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TRIMEDYNE INC
Form 10QSB
August 21, 2006

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549
FORM 10-QSB
QUARTERLY REPORT

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

FOR THE QUARTER ENDED
June 30, 2006

COMMISSION FILE NUMBER
0-10581

TRIMEDYNE, INC.

(Exact name of Registrant as specified in its charter)

Nevada
(State or other jurisdiction
of incorporation or organization)

36-3094439
(IRS Employer Identification Number)

25091 Commercecentre Dr., Lake Forest, CA 92630
(Address of principal executive offices) (Zip Code)

(949/951-3800)

(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 NO

(Issuers involved in bankruptcy proceedings during the past five years)

Not applicable

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes 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 August 21, 2006
-----	-----
Common Stock, \$0.01 par value	14,642,002 shares

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TRIMEDYNE, INC.

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TRIMEDYNE, INC.
CONSOLIDATED BALANCE SHEET
(UNAUDITED)

ASSETS	June 30, 2006

Current assets:	
Cash and cash equivalents	\$ 957,000
Trade accounts receivable, net of allowance for doubtful accounts of \$12,000	755,000
Inventories	2,356,000
Other current assets	363,000

Total current assets	4,431,000
Goodwill	544,000
Other assets	39,000
Property and equipment, net	890,000
Note due from related party	47,000

	\$ 5,951,000
	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

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Current liabilities:		
Accounts payable		\$ 452,000
Accrued expenses		342,000
Deferred revenue		41,000
Accrued warranty		39,000
Income tax payable		6,000
Notes payable		122,000
Senior convertible secured note due to officer		200,000
Accrued interest due to officer		105,000
Current portion of long-term debt		2,000

Total current liabilities		1,309,000
Deferred rent		98,000
Long-term debt, net of current portion		2,000

Total liabilities		1,409,000

Commitments and contingencies		
Stockholders' equity:		
Preferred stock - \$0.01 par value, 1,000,000 shares authorized, none issued and outstanding		--
Common stock - \$0.01 par value; 30,000,000 shares authorized, 14,743,611 shares issued, 14,642,002 shares outstanding		148,000
Additional paid-in capital		47,957,000
Accumulated deficit		(42,850,000)

		5,255,000
Treasury stock, at cost (101,609 shares)		(713,000)

Total stockholders' equity		4,542,000

		\$ 5,951,000
		=====

See accompanying notes to consolidated financial statements

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TRIMEDYNE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended June 30,		Nine Mo Ju
	2006	2005	2006
	-----	-----	-----
Net revenues	\$ 1,626,000	\$ 1,552,000	\$ 4,956,000
Cost of revenues	954,000	918,000	3,030,000
	-----	-----	-----

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Gross profit	672,000	634,000	1,926,000
Operating expenses:			
Selling, general and administrative	710,000	657,000	1,875,000
Research and development	146,000	180,000	441,000
	-----	-----	-----
Total operating expenses	856,000	837,000	2,316,000
	-----	-----	-----
Loss from operations	(184,000)	(203,000)	(390,000)
Other income, net	155,000	54,000	461,000
	-----	-----	-----
Income (loss) before provision for income taxes	(29,000)	(149,000)	71,000
Provision (benefit) for income taxes	(2,000)	4,000	1,000
	-----	-----	-----
Net (loss) income	\$ (27,000)	\$ (153,000)	\$ 70,000
	=====	=====	=====
Net (loss) income per share:			
Basic	\$ --	\$ (0.01)	\$ --
	=====	=====	=====
Diluted	\$ --	\$ (0.01)	\$ --
	=====	=====	=====
Weighted average number of shares outstanding:			
Basic	14,633,443	14,602,931	14,616,909
	=====	=====	=====
Diluted	14,633,443	14,602,931	14,774,922
	=====	=====	=====

See accompanying notes to consolidated financial statements

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

	Nine Months Ended June 30,	
	2006	2005
	-----	-----
Cash flows from operating activities:		
Net income (loss)	\$ 70,000	\$ (4,000)
Adjustment to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	120,000	105,000
Loss on disposal of property and equipment	3,000	3,000
Changes in operating assets and liabilities:		
Accounts receivable	25,000	(8,000)
Inventories	(218,000)	(246,000)
Other assets	64,000	17,000
Note due from related party	(47,000)	

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Accounts payable	102,000	75,000
Accrued expenses	(57,000)	(57,000)
Deferred revenue	(2,000)	(2,000)
Accrued warranty	(4,000)	10,000
Accrued interest due officer	18,000	18,000
Income taxes payable	(8,000)	(5,000)
Deferred rent	98,000	
	-----	-----
Net cash provided by (used in) operating activities	164,000	(94,000)
	-----	-----
Cash flows from investing activities:		
Purchase of property and equipment	(649,000)	(75,000)
	-----	-----
Net cash used in investing activities	(649,000)	(75,000)
	-----	-----
Cash flows from financing activities:		
Exercise of stock options	12,000	
Issuance of notes payable	--	110,000
Payments on debt	(93,000)	(107,000)
	-----	-----
Net cash (used in) provided by financing activities	(81,000)	3,000
	-----	-----
Net (decrease) in cash and cash equivalents	(566,000)	(166,000)
Cash and cash equivalents at beginning of period	1,523,000	1,683,000
	-----	-----
Cash and cash equivalents at end of period	\$ 957,000	\$ 1,517,000
	=====	=====

Cash paid for income taxes during the nine months ended June 30, 2006 and 2005 was \$6,000 and \$4,000, respectively. Cash paid for interest during both the nine months ended June 30, 2006 and 2005 was approximately \$2,000 and \$1,000, respectively.

During the nine months ended June 30, 2006, the Company financed certain insurance policies with a \$174,000 note payable.

See accompanying notes to consolidated financial statements

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TRIMEDYNE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006 and 2005
(UNAUDITED)

NOTE 1 - Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Trimedyne, Inc., its wholly owned subsidiary, Mobile Surgical Technologies, Inc. ("MST"), and its 90% owned subsidiary, Cardiodyne, Inc. ("Cardiodyne") (collectively, the "Company"). All intercompany accounts and transactions have been eliminated in consolidation.

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Unaudited Interim Financial Information

The accompanying unaudited condensed financial statements have been prepared by Trimedyne, Inc. in accordance with accounting principles generally accepted in the United States of America for interim financial information, and pursuant to the instructions to Form 10-QSB and Article 10 of Resolution S-X promulgated by the Securities and Exchange Commission. Accordingly, they do not include all information and disclosures required by generally accepted accounting principles for complete financial statement 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 consolidated financial position as of June 30, 2006 and the results of operations and its cash flows for the nine months ended June 30, 2006 and 2005. Results for the nine months ended June 30, 2006 are not necessarily indicative of the results to be expected for the year ending September 30, 2006.

While management believes that the disclosures presented are adequate to make the information not misleading, it is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and the notes included in the Company's 2006 annual report on Form 10-KSB for the year ended September 30, 2005. Certain prior period amounts have been reclassified to conform to the current period presentation.

Accounts Receivable

The Company performs ongoing credit evaluations of its customers and generally does not require collateral. The Company maintains reserves for potential credit losses and such losses have been within management's expectation.

Revenue Recognition

The Company's revenues include revenues from the sale of delivery and disposable devices, the sale and rental of laser equipment and accessories, and service contracts for lasers manufactured by the Company.

In accordance with Staff Accounting Bulletin 104, "Revenue Recognition," the Company recognizes revenue from products sold once all of the following criteria for revenue recognition have been met: (i) persuasive evidence that an arrangement exists, (ii) the products have been shipped, (iii) the prices are fixed and determinable and not subject to refund or adjustment, and (iv) collection of the amounts due is reasonably assured.

Revenues from the sale of delivery and disposable devices and lasers are recognized upon shipment and passage of title of the products, provided that all other revenue recognition criteria have been met. Generally, customers are required to insure the goods from the Company's place of business. Accordingly, the risk of loss transfers to the customer once the goods have been shipped from the Company's warehouse. The Company sells its products primarily through commission sales representatives in the United States and distributors in foreign countries. In cases where the Company utilizes distributors, it recognizes revenue upon shipment, provided that all other revenue recognition criteria have been met, and ownership risk has transferred. In general, the Company does not have any post shipment obligations such as installation or acceptance provisions. All domestic laser systems are sold with a one year warranty which includes parts and labor. All international lasers systems are sold with a one year parts only warranty. As each laser sale is recognized, a liability is accrued for estimated future warranty costs.

The Company utilizes distributors for international sales only. All laser system sales are non-returnable. Our international distributors typically locate customers for laser systems before ordering and in general do not maintain

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inventories. The Company's return policy for laser accessories, delivery and disposable devices sold to distributors is as follows: 1) The Company will accept returns of any unopened, undamaged, standard catalogue items (except laser systems) within sixty (60) days of invoice date. Acceptable returned products will be subject to a 20% restocking fee, 2) A return authorization number is required for all returns. The number can be obtained by contacting the Customer Service Department, and 3) Should a product be found defective at the time of initial use, the Company will replace it free of charge.

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The Company offers service contracts on its lasers. These service contracts are offered at different pricing levels based on the level of coverage, which include periodic maintenance and different levels of parts and labor to be provided. Since the service contracts have a twelve month term, the revenue of each service contract is deferred and recognized ratably over the term of each service contract.

Trimedyne, Inc. will rent its lasers for a flat monthly charge for a period of years or on a month-to-month basis, or on a fee per case basis sometimes with a minimum monthly rental fee. During the nine months ended June 30, 2006 and 2005, four lasers were being rented by Trimedyne, Inc., each on a month-to-month basis. For these lasers, rental revenue is recorded ratably over the rental period. MST generally enters into rental service contracts with customers for a two year period, which unless cancelled, are renewed on an annual basis after the initial period. During the rental service contract period customers do not maintain possession of any rental equipment unless it is for the Company's convenience. Customers are billed on a fee per case basis for rentals, which includes the services of the laser operator and, in some cases, the use of a reusable or single use laser delivery device. Revenue from these rental service contracts is recognized as the cases are performed.

Goodwill

Goodwill represents the excess of the cost over the acquired assets of MST. On October 1, 2002, the Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets." As a result of adoption SFAS No. 142, the Company's goodwill is no longer amortized, but is subject to an annual impairment test, or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. There was no impairment of goodwill at June 30, 2006.

Impairment of Long-Lived Assets

SFAS No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets", requires that long-lived assets, such as property and equipment and purchased intangibles subject to amortization, be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the asset is measured by comparison of its carrying amount to undiscounted future cash flows the asset is expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the asset exceeds its fair market value. Estimates of expected future cash flows represent management's best estimate based on currently available information and reasonable and supportable assumptions. Any impairment recognized in accordance with SFAS No. 144 is permanent and may not be restored. To date, the Company has not recognized any impairment of long-lived assets in connection with SFAS No. 144.

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Stock Option Plans

SFAS No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," prescribes accounting and reporting standards for all stock-based compensation plans, including employee stock option plans. As allowed by SFAS No. 123, the Company has elected to continue to account for its employee stock-based compensation plan using the intrinsic value method in accordance with Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations, which does not require compensation to be recorded if the consideration to be received is at least equal to the fair value of the common stock to be received at the measurement date. Under the requirements of SFAS No. 123, non-employee stock-based transactions require compensation to be recorded based on the fair value of the securities issued or the services received, whichever is more reliably measurable.

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The following table illustrates the effect on net income (loss) per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation:

	Three months ended June 30,		Nine mo Jun
	2006	2005	2006
Net income (loss), as reported	\$ (27,000)	\$ (153,000)	\$ 70,000
Deduct: total stock-based employee compensation expense determined under fair value based method for awards, net of related tax effects	(30,000)	(61,000)	(50,000)
Pro forma net income (loss)	\$ (57,000)	\$ (214,000)	\$ 20,000
Net income (loss) per share - basic:			
As reported	\$ --	\$ (0.01)	\$ --
Pro forma	\$ --	\$ (0.01)	\$ --
Net income (loss) per share - diluted:			
As reported	\$ --	\$ (0.01)	\$ --
Pro forma	\$ --	\$ (0.01)	\$ --

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used:

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	Nine Months Ended June 30,	
	2006	2005
	-----	-----
Dividend yield	--	--
Expected volatility	86%	80%
Risk-free interest rate	3.77%	3.47%
Expected lives	5 years	5 years

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility and time to exercise. Because awards held by employees and directors have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in the opinion of management, the existing models do not necessarily provide a reliable single measure of the fair value of these options.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates and assumptions include inventory valuation, allowances for doubtful accounts and deferred income tax assets, recoverability of goodwill and long-lived assets, losses for contingencies and certain accrued liabilities.

Fair Value of Financial Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, note due from related party, accounts payable, accrued expenses and long-term debt, and two senior convertible secured notes due to the Chief Executive Officer. The carrying amounts of the Company's financial instruments generally approximate their fair values as of June 30, 2006 because of the short maturity of these instruments. Senior convertible secured notes due to officer cannot be objectively and fairly valued due to the related party nature of the instruments.

Warranty Costs

The Company provides warranties for certain products and maintains warranty reserves for estimated product warranty costs at the time of sale. In estimating its future warranty obligations, the Company considers various relevant factors, including the Company's stated warranty policies and practices, the historical frequency of claims and the cost to replace or repair its products under warranty. The following table provides a reconciliation of the activity related to the Company's accrued warranty expense:

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	Three Months Ended June 30,		Nine Months June 30,	
	2006	2005	2006	
Balance at beginning of period	\$ 50,000	\$ 55,000	\$ 43,000	\$
Charges to costs and expenses	11,000	25,000	59,000	
Costs incurred	(22,000)	(26,000)	(63,000)	
Balance at end of period	\$ 39,000	\$ 54,000	\$ 39,000	\$

Research and development costs

All research and development costs, including licensing costs, are charged to expense as incurred. In accordance with this policy, all costs associated with the design, development and testing of the Company's products have been expensed as incurred.

Recently Issued Accounting Pronouncements

In November 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 151 "Inventory Costs, an amendment of ARB No. 43, Chapter 4." The amendments made by Statement 151 clarify that abnormal amounts of facility expense, freight, handling costs, and wasted materials (spoilage) should be recognized as current-period charges and require the allocation of fixed production overheads to inventory based on the normal capacity of the production facilities. The guidance is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Earlier application is permitted for inventory costs incurred during fiscal years beginning after November 23, 2004. The Company has adopted SFAS No. 151 and determined there was no impact on the Company's overall consolidated results of operations or financial position.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("Statement 123(R)") to provide investors and other users of financial statements with more complete and neutral financial information by requiring that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. Statement 123(R) covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. Statement 123(R) replaces SFAS No. 123, "Accounting for Stock-Based Compensation," and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS No. 123, as originally issued in 1995, established as preferable a fair-value-based method of accounting for share-based payment transactions with employees. However, that statement permitted entities the option of continuing to apply the guidance in APB Opinion 25, as long as the footnotes to financial statements disclosed what net income (loss) would have been had the preferable fair-value-based method been used. The Company is required to adopt this standard during the fiscal quarter ending December 31, 2006. The Company is in the process of evaluating whether the adoption of SFAS 123(R) will have a significant impact on the Company's overall consolidated results of operations or financial position.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections -- a replacement of APB Opinion No. 20 and FASB Statement No. 3." This statement applies to all voluntary changes in accounting principle and changes required by an accounting pronouncement where no specific transition provisions are included. SFAS No. 154 requires retrospective application to prior periods' financial statements of changes in accounting principle, unless

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it is impracticable to determine either the period-specific effects or the cumulative effect of the change. Retrospective application is limited to the direct effects of the change; the indirect effects should be recognized in the period of the change. This statement carries forward without change the guidance contained in APB Opinion No. 20 for reporting the correction of an error in previously issued financial statements and a change in accounting estimate. However, SFAS No. 154 redefines restatement as the revising of previously issued financial statements to reflect the correction of an error. The provisions of SFAS No. 154 are effective for accounting changes and corrections of errors made in fiscal periods that begin after December 15, 2005, although early adoption is permitted. The Company does not anticipate that the implementation of this standard will have a material impact on its condensed consolidated results of operations, cash flows or financial position.

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NOTE 2 - Balance Sheet Items

	June 30, 2006

Inventories, net of reserves, consist of the following:	
Raw materials	\$ 811,000
Work-in-process	470,000
Finished goods	1,075,000

	\$ 2,356,000
	=====

For the nine months ended June 30, 2006, the aggregate net realizable value of demonstration and evaluation lasers did not comprise a material amount in inventories.

Other current assets consist of the following:

Royalty receivable	\$ 150,000
Short-term deposits	59,000
Prepaid insurance	136,000
Prepaid other	18,000

Total other current assets	\$ 363,000
	=====

Property and equipment consist of the following:

Furniture and equipment	\$ 2,440,000
Leasehold improvements	614,000
Other	216,000

	3,270,000
Less accumulated depreciation and amortization	(2,380,000)

Total property and equipment	\$ 890,000
	=====

Accrued expenses consist of the following:

Accrued vacation	\$ 129,000
Accrued salaries and wages	47,000

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Sales and use tax	56,000
Accrued professional expenses	44,000
Customer deposits	37,000
Accrued commissions	17,000
Accrued payroll taxes	4,000
Other	8,000

Total accrued expenses	\$ 342,000
	=====

NOTE 3 - Note Payable

Note payable to finance company, issued in connection with financing certain insurance policies. The note bears interest at 6.566% per annum and requires monthly principal and interest payments of \$17,368 through January 2006.

\$ 122,000
=====

NOTE 4 - Senior Secured Convertible Notes Due to Officer

At June 30, 2006, the Company had two outstanding senior, secured convertible notes due to its chief executive officer. These notes have a face value of \$150,000 and \$50,000 bear interest at 12% per annum, mature on February 28 and April 14, 2007, respectively, and are convertible at prices of \$0.40 and \$0.50 per share, respectively. The holder of these notes has the right at any time or times, prior to the payment of these notes in full, including any unpaid interest, to convert either or both of these notes for common stock at their respective convertible price.

Accrued interest on these notes was \$105,000 at June 30, 2006.

NOTE 5 - Long-Term Debt

Loan payable to leasing company, bearing interest at 8% per annum: principal and interest due monthly in equal installments of \$211 through May 2008. The loan is secured by the related forklift.

Less: current portion	\$ 4,000
	(2,000)

	\$ 2,000
	=====

NOTE 6 - Income (Loss) Per Share Information

Basic income (loss) per share is based on the weighted-average number of shares of common stock outstanding during the period. Diluted income (loss) per share also includes the effect of stock options and other common stock equivalents outstanding during the period, and assumes the conversion of the Company's senior convertible secured notes due to officer for the period of time such notes were outstanding, if such stock options and convertible notes are dilutive.

The following table sets forth the computation of the numerator and denominator of basic and diluted income (loss) per share:

Three months ended

Nine months

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	June 30, 2006	June 30, 2005	June 30, 2006
	-----	-----	-----
Denominator:			
Weighted average common shares outstanding used in calculating basic income (loss) per share	14,633,443	14,602,931	14,616,909
Effect of dilutive options	* (1)	* (1)	158,013
Effect of Senior Convertible Secured Notes due to Officer and accrued interest	* (1)	* (1)	* (1)
	-----	-----	-----
Weighted average common shares outstanding used in calculating diluted earnings per share calculating diluted earnings	14,633,443 =====	14,602,931 =====	14,774,922 =====
Numerator:			
Net income (loss)	\$ (27,000)	\$ (153,000)	\$ 70,000
Add - interest on Senior Convertible Secured Notes due to Officer	* (1)	* (1)	* (1)
	-----	-----	-----
Net income (loss) available to common stockholders used in calculating diluted earnings per share	\$ (27,000) =====	\$ (153,000) =====	\$ 70,000 =====

(1) The effects were anti-dilutive, and therefore, they were not considered in the calculation of diluted income (loss) per share. Had the effect of the dilutive options and convertible debt outstanding been added to the diluted weighted-average common shares outstanding, the diluted common shares outstanding would have been 933,892 greater for the three months ended June 30, 2006, 703,574 greater for the three months ended June 30, 2005, 720,000 greater for the nine months ended June 30, 2006 and 717,829 greater for the nine months ended June 30, 2005.

NOTE 7 - Contingencies

Product liability

The Company was a defendant in one product liability lawsuit. This case was settled during the previous quarter ended March 31, 2006 within the limits of the deductible amount of the Company's insurance policy. The Company has insurance to cover product liability claims. This insurance provides the Company with \$5,000,000 of coverage for each occurrence with a general aggregate coverage of \$5,000,000. Trimedyne's liability is limited to a maximum of \$50,000 per occurrence unless the judgment against the Company exceeds the \$5,000,000 insurance coverage. In such case, Trimedyne would be liable for any liability in excess of \$5,000,000. Management had previously accrued \$50,000 for this claim based on the deductible under the insurance policy, which was paid in full during the previous quarter ended March 31, 2006.

In the ordinary course of business, the Company is from time to time involved in various pending or threatened legal actions. The litigation process is inherently uncertain and it is possible that the resolution of such matters might have a material adverse effect upon the financial condition and/or results

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of operations of the Company. However, in the opinion of the Company's management, matters currently pending or threatened against the Company, as discussed above, are not expected to have a material adverse effect on the financial position, results of operations or cash flows of the Company.

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Guarantees and Indemnities

The Company has made certain indemnities and guarantees, under which it may be required to make payments to a guaranteed or indemnified party. The Company indemnifies its directors, officers, employees and agents to the maximum extent permitted under the laws of the State of California. In connection with its facility leases, the Company has indemnified its lessors for certain claims arising from the use of the facilities. The duration of the guarantees and indemnities varies, and in many cases is indefinite. These guarantees and indemnities do not provide for any limitation of the maximum potential future payments the Company could be obligated to make. Historically, the Company has not been obligated to make any payments for these obligations and no liabilities have been recorded for these indemnities and guarantees in the accompanying consolidated balance sheet.

NOTE 8 Other Income

In November 2003, the Company settled its litigation against Lumenis, Inc. ("Lumenis"). Under the settlement agreement, Lumenis agreed to pay a 7.5% royalty on their sales of certain side-firing and angled-firing devices manufactured or purchased by Lumenis from third-party suppliers. During the nine month periods ended June 30, 2006 and 2005, the Company recorded \$425,000 and \$133,000, respectively, in royalties in connection with the terms of a settlement agreement. These royalties are included in other income in the accompanying consolidated financial statements.

Note 9 Related Party Transactions

The Company entered into a service agreement with Cardiomedics, Inc. ("Cardiomedics"), a privately-held corporation in which the Chairman/CEO of Trimedyne, Inc. holds a majority interest and is a member of the Board of Directors. The COO/President of the Company is also a board member of Cardiomedics. Under the agreement, Trimedyne agreed to provide warranty service, periodic maintenance and repair on Cardiomedics' heart assist devices for which Trimedyne billed Cardiomedics \$40,000 on account and recorded as service income, including \$29,000 for the six months ended March 31, 2006. During the quarter ended March 31, 2006 Cardiomedics' account with Trimedyne, Inc. became delinquent and the Company ceased providing services to Cardiomedics. Cardiomedics also entered into a reimbursement agreement with the Company for business expenses incurred by the CEO/Chairman of the Company on behalf of Cardiomedics in the amount of \$11,000.

The above balances due were consolidated and converted into a \$51,000 promissory note (the "Note"). The Note bears interest at 8.0% per annum, and matures on March 31, 2008. The Note is secured by a personal guarantee from the Chairman/CEO of the Company. During the quarter ended June 30, 2006, the Company received \$4,000 in principal reduction payments from Cardiomedics, reducing the principal balance of the Note to \$47,000.

On April 7, 2006, the Company entered into an agreement to employ Cardiomedics as a consultant to provide graphics arts services, since the Company had no employee with experience in the design and production of brochures and other

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marketing materials. Under this agreement, Cardiomedics will provide the services of a graphics art specialist at a rate comparable to those presently prevailing in the market in the design and production of marketing materials. During the quarter ended June 30, 2006 the Company incurred \$4,000 in expense for the services provided under the agreement.

NOTE 10 Stockholders' Equity

During the nine and three months ended June 30, 2006, 39,071 common shares and 13,701 common shares, respectively, were issued for \$12,000 and \$3,000, respectively, in connection with employee stock options that were exercised.

NOTE 11 Segment Information

The Company's revenue base is derived from the sales of medical products and services. Products consist of lasers, and related products such as disposable systems and component parts. Services consist of rentals, fees on a per-case basis, as well as service and warranty repairs and maintenance. Data with respect to these operating activities for the three and nine months ended June 30, 2006 and 2005 are as follows:

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	For the quarter ended June 30, 2006 (Unaudited)			For the quarter
	Products	Service and Rental	Total	Products
	-----	-----	-----	-----
Net revenues	\$ 1,146,000	\$ 480,000	\$ 1,626,000	\$ 1,194,000
Cost of revenues	544,000	410,000	954,000	649,000
	-----	-----	-----	-----
Gross profit	602,000	70,000	672,000	545,000
Operating expenses:				
Selling, general and administrative	629,000	81,000	710,000	533,000
Research and development	146,000	--	146,000	180,000
	-----	-----	-----	-----
Loss from operations	\$ (173,000)	\$ (11,000)	(184,000)	\$ (168,000)
	=====	=====	=====	=====
Other:				
Interest income			5,000	
Interest expense			(11,000)	
Royalty income			150,000	
Settlements and recoveries			12,000	
Income taxes			1,000	

Net (loss)			\$ (27,000)	
			=====	

For the nine months ended June 30, 2006
(Unaudited)

For the nine

Service and

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	Products	Rental	Total	Products
	-----			-----
Net revenues	\$ 3,613,000	\$ 1,343,000	\$ 4,956,000	\$ 3,615,000
Cost of revenues	1,929,000	1,101,000	3,030,000	1,704,000
	-----			-----
Gross profit	1,684,000	242,000	1,926,000	1,911,000
Expenses:				
Selling, general and administrative	1,596,000	279,000	1,875,000	1,524,000
Research and development	441,000	--	441,000	457,000
	-----			-----
Loss from operations	\$ (353,000)	\$ (37,000)	(390,000)	\$ (70,000)
	=====			=====
Other:				
Interest income			16,000	
Interest expense			(23,000)	
Loss on disposal of equipment			(3,000)	
Royalty income			425,000	
Settlements and recoveries			46,000	
Income taxes			(1,000)	

Net income (loss)			\$ 70,000	
			=====	

Sales and gross profit to customers by similar products and services for the three and nine months ended June 30, 2006 (unaudited) and June 30, 2005 (unaudited) were as follows:

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	For the three months ended June 30, (Unaudited)		For the nine mo (Un
	2006	2005	2006
	-----	-----	-----
By similar products and services:			
Revenues:			
Products:			
Laser equipment and accessories	\$ 157,000	\$ 405,000	\$ 904,000
Delivery and disposable devices	989,000	789,000	2,709,000
Service and rental	480,000	358,000	1,343,000
	-----	-----	-----
Total	\$ 1,626,000	\$ 1,552,000	\$ 4,956,000
	=====	=====	=====
Gross profit			
Products:			
Laser equipment and accessories	\$ 19,000	\$ 95,000	\$ 151,000
Delivery and disposable devices	583,000	450,000	1,533,000
Service and rental	70,000	89,000	242,000
	-----	-----	-----

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Total	\$ 672,000	\$ 634,000	\$ 1,926,000
	=====	=====	=====

The Company's revenue base is derived from the sales of medical products and services on a worldwide basis originating from the United States. Although discrete components that earn revenues and incur expenses exist, significant expenses such as research and development and corporate administration are not incurred by nor allocated to these operating units but rather are employed by the entire enterprise. Additionally, the chief operating decision maker evaluates resource allocation not on a product or geographic basis, but rather on an enterprise-wide basis. Therefore, the Company has concluded that it contains only one reportable segment, which is the medical systems business.

Sales in foreign countries for the quarters ended June 30, 2006 (unaudited) and June 30, 2005 (unaudited) accounted for approximately 27% and 23% of the Company's total sales, respectively. Sales in foreign countries for the nine months ended June 30, 2006 (unaudited) and June 30, 2005 (unaudited) accounted for approximately 32% and 26% of the Company's total sales, respectively. The breakdown by geographic region is as follows:

	Three months ended June 30, 2006	Three months ended June 30, 2005	Nine months ended June 30, 2006	Nine months ended June 30, 2005
	-----	-----	-----	-----
Asia	\$ 225,000	\$ 299,000	\$ 800,000	\$ 800,000
Europe	50,000	37,000	294,000	320,000
Latin America	10,000	2,000	108,000	86,000
Middle East	--	1,000	--	1,000
Australia	--	--	81,000	--
Africa	--	--	3,000	--
Other	162,000	25,000	312,000	29,000
	-----	-----	-----	-----
	\$ 447,000	\$ 364,000	\$ 1,598,000	\$ 1,236,000
	=====	=====	=====	=====

All long-lived assets were located in the United States during the nine months ended June 30, 2006. With the exception of one demo 80 watt laser located in Belgium, all the Company's remaining long-lived assets were located in the United States at June 30, 2006.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

CRITICAL ACCOUNTING POLICIES

Revenue Recognition

The Company's net revenues include revenues from the sale of delivery and disposable devices, the sale and rental of laser equipment and accessories, and service contracts for lasers manufactured by the Company.

In accordance with Staff Accounting Bulletin 104, "Revenue Recognition," the Company recognizes revenue from products sold once all of the following criteria for revenue recognition have been met: (i) persuasive evidence that an arrangement exists, (ii) the products have been shipped, (iii) the prices are fixed and determinable and not subject to refund or adjustment, and (iv)

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collection of the amounts due is reasonably assured.

Revenues from the sale of delivery and disposable devices and lasers are recognized upon shipment and passage of title of the products, provided that all other revenue recognition criteria have been met. Generally, customers are required to insure the goods from the Company's place of business. Accordingly, the risk of loss transfers to the customer once the goods have been shipped from the Company's warehouse. The Company sells its products primarily through commission sales representatives in the United States and distributors in foreign countries. In cases where the Company utilizes distributors, it recognizes revenue upon shipment, provided that all other revenue recognition criteria have been met, and ownership risk has transferred. In general, the Company does not have any post shipment obligations such as installation or acceptance provisions. All domestic laser systems are sold with a one year warranty which includes parts and labor. All international lasers systems are sold with a one year parts only warranty. As each laser sale is recognized, a liability is accrued for estimated future warranty costs.

The Company utilizes distributors for international sales only. All laser system sales are non-returnable. Our international distributors typically locate customers for laser systems before ordering and in general do not maintain inventories. The Company's return policy for laser accessories, delivery and disposable devices sold to distributors is as follows: 1) The Company will accept returns of any unopened, undamaged, standard catalogue items (except laser systems) within sixty (60) days of invoice date. Acceptable returned products will be subject to a 20% restocking fee. 2) A return authorization number is required for all returns. The number can be obtained by contacting the Customer Service Department. 3) Should a product be found defective at the time of initial use, the Company will replace it free of charge.

The Company offers service contracts on its lasers. These service contracts are offered at different pricing levels based on the level of coverage, which include periodic maintenance and different levels of parts and labor to be provided. Since the service contracts have a twelve month term, the revenue of each service contract is deferred and recognized ratably over the term of each service contract.

Trimedyne, Inc. will rent its lasers for a flat monthly charge for a period of years or on a month-to-month basis, or on a fee per case basis sometimes with a minimum monthly rental fee. During the nine months ended June 30, 2006 and June 30, 2005, four lasers were being rented by Trimedyne, Inc., each on a month-to-month basis. For these lasers, rental revenue is recorded ratably over the rental period. MST generally enters into rental service contracts with customers for a two year period, which unless cancelled, are renewed on an annual basis after the initial period. During the rental service contract period customers do not maintain possession of any rental equipment unless it is for the Company's convenience. Customers are billed on a fee per case basis for rentals, which includes the services of the laser operator and, in some cases, the use of a reusable or single use laser delivery device. Revenue from these rental service contracts is recognized as the cases are performed.

Allowance for Doubtful Accounts

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of the Company's customers to make required payments. The allowance for doubtful accounts is based on specific identification of customer accounts and the Company's best estimate of the likelihood of potential loss, taking into account such factors as the financial condition and payment history of major customers. The Company evaluates the collectibility of our receivables at least quarterly. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The

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differences could be material and could significantly impact cash flows from operating activities.

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Inventories

Inventories consist of raw materials and component parts, work in process and finished good lasers and dispensing systems. Inventories are recorded at the lower of cost or market, cost being determined principally by use of the average-cost method, which approximates the first-in, first-out method. Cost is determined at the actual cost for raw materials, and at production cost (materials, labor and indirect manufacturing overhead) for work-in-process and finished goods.

Goodwill

Goodwill represents the excess of the cost over the acquired assets of MST. On October 1, 2002, the Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Tangible Assets." As a result of adoption SFAS No. 142, the Company's goodwill is no longer amortized, but is subject to an annual impairment test, or whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Deferred Taxes

The Company records a valuation allowance to reduce the deferred tax assets to the amount that is more likely than not to be realized. The Company has considered estimated future taxable income and ongoing tax planning strategies in assessing the amount needed for the valuation allowance. Based on these estimates, all of the Company's deferred tax assets have been reserved. If actual results differ favorably from those estimates used, the Company may be able to realize all or part of the Company's net deferred tax assets. Such realization could positively impact our operating results and cash flows from operating activities.

Stock-based Compensation

The Company accounts for its employee stock-based compensation plans under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. The Company has adopted the disclosure provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" - an amendment of FASB Statement No. 123.

RESULTS OF OPERATIONS

The statements contained in this Quarterly Report on Form 10-QSB 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. Potential risks and uncertainties include, among other factors, 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

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of new products, fluctuations in margins, timing of significant orders, and other risks and uncertainties currently unknown to management.

Method of Presentation

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

Quarter ended June, 2006 compared to quarter ended June 30, 2005

During the quarter ended June 30, 2006, net revenues were \$1,626,000 as compared to \$1,552,000 for the same period of the previous year, a \$74,000 or 4.8% increase. Net sales from lasers and accessories decreased by \$248,000 or 61.2% to \$157,000 during the three months ended June 30, 2006 from \$405,000 in the same period of the prior year. Net sales from delivery and disposable devices increased by \$200,000 or 25.4% to \$989,000 in the current quarter from \$789,000 in the same quarter of the prior year. Net sales from service and rental increased by \$122,000 or 34.1% to \$480,000 from \$358,000 for the same quarters. Export sales increased by \$83,000 or 22.8% due to an increase in delivery device systems sales in Canada.

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Cost of sales during the quarters ended June 30, 2006 and June 30, 2005 was \$954,000 and \$918,000, respectively, or 59% of net revenues. Gross profit from the sale of lasers and accessories was 12% as compared to 23% for the prior year three-month period. Gross profit from the sale of delivery and disposable devices was 59% as compared to 57% for the prior year three-month period. Gross profit from revenue received from service and rentals decreased to 14% during the current three-month period from 25% for the prior year three-month period. This decrease was due to an increase in service personnel to support periodic maintenance and warranty repairs for the Company's installed laser base and rental lasers.

Selling, general and administrative expenses increased in the current quarter to \$710,000 from \$657,000 in the prior year quarter, an increase of \$53,000 or 8%. This increase in selling, general and administrative expenses was result of additional expenses incurred while moving our facility to a new location during the current quarter.

Research and development expenditures for the quarter ended June 30, 2006 decreased \$34,000 or 19% to \$146,000 as compared to \$180,000 in the quarter ended June 30, 2005. This decrease was a result of the Company focusing its resources on moving to our new facility during the current quarter.

Other income, net increased by \$102,000 or 187% to \$156,000 in the quarter ended June 30, 2006 from \$54,000 in the same quarter of the prior year. Other income during the quarter ended June 30, 2006 primarily consisted of \$150,000 of royalty income (see Note 7) and \$10,000 resulting from the write down of previous accruals, for which the Company no longer had obligations, offset by \$6,000 in interest expense. During the three months ended June 30, 2005, the Company received \$52,000 in royalty income offset by interest accrued on notes due to an officer.

For the current quarter, the Company had net loss of \$27,000 or \$0.00 per share, based on 14,633,443 basic weighted average number of common shares outstanding, as compared to a net loss of \$153,000, or \$0.01 per share, based on 14,602,931 basic weighted average number of common shares outstanding in the

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same quarter of the previous year.

Nine months ended June 30, 2006 compared to nine months ended June 30, 2005

During the nine months ended June 30, 2006, net revenues were \$4,956,000 as compared to \$4,783,000 for the same period of the previous year, a \$173,000 or 3.6% increase. Net revenues from lasers and accessories decreased by \$337,000 or 27.2% to \$904,000 during the nine months ended June 30, 2006 from \$1,241,000 in the same period of the prior year. Net revenues from delivery and disposable devices increased by \$335,000 or 12.3% to \$2,709,000 during the nine months ended June 30, 2006 from \$2,374,000 for the same period of the prior year. During the nine months ended June 30, 2006 export sales increased by \$362,000 or 29.3% to \$1,598,000 as compared to \$1,236,000 in the the same period of the prior year. This increase was primarily due an increase in delivery system sales to existing customers increasing their yearly inventory and the acquisition of new customers. Net sales from service and rental increased by \$175,000 or 15.0% to \$1,343,000 from \$1,168,000 for the same quarters in the prior year. This increa se was primarily due to an increase in billable service calls and increased revenues from MST.

Cost of sales increased to 61% of net sales in the nine months ended June 30, 2006 compared to 53% for the nine months ended June 30, 2005. Gross profit from the sale of lasers and accessories was 17% as compared to 31% for the prior year nine-month period. Gross profit from the sale of delivery and disposable devices was 57% as compared to 64% for the prior year nine-month period. This decrease in gross profit was due to an increase in the cost of raw materials combined with the payment of overtime wages to production personnel and the hiring of temporary personnel to increase inventory in preparation for the relocation of the Company's facility. Gross profit from revenue received from service and rentals was 18% as compared to 29% for the prior year nine-month period. This decrease in gross profit was due to an increase in service personnel to support periodic maintenance and warranty repairs for the Company's installed laser base and rental lasers.

For the nine months ended June 30, 2006, selling, general and administrative expenses totaled \$1,875,000 as compared to \$1,912,000 for the same period of the previous year, a \$37,000 or 2% decrease. This decrease in selling, general and administrative expenses since the prior year period is prmarily the result of a decrease of sales and marketing expense of \$15,000 along with \$22,000 in audit and tax expense.

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During the nine months ended June 30, 2006, reasearch and development expenses decreased to \$441,000 from \$457,000 in the prior year nine month period, a decrease of \$16,000 or 4%. This decrease was a result of the Company focusing its resources on moving to our new facility

Other income, net increased by \$336,000 to \$461,000 in the current nine-month period from \$125,000 in the nine-month period of fiscal 2005. During the nine months ended June 30, 2006 the Company received \$426,000 in royalty income as compared to \$133,000 in the prior year nine-month period (see Note 8). Due to rising interest rates, during the nine months ended June, 2006, the Company also received \$16,000 in interest income as compared to \$11,000 during the same prior year period. During the nine months ended June 30, 2006, the Company reversed \$41,000 of previous accruals for which the Company no longer had obligations and received \$5,000 in insurance settlements which was offset by interest accrued on notes due to an officer.

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For the nine months ended June 30, 2006, Trimedyne had net income of \$70,000 or \$0.01 per share, based on 14,616,909 basic weighted average number of common shares outstanding, as compared to a net loss of \$4,000, or \$0.00 per share, based on 14,704,540 basic weighted average number of common shares outstanding in the same period of the previous year, resulting from the above mentioned factors.

Liquidity and Capital Resources

At June 30, 2006, the Company had working capital of \$3,026,000 compared to \$3,773,000 at the end of the fiscal year ended September 30, 2005. Cash and cash equivalents decreased by \$566,000 to \$957,000 from \$1,523,000 at the fiscal year ended September 30, 2005. This decrease in cash was primarily due to the funding of our relocation to a new facility located in Lake Forest, California. We believe our existing working capital will be sufficient to meet Trimedyne's operating needs, and the operating needs of our wholly-owned laser rental subsidiary for the next twelve months. During the nine month period ended June 30, 2006 net cash provided by operating activities was \$164,000. Net cash used in investing activities was \$649,000 which was the result of payment for leasehold improvements. The Company took occupancy of a new facility on May 12, 2006. Net cash used in financing activities during the current nine month period was \$81,000, which is net of payments on debt of \$93,000, primarily related to financing certain insurance policies, and \$12,000 received in connection with the exercise of employee stock options. While we expect to continue operate at a profit, we could incur losses in the future if we fail to generate revenues sufficient to offset the costs associated with manufacturing and marketing our current products, our overhead, and the development of new products. If we fail to continue to operate profitably, or if we undertake the development, testing and marketing of additional new products in the future, we will likely need to raise substantial additional capital. There can be no assurance that we will be able to operate profitably in the future.

We have \$200,000 of Senior Convertible Notes due to an officer of the Company (the "Notes") outstanding, which have \$105,000 of accrued interest thereon at June 30, 2006. The notes bear interest at 12% per annum, and are due in 2007. The Notes and accrued interest are convertible at prices of \$0.40 and \$0.50 per share. If the Notes and accrued interest are not converted, we may have to raise additional capital to pay the Note holder the principal and interest due on the Notes. Sources of such financing may include the sale of additional equity securities or the sale or licensing of patent rights. The issuance of additional common stock or shares of preferred stock will dilute the equity interests of our shareholders. There is no assurance such financing, if and when needed, will be available to us on acceptable terms.

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ITEM 3. CONTROLS AND PROCEDURES

As of June 30, 2006, an evaluation was carried out under the supervision and with the participation of the Company's management, including our Chief Executive Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, the Chief Executive Officer concluded that the design and operation of these disclosure controls and procedures were effective. No significant changes were made in our internal controls or in other factors that could significantly affect these controls subsequent to June 30, 2006.

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(a) Evaluation of Disclosure Controls and Procedures. The Company carried out an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer ("CEO") of the effectiveness of the Company's disclosure controls and procedures. Based upon that evaluation, the CEO concluded that as of June 30, 2006 our disclosure controls and procedures were effective in timely alerting them to the material information relating to the Company (or the Company's consolidated subsidiaries) required to be included in the Company's periodic filings with the SEC, subject to the various limitations on effectiveness set forth below under the heading, "LIMITATIONS ON THE EFFECTIVENESS OF INTERNAL CONTROLS," such that the information relating to the Company, required to be disclosed in SEC reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to the Company's management, including our CEO, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in internal control over financial reporting. There has been no change in the Company's internal control over financial reporting that occurred during the fiscal quarter ended June 30, 2006 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

LIMITATIONS ON THE EFFECTIVENESS OF INTERNAL CONTROLS

The Company's management, including the CEO, does not expect that our disclosure controls and procedures or our internal control over financial reporting will necessarily prevent all fraud and material error. An internal control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of the control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the internal control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, control may become inadequate because of changes in conditions, and/or the degree of compliance with the policies or procedures may deteriorate.

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PART II Other Information

ITEM 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

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

Item 5. Other Information
None

Item 6. Exhibits

- (a) Exhibits
 - 31.1 Certification of CEO
 - 31.2 Certification of Controller
 - 32.1 Officer Certification
 - 32.2 Controller Certification

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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: August 21, 2006

/s/ Marvin P. Loeb

Marvin P. Loeb
Chairman and
Chief Executive Officer

Date: August 21, 2006

/s/ Jeffrey S. Rudner

Jeffrey S. Rudner
Controller

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