

incorporation or organization) Identification No.)

Two Embarcadero Center, Suite 410, San Francisco, California 94111-4107
(Address of Principal Executive Offices) (Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock No Par Value	NYSE MKT

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes
No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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Indicate by check mark if 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

Indicate by check mark if the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of June 30, 2016, the aggregate market value of the common stock held by non-affiliates of the registrant was approximately \$6,858,000.

Number of shares of common stock of the registrant outstanding as of March 20, 2017: 5,468,000.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s definitive Proxy Statement for the 2017 Annual Meeting of Shareholders are incorporated by reference into Part III of this report.

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FORWARD-LOOKING STATEMENTS

Certain matters discussed in this Annual Report on Form 10-K other than statements of historical information are “forward-looking statements.” The Private Securities Litigation Reform Act of 1995 has established that these statements qualify for safe harbors from liability. Forward-looking statements may include words like we “believe”, “anticipate”, “target”, “expect”, “pro forma”, “estimate”, “intend”, “will”, “is designed to”, “plan” and words of similar meaning. Forward-looking statements describe our future plans, objectives, expectations or goals. Such statements address future events and conditions concerning and include, but are not limited to, such things as:

- capital expenditures
- earnings
- liquidity and capital resources
- financing of our business
- government programs and regulations
- legislation affecting the health care industry

- the expansion of our proton beam radiation therapy business
- accounting matters
- compliance with debt covenants
- competition
- customer concentration
- contractual obligations
- timing of payments
- technology
- interest rates

These forward-looking statements involve known and unknown risks that may cause our actual results in future periods to differ materially from those expressed in any forward-looking statement. Factors that would cause or contribute to such differences include, but are not limited to, such things as:

- our high level of debt
- the limited market for our capital intensive services
- the impact of lowered federal reimbursement rates
- the impact of recent U.S. health care reform legislation
- competition and alternatives to our services
- technological advances and the risk of equipment obsolescence
- our significant investment in the proton beam radiation therapy business
- the small and illiquid market for our stock

These lists are not all-inclusive because it is not possible to predict all factors. A discussion of some of these factors is included in this document under the headings “Item 1A. Risk Factors” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” “–Application of Critical Accounting Policies” and “–Liquidity and Capital Resources.” This report should be read in its entirety. No one section of this report deals with all aspects of the subject matter. Any forward-looking statement speaks only as of the date such statement was made, and we are not obligated to update any forward-looking statement to reflect events or circumstances after the date on which such statement was made, except as required by applicable laws or regulations.

PART I

ITEM 1. BUSINESS

GENERAL

American Shared Hospital Services (“ASHS” and, together with its subsidiaries, the “Company”) provides Gamma Knife stereotactic radiosurgery equipment and radiation therapy and related equipment to eighteen (18) medical centers in sixteen (16) states in the United States as of March 1, 2017. The Company provides Gamma Knife services through its 81% indirect interest in GK Financing, LLC, a California limited liability company (“GKF”). The remaining 19% of GKF is owned by GKV Investments, Inc., a wholly-owned U.S. subsidiary of Elekta AG, a Swedish company (“Elekta”). Elekta is the manufacturer of the Leksell Gamma Knife® (the “Gamma Knife”). GKF is a non-exclusive provider of alternative financing services for Leksell Gamma Knife units.

The Company wholly-owns the subsidiaries American Shared Radiosurgery Services (“ASRS”), OR21, Inc. (“OR 21 LLC”) and MedLeader.com, Inc. (“MedLeader”). ASRS is the majority-owner of GKF.

GKF has established the wholly-owned subsidiaries, Instituto de Gamma Knife del Pacifico S.A.C. (“GKPeru”), GK Financing U.K., Limited (“GKUK”), and the 70% majority owned subsidiary EWRS LLC (“EWRS”) for the purpose of providing similar Gamma Knife services in Peru, England, and Turkey, respectively. GKUK is inactive. The remaining 30% of EWRS is owned by EMKA, LLC, a wholly, owned limited liability company owned by Mert Ozyurek, a Director of American Shared Hospital Services. EWRS owned 100% of EWRS Tibbi Cihazlar Ticaret Ltd Sti (“EWRS Turkey”). EWRS sold EWRS Turkey on June 10, 2014.

GKF also owns a 51% interest in Albuquerque GK Equipment, LLC (“AGKE”) and Jacksonville GK Equipment, LLC (“JGKE”). The remaining 49% in each of these two companies is owned by radiation oncologists.

The Company continues to develop its design and business model for “The Operating Room for the 21st Century”SM (“OR21SM”), through its 50% owned OR21, LLC. The remaining 50% is owned by an architectural design company. OR21 is not expected to generate significant revenue within the next two years.

The Company is also the sole owner of PBRT Orlando, LLC (“Orlando”) and the majority owner of Long Beach Equipment, LLC (“LBE”) which were formed to provide proton beam radiation therapy services in Orlando, Florida and Long Beach, California. A 40% minority ownership in LBE is owned by radiation oncologists.

In April 2006, the Company invested \$2,000,000 for a minority equity interest in Mevion Medical Systems, Inc. (formerly Still River Systems, Inc.) (“Mevion”), a Littleton, Massachusetts company which, in collaboration with scientists from MIT’s Plasma Science and Fusion Center, was developing a medical device for the treatment of cancer patients using proton beam radiation therapy (“PBRT”). In September 2007, December 2011, and June 2012, the Company invested approximately \$617,000, \$70,000 and \$31,000, respectively, for additional equity interests in Mevion. The Company has purchased and installed its first MEVION S250 PBRT system (“MEVION S250”) at UF Health Cancer Center at Orlando Health (“Orlando Health”) and has deposits of \$2,000,000 towards the purchase of two more MEVION S250 systems from Mevion. As of December 31, 2015, the Company recorded an impairment loss of \$2,140,000 on its common stock investment in Mevion. See Item 1A Risk Factors and Item 7 Management’s Discussion and Analysis of Financial Condition and Results of Operations for more information. The Company’s first MEVION S250 began treating patients at Orlando Health in April 2016.

The Company was incorporated in the State of California in 1983 and its predecessor, Ernest A. Bates, M.D., Ltd. (d/b/a American Shared Hospital Services), a California limited partnership, was formed in June 1980.

OPERATIONS

Gamma Knife Operations

Gamma Knife stereotactic radiosurgery, a non-invasive procedure, is an alternative to conventional brain surgery and/or radiation therapy can be an adjunct to conventional brain surgery, radiation therapy, or chemotherapy. Compared to conventional surgery, Gamma Knife radiosurgery usually is an out-patient procedure with lower risk of complications and can be provided at a lower cost. Typically, Gamma Knife patients resume their pre-surgical activities one or two days after treatment. The Gamma Knife treats patients with 201 single doses of gamma rays that are focused with great precision on small and medium sized, well circumscribed and critically located structures in the brain. The Cobalt-60 sources coverage at the target area and deliver a dose that is high enough to destroy the diseased tissue without damaging the surrounding healthy tissue. During 2006, Elekta introduced a new Gamma Knife model, the Perfexion™ unit (“Perfexion”), which treats patients with 192 single doses of gamma rays. In 2015, Elekta introduced an upgrade to the Perfexion called Icon.

The Gamma Knife treats selected malignant and benign brain tumors, arteriovenous malformations, and functional disorders including trigeminal neuralgia (facial pain). Research is being conducted to determine whether the Gamma Knife can be effective in the treatment of epilepsy, tremors, and other functional disorders.

As of December 31, 2016, there were approximately 123 Gamma Knife sites in the United States and more than 324 units in operation worldwide. Based on the most recent available data, an estimated percentage breakdown of Gamma Knife procedures performed in the U.S. by indications treated is as follows: malignant (60%) and benign (23%) brain tumors, vascular disorders (4%), and functional disorders (13%).

The Company, as of March 1, 2017, had seventeen (17) operating Gamma Knife units located in the United States. The Company’s first Gamma Knife commenced operation in September 1991. The Company’s Gamma Knife units performed approximately 1,922 procedures in 2016 for a cumulative total of approximately 37,000 procedures from commencement through December 31, 2016.

Revenue from Gamma Knife services for the Company during each of the last five (5) years ended December 31, and the percentage of total revenue of the Company represented by the Gamma Knife for each of the last five years, are set forth below:

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Year Ended <u>December 31,</u>	Total Gamma Knife <u>Revenue (in thousands)</u>	Gamma Knife % of <u>Total Revenue</u>	
2016	\$ 16,076	86.0	%
2015	\$ 16,077	97.2	%
2014	\$ 14,521	94.2	%
2013	\$ 16,127	91.7	%
2012	\$ 15,154	88.9	%

The Company conducts its Gamma Knife business through its 81% indirect interest in GKF. The remaining 19% interest is indirectly owned by Elekta. GKF, formed in October 1995, is managed by its policy committee. The policy committee is composed of one representative from the Company, Ernest A. Bates, M.D., ASHS's Chairman and CEO, and one representative from Elekta. The policy committee sets the operating policy for GKF. The policy committee may act only with the unanimous approval of both of its members. The policy committee selects a manager to handle GKF's daily operations. Craig K. Tagawa, Chief Executive Officer of GKF and Chief Operating and Financial Officer of ASHS, serves as GKF's manager.

GKF's profits and/or losses and any cash distributions are allocated based on membership interests. GKF's operating agreement requires that it have a cash reserve of at least \$50,000 before cash distributions are made to its members. From inception to December 31, 2016, GKF has distributed \$45,765,000 to the Company and \$10,735,000 to the non-controlling member.

Image Guided Radiation Therapy Operations (“IGRT”)

The Company’s radiation therapy business currently consists of one IGRT system that began operation in September 2007 at an existing Gamma Knife customer site. A second IGRT system located in Turkey was sold in the second quarter of 2014. Revenue generated under IGRT services accounted for approximately 3% of the Company’s total revenue in 2016.

IGRT technology integrates imaging and detection components into a state-of-the-art linear accelerator, allowing clinicians to plan treatment, verify positioning, and deliver treatment with a single device, providing faster, more effective radiation therapy with less damage to healthy tissue. IGRT captures cone beam imaging, fluoroscopic and/or x-ray images on a daily basis, creating three-dimensional images that pinpoint the exact size, location and coordinates of tumors. Once tumors are pinpointed, the system delivers ultra-precise doses of radiation which ultimately leads to improved patient outcomes.

Based on the most recently available information, there are approximately 3,900 linear accelerator based radiation therapy units installed in the United States, and it is estimated that a majority of these units provide Intensity-Modulated Radiation Therapy (“IMRT”), IGRT or a combination of this advanced radiation therapy capability. Radiation therapy services are provided through approximately 2,300 hospital based and free-standing oncology centers.

Additional information on our operations can be found in Item 6–“Selected Financial Data”, Item 7–“Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note 1 of our consolidated financial statements.

Proton Beam Radiation Therapy Operations

PBRT is an alternative to traditional external beam, photon based radiation delivered by linear accelerators. PBRT, first clinically introduced in the 1950s, has physics advantages compared to photon based systems which allow PBRT to deliver higher radiation doses to the tumor with less radiation to healthy tissue. PBRT currently treats prostate, brain, spine, head and neck, lung, breast, gastrointestinal tract and pediatric tumors. In excess of 130,000 patients have been treated with protons worldwide.

Introduction of PBRT in the United States, until recently, has been limited due to the high capital costs of these projects. The Company believes that the current development of one and two treatment room PBRT systems at lower capital costs and the level of reimbursement for PBRT from the CMS will help make this technology available to a larger segment of the market.

CUSTOMERS

The Company's current business is the outsourcing of stereotactic radiosurgery services and radiation therapy services. The Company typically provides the equipment, as well as planning, installation, reimbursement and marketing support services. The majority of the Company's customers pay the Company on a fee per use basis. The market for these services primarily consists of major urban medical centers. The business is capital intensive; the total cost of a Gamma Knife or IGRT facility usually ranges from \$3.0 million to \$5.5 million, including equipment, site construction and installation; the total cost of a single room PBRT system usually ranges from \$25.0M to \$35.0M, site construction and installation. The Company pays for the equipment and the medical center generally pays for site and installation costs. The following is a listing of the Company's sites as of March 1, 2017:

Customers (Gamma Knife except as noted)	Original Term of Contract	Year Contract Began	Basis of Payment
Southwest Texas Methodist Hospital San Antonio, Texas	10 years	1998	Fee per use
Yale New Haven Hospital New Haven, Connecticut	10 years	1998	Fee per use
Kettering Medical Center Kettering, Ohio	10 years	1999	Revenue sharing
Tufts Medical Center Boston, Massachusetts	10 years	1999	Fee per use
University of Arkansas for Medical Sciences Little Rock, Arkansas	15 years	1999	Revenue sharing
JFK Medical Center Edison, New Jersey	10 years	2000	Fee per use
Sunrise Hospital and Medical Center Las Vegas, Nevada	10 years	2001	Fee per use
Central Mississippi Medical Center Jackson, Mississippi	10 years	2001	Fee per use
OSF Saint Francis Medical Center Peoria, Illinois	10 years	2001	Fee per use
Albuquerque Regional Medical Center Albuquerque, New Mexico	10 years	2003	Fee per use
Northern Westchester Hospital Mt. Kisco, New York	10 years	2005	Fee per use
Mercy Health Center Oklahoma City, Oklahoma	10 years	2005	Revenue Sharing
Tufts Medical Center (IGRT) Boston, Massachusetts	10 years	2007	Revenue Sharing

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USC University Hospital Los Angeles, California	10 years	2008	Fee per use
Ft. Sanders Regional Medical Center Knoxville, Tennessee	10 years	2011	Revenue Sharing
St. Vincent's Medical Center Jacksonville, Florida	10 years	2011	Revenue Sharing
Sacred Heart Medical Center Pensacola, Florida	10 years	2013	Revenue Sharing
PeaceHealth Sacred Heart Medical Center at RiverBend Eugene, Oregon	10 years	2014	Revenue Sharing
UF Health Cancer Center at Orlando Health Orlando, Florida (PBRT)	10 years	2016	Revenue Sharing

The Company's typical fee per use agreement is for a ten year term. The fixed fee per use reimbursement amount that the Company receives from the customer is based on the Company's cost to provide the service and the anticipated volume of the customer. The Gamma Knife contracts signed by the Company typically call for a fee ranging from \$4,200 to \$9,300 per procedure. There are no minimum volume guarantees required of the customer. In most cases, GKF is responsible for providing the Gamma Knife and related ongoing Gamma Knife equipment expenses (i.e., personal property taxes, insurance, and equipment maintenance) and also helps fund the customer's Gamma Knife marketing. The customer generally is obligated to pay site and installation costs and the costs of operating the Gamma Knife. The customer can either renew the agreement or terminate the agreement at the end of the contractual term. If the customer chooses to terminate the agreement, then GKF removes the equipment from the medical center for possible placement at another site.

The Company's typical revenue sharing agreements ("retail") are for a period of ten years. Instead of receiving a fixed fee, the Company receives all or a percentage of the reimbursement (exclusive of physician fees) received by the customer. The Company is at risk for any reimbursement rate changes for radiosurgery or radiation therapy services by the government or other third party payors. There are no minimum volume guarantees required of the customer.

In 2016, one customer accounted for approximately 10% of the Company's total revenue. In 2015, one customer accounted for approximately 10% of the Company's total revenue. In 2014, no one customer accounted for more than 10% of the Company's total revenue. At December 31, 2016 and 2015, two and three customers each accounted for more than 10% of total accounts receivable, respectively.

MARKETING

The Company markets its Gamma Knife services through its preferred provider status with Elekta and a direct sales effort led by its Vice President of Sales and Business Development, its Chief Operating Officer and its Chief Executive Officer. The Company markets its PBRT service through a direct sales effort led by its Vice President of Sales and Business Development, its Chief Operating Officer and its Chief Executive Officer. The major advantages to a health care provider in contracting with the Company for its services include:

§ The medical center avoids the high cost of owning the equipment. By not acquiring the equipment supplied by the § Company, the medical center is able to allocate the funds otherwise required to purchase and/or finance the equipment to other projects.

§ The Company does not have minimum volume requirements, so the medical center avoids the risk of equipment under-utilization. The medical center pays the Company only for each procedure performed on a patient.

§ For contracts under revenue sharing arrangements, the Company assumes all or a portion of the risk of reimbursement rate changes. The medical center pays the Company only the contracted portion of revenue received from each procedure.

§ The medical center transfers the risk of technological obsolescence to the Company. The medical center and its physicians are not under any obligation to utilize technologically obsolete equipment.

§ The Company provides planning, installation, operating and marketing assistance and support to its customers.

FINANCING

The Company's Gamma Knife business is operated through GKF. GKF generally finances its U.S. Gamma Knife units, upgrades and additions with loans or capital leases from various finance companies for typically 100% of the cost of each Gamma Knife, plus any sales tax, customs and duties. The financing is predominantly fully amortized over an 84 month period and is collateralized by the equipment, customer contracts and accounts receivable, and is generally without recourse to the Company and Elekta. The loan to finance the Company's unit in Peru is guaranteed by GKF and collateralized by the Company's stock in the subsidiary, GKPeru. The lease financing obtained by Orlando is guaranteed by the Company and collateralized by the equipment, customer contract and accounts receivable related to this project.

COMPETITION

Conventional neurosurgery, radiation therapy and other radiosurgery devices are the primary competitors of Gamma Knife radiosurgery. Gamma Knife radiosurgery has gained acceptance as an alternative and/or adjunct to conventional surgery due to its more favorable morbidity outcomes for certain procedures as well as its non-invasiveness. Utilization of the Company's Gamma Knife units is contingent on the acceptance of Gamma Knife radiosurgery by the customer's neurosurgeons, radiation oncologists and referring physicians. In addition, the utilization of the Company's Gamma Knife units is impacted by the proximity of competing Gamma Knife centers and providers using other radiosurgery devices.

Conventional linear accelerator based radiation therapy is the primary competitor of the Company's proton therapy system at Orlando Health. Proton beam radiation therapy although available for many years is only recently emerging as a more clinically beneficial alternative to conventional linear accelerators for certain tumors. Utilization of the Company's proton therapy system is dependent on the acceptance of this technology by Orlando Health's radiation oncologists and referring physicians, as well as patient self-referrals. There are currently no competing proton therapy facilities in close proximity to the Company's site.

There are several competing manufacturers of proton beam systems, including Mevion, IBA Particle Therapy Inc., Hitachi Ltd., Varian Medical Systems, Inc. (Accel), ProNova Solutions, LLC, Sumitomo Heavy Industries, ProTom International, Inc. and Mitsubishi Electric. The Company invested in Mevion by purchasing one MEVION S250 and has made deposits towards the purchase of two additional MEVION S250 systems. The Mevion system potentially provides cancer centers the opportunity to introduce single treatment room PBRT services with a cost in the range of approximately \$25 to \$35 million versus four and five PBRT treatment room programs costing in excess of \$120 million. The MEVION S250 system received FDA approval in the second quarter of 2012 and the first clinical treatment occurred in December 2013 at Barnes-Jewish Hospital. The Company's first MEVION S250 system in operation at Orlando Health treated its first patient in April 2016. The Company's second and third PBRT units will not begin construction until the Company identifies satisfactory placement sites.

The Company believes the business model it has developed for use in its Gamma Knife and IGRT placements can be tailored for the PBRT market segment. The Company is targeting large, hospital based cancer programs. The Company's ability to develop a successful PBRT financing entity depends on the decision of cancer centers to self-fund or to fund the PBRT through conventional financing vehicles, the Company's ability to capture market share from competing alternative PBRT financing entities, and the Company's ability to raise capital to fund PBRT projects.

The Company's ability to secure additional customers for Gamma Knife services and other proton beam radiation therapy services, or other equipment, is dependent on its ability to effectively compete against the manufacturer of these systems selling directly to potential customers and other companies that outsource these services. The Company does not have an exclusive relationship with any manufacturer and has previously lost sales to customers that chose to purchase equipment directly from manufacturers. The Company may continue to lose future sales to such customers and may also lose sales to the Company's competitors.

GOVERNMENT PROGRAMS

The Medicare program is administered by the Centers for Medicare and Medicaid Services (“CMS”) of the U.S. Department of Health and Human Services (“DHHS”). Medicare is a health insurance program primarily for individuals 65 years of age and older, certain younger people with disabilities, and people with end-stage renal disease, and is provided without regard to income or assets.

The Medicare program is subject to statutory and regulatory changes, administrative rulings, interpretations and determinations, requirements for utilization review, and federal and state funding restrictions, all of which could materially increase or decrease payments from these government programs in the future, as well as affect the cost of providing services to patients and the timing of payments to our client hospitals.

The Company’s Gamma Knife, PBRT and IGRT customers receive payments for patient care from federal government and private insurer reimbursement programs. Currently in the United States, Gamma Knife, proton therapy and IGRT services are performed primarily on an out-patient basis. Gamma Knife patients with Medicare as their primary insurer, treated on either an in-patient or out-patient basis, comprise an estimated 35-45% of the total Gamma Knife patients treated nationwide. PBRT and IGRT patients with Medicare as their primary insurer are treated primarily on an out-patient basis, and comprise an estimated 45% to 50% of the total radiation therapy patients treated. The Company estimates that its percentage of patients with Medicare as their primary insurer approximates these national averages.

Congress enacted legislation in 2013 that significantly reduced the Medicare reimbursement rate for outpatient Gamma Knife treatment by setting it at the same amount paid for linear accelerator-based radio surgery treatment. 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 \$9,900 to \$5,300, 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 approximately \$4,100 to \$9,700. The 2016 total CMS reimbursement rate of approximately \$8,800 is scheduled to be increased to approximately \$9,000 in 2017 for a Medicare Gamma Knife treatment. The Company’s IGRT services are reimbursed by CMS and other insurers. Reimbursement for these services has remained fairly stable. See additional discussion under “Item 1A Risk Factors”.

The hospital based 2016 Medicare delivery code reimbursement rate for PBRT established by CMS is \$506 for simple without compensation and \$1,051 for simple with compensation, intermediate or complex treatments. The 2017 scheduled CMS rates are \$494 for simple without compensation and \$994 for simple with compensation, intermediate or complex treatments. Patients typically undergo 25-30 delivery sessions. See additional discussion under “Item 1A

Risk Factors – *The Federal Reimbursement Rate for Gamma Knife Treatments Has Fluctuated*.

We are unable to predict the effect of future government health care funding policy changes on operations. If the rates paid by governmental payers are reduced, if the scope of services covered by governmental payers is limited, or if one or more of our hospital clients are excluded from participation in the Medicare program or any other government health care program, there could be a material adverse effect on our business.

Affordable Care Act

In March 2010, President Obama signed into law the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, (“Affordable Care Act”), which has resulted in significant changes to the health care industry. The primary goal of the legislation was to extend health care coverage to approximately 32 million uninsured legal U.S. residents through both an expansion of public programs and reforms to private sector health insurance. The expansion of insurance coverage is expected to be funded in part by measures designed to promote quality and cost efficiency in health care delivery and by budgetary savings in the Medicare and Medicaid programs. Because the Company is not a health care provider, we are not directly affected by the law, but we could be indirectly affected principally as follows:

An increase in the number of insured residents could potentially increase the number of patients seeking Gamma Knife or radiation therapy treatment.

The Company's retail contracts are subject to reimbursement rate changes for radiosurgery or radiation therapy services by the government or other third party payors. Any changes to Medicare or Medicaid reimbursement through the repeal or modification of the Affordable Care Act could affect revenue generated from these sites.

GOVERNMENT REGULATION

The payment of remuneration to induce the referral of health care business has been a subject of increasing governmental and regulatory focus in recent years. Section 1128B(b) of the Social Security Act (sometimes referred to as the "federal anti-kickback statute") provides criminal penalties for individuals or entities that offer, pay, solicit or receive remuneration in order to induce referrals for items or services for which payment may be made under the Medicare and Medicaid programs and certain other government funded programs. The Affordable Care Act amended the anti-kickback statute to eliminate the requirement of actual knowledge, or specific intent to commit a violation, of the anti-kickback statute. The Social Security Act provides authorizes the Office of Inspector General through civil proceedings to exclude an individual or entity from participation in the Medicare and state health programs if it is determined any such party has violated Section 1128B(b) of the Social Security Act. The Company believes that it is in compliance with the federal anti-kickback statute. Additionally, the Omnibus Budget Reconciliation Act of 1993, often referred to as "Stark II", bans physician self-referrals to providers of designated health services with which the physician has a financial relationship. On September 5, 2007, the third and final phase of the Stark regulations (Phase III) was published. The term "designated health services" includes, among others, radiation therapy services and in-patient and out-patient hospital services. On January 1, 1995, the Physician Ownership and Referral Act of 1993 became effective in California. This legislation prohibits physician self-referrals for covered goods and services, including radiation oncology, if the physician (or the physician's immediate family) concurrently has a financial interest in the entity receiving the referral. The Company believes that it is in compliance with these rules and regulations.

On August 19, 2008, the CMS published a final rule relating to inpatient hospital services paid under the Inpatient Prospective Payment System for discharges in the Fiscal Year 2009 (the "Final Rule"). Among other things, the Final Rule prohibits "per-click payments" to certain physician lessors for services rendered to patients who were referred by the physician lessor. This prohibition on per-click payments for leased equipment used in the treatment of a patient referred to a hospital lessee by a physician lessor applies regardless of whether the physician himself or herself is the lessor or whether the lessor is an entity in which the referring physician has an ownership or investment interest. The effective date of this prohibition was October 1, 2009. However, referrals made by a radiation oncologist for radiation therapy or ancillary services necessary for, and integral to, the provision of radiation therapy (such as Gamma Knife services) are not subject to this prohibition so long as certain conditions are met. GK Financing's majority owned subsidