in its charter)

Nevada	36-3094439
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

2801 Barranca Parkway, Irvine, CA 92619
(Address of principal executive offices) (Zip Code)

(949/559-5300)
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report).

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), (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [_]

Indicate the number of shares outstanding of each of the issuer's class of common stock, as of the last practicable date.

Class	Outstanding at May 8, 2001
Common Stock, $.01 par value	12,455,678 shares (excluding 101,609 shares held as Treasury Shares)

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TRIMEDYNE, INC.
CONDENSED CONSOLIDATED BALANCE SHEET
(UNAUDITED)
ASSETS

	March 31,2001
Current Assets:	
Cash and cash equivalents..................................	$ 63,000
Marketable securities (Note 2)...........................	100,000
Trade accounts receivable, net of allowance for doubtful...	1,576,000
accounts of $404,000....................................	5,034,000
Inventories (Note 2)......................................	416,000
Other...	
Total Current Assets..................................	7,189,000
Goodwill (Note 5)...	666,000
Net Properties (Note 2).....................................	763,000
	$ 8,618,000

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:	
Accounts payable..	$ 1,615,000
Accrued expenses..	496,000
Deferred income...	65,000
Total Current Liabilities................................	2,176,000
Long Term Obligations..	135,000
Total Liabilities..	2,311,000
Stockholders' Equity:	
Common stock - .01 par value; 30,000,000 shares authorized,	
12,553,287 shares issued..................................	120,000

Capital in excess of par value	46,456,000
Accumulated deficit	(38,656,000)
Accumulated other comprehensive loss (Note 2)	(900,000)
	7,020,000
Less shares of common stock held in treasury At cost, 101,609 shares	(713,000)
Total Stockholders' Equity	6,307,000
	$ 8,618,000

See accompanying notes to condensed consolidated financial statements

TRIMEDYNE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31,		Six Months End March 31,	
	2001	2000	2001	
Net sales	$ 1,978,000	$ 1,515,000	$ 3,855,000	$ 3
Costs and expenses:				
Cost of goods sold	982,000	635,000	$ 1,959,000	1
Selling, general and administrative	1,367,000	913,000	2,696,000	1
Research and development	542,000	798,000	1,334,000	1
Total costs and operating expenses	2,891,000	2,346,000	5,989,000	4
Loss from operations	(913,000)	(831,000)	(2,134,000)	(1
Other income:				
Interest income	59,000	125,000		
Other (Note 5)	(161,000)	7,000	(81,000)	
Net loss	(1,074,000)	(765,000)	(2,215,000)	(1
Other Comprehensive Loss:				
Unrealized loss on marketable securities	(739,000)	(70,000)	(745,000)	
Comprehensive Loss	$(1,813,000)	$ (835,000)	$(2,960,000)	$(1
Basic and dilutive net loss per share (Note 3)	$(0.09)	$(0.07)	$(0.18)	
Weighted average number of shares outstanding	12,447,811	11,198,852	12,274,228	11

See accompanying notes to condensed consolidated financial statements.

TRIMEDYNE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six
Cash flows from operating activities:	
Net..	$(
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization..	
Value of employees' stock options issued below fair value......................	
Changes in operating assets and liabilities, net of assets and liabilities acquired:	
(Increase) decrease in trade accounts receivable, net..........................	
Increase in inventories..	
Increase in other current assets...	
Increase in accounts payable...	
Increase (decrease) in accrued expenses..	
(Decrease) increase in deferred income...	
Net cash flows used in operating activities	(
Cash flows from investing activities:	
Capital expenditures...	
Sale of marketable securities..	
Net cash provided by (used in) investing activities............................	
Cash flows from financing activities:	
Paydown of long-term obligations...	
Proceeds from the exercise of stock options....................................	
Net cash (used in) provided by financing activities............................	
Net decrease in cash and cash equivalents......................................	
Cash and cash equivalents at beginning of period...............................	
Cash and cash equivalents at end of period.....................................	$
Non cash investing and financing activities:	
Common stock issued for acquisition of MST.....................................	$

See accompanying notes to condensed consolidated financial statements

TRIMEDYNE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2000
(UNAUDITED)

NOTE 1 - Basis of Presentation

In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the Company's condensed consolidated financial position as of March 31, 2001, the results of operations for the three and six month periods ended March 31, 2001 and 2000 and of cash flows for the six month periods ended March 31, 2001 and 2000.

While management believes that the disclosures presented are adequate to make the information not misleading, it is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and the notes included in the Company's latest annual report on Form 10-K.

NOTE 2 - Balance Sheet Items

	March 31, 2001
Inventories consist of the following:	
Raw material	$ 2,149,000
Work-in-process	678,000
Finished goods	2,207,000
	$ 5,034,000
Net properties consist of the following:	
Furniture and equipment	$ 3,566,000
Leasehold improvements	431,000
Other	22,000
Total properties	4,019,000
Accumulated depreciation and amortization	(3,256,000)
Net properties	$ 763,000

Marketable securities at March 30, 2001 consist entirely of an investment in an equity fund which suffered a significant unrealized loss during the second quarter. Management has yet to determine what, if any, permanent impairment to the asset value should be recognized due to current market conditions. A permanent write down of the asset, if appropriate, will be recognized during the third quarter.

NOTE 3 - Earnings Per Share

For all periods presented, the net earnings available to common shareholders and the weighted average shares outstanding are the same for both basic and diluted EPS, since the effects of the Company's and the Company's majority owned subsidiary Cardiodyne's stock options would be antidilutive. Basic and diluted EPS do not differ from earnings per share previously presented.

NOTE 4 - Comprehensive Income

On October 1, 1998, the Company adopted the disclosure standard, Statement of Financial Accounting Standard No. 130 "Comprehensive Income". The Company's sole component of Other Comprehensive Income is changes in unrealized appreciation (depreciation) - Securities Available for Sale.

NOTE 5 - Acquisition of Subsidiary

On November 30, 2000, the Company acquired 100% of Mobile Surgical Technologies, Inc. ("MST"), a Dallas, TX based company that provides medical lasers and other equipment to hospitals and surgery centers on a "per case" rental basis, for 500,000 shares of Trimedyne common stock valued at $792,000. The company recorded goodwill of $666,000 resulting from the transaction, which will be amortized on a straight-line basis over ten years.

NOTE 6 - Subsequent Events

In May 2001 the Company entered into a non-binding letter of intent with The Emergent Group (OTC:EMGR.OB) to effect a business combination of the two entities. The business combination is predicated upon the execution of a definitive agreement, the approval of such definitive agreement by the Boards of Directors of both companies, and the ratification of the agreement by the shareholders of both companies, if necessary.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The statements contained in this Quarterly Report on Form 10-Q that are not historical facts may contain forward-looking statements that involve a number of known and unknown risks and uncertainties that could cause actual results to differ materially from those discussed or anticipated by management. Risk factors and uncertainties include general business conditions, government regulations governing medical device approvals and manufacturing practices, competitive market conditions, success of the Company's business strategy, delay of orders, changes in the mix of products sold, availability of suppliers, concentration of sales in markets and to certain customers, changes in manufacturing efficiencies, development and introduction of new products, fluctuations in margins, timing of significant orders, and other risks and uncertainties currently unknown to management.

Method of Presentation.

The condensed consolidated financial statements include the accounts of the Company, its 90% owned subsidiary, Cardiodyne, Inc. ("Cardiodyne"), and its wholly-owned subsidiary, Mobile Surgical Technologies, Inc.

Quarter ended March 31, 2001 compared to quarter ended March 31, 2000.

During the quarter ended March 31, 2001, Trimedyne's net revenues increased 31% from the same quarter of the previous year ($1,978,000 vs. $1,515,000). The increase in revenues is attributed to the successful implementation of the Company's new sales and marketing strategy in October, 2000, which also included the market release of several new products, including the new, lower cost 30 watt Junior(TM) Holmium laser. For the current quarter, the Company incurred a loss from continuing operations of $1,074,000 or $0.09 per share compared to a loss from operations of $765,000 or $0.07 per share for the prior year period. Such loss is attributed principally to an increase in sales and marketing expenditures.

Cost of goods sold was 50% of net sales in the second quarter of fiscal 2001 compared to 42% for the second quarter of fiscal 2000. The increase in cost of goods sold as a percentage of revenues was due to the liquidation of certain older laser models which had been previously reserved during the prior year.

Selling, general and administrative expenses increased to $1,367,000 for the current quarter compared to $913,000 for the quarter ended March 31, 2000, a increase of $454,000 or 50%. The increase in selling, general and administrative expenses is attributed to the expansion of our sales and marketing efforts. Management anticipates that the current level of sales and marketing expenditures will continue into the foreseeable future, while continuing cost reduction measures in other areas of the company.

Research and development expenditures for the quarter ended March 31, 2001, decreased 32% ($542,000 vs. $798,000) due to the cessation of expenditures on the development of Cardiodyne's Laser TMR and Injection System.

Liquidity and Capital Resources

The Company's working capital decreased from $8,065,000 at September 30, 2000 to $5,013,000 at March 31, 2001, of which $163,000 is cash and equivalents and marketable securities. During the second quarter, finished goods inventory increased significantly as equipment was placed in service to customers under rental and "per case" contracts. This build up of inventory significantly impacted our cash position and led to a corresponding increase in accounts payable. The company is seeking a banking relationship that can finance these contracts and convert the equipment under contract into cash. If the Company is successful in obtaining such banking relationship, management believes its existing working capital, along with revenues from operations, will be sufficient to meet Trimedyne's operating needs for at least the next twelve months. The Company has eliminated Cardiodyne's research and development expenses, and has also implemented cost reductions at Trimedyne. Management anticipates that subsequent to its merger with The Emergent Group (see Note 6), the combined entity will need to seek additional external financing. In the event that the merger with The Emergent Group does not take place, management anticipates the need to independently seek additional external financing.

PART II.

Other Information

Item 1. Legal Proceedings
Previously reported.

Item 2. Changes in Securities
None

Item 3. Defaults Upon Senior Securities
None

Item 4. Submission of Matters to Vote of Security Holders
None

Item 5. Other Information
None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibit
Exhibit 27 - Financial Data Schedule

(b) Reports on Form 8-K
None

SIGNATURE PAGE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

TRIMEDYNE, INC.

Date: May 15, 2001 /s/ WILLIAM J. SCHUBERT JR.

William J. Schubert Jr.
Vice Chairman and
Chief Executive Officer

Date: May 15, 2001 /s/ SHANE H. TRAVELLER

Shane H. Traveller
President and Chief Operating
and Financial Officer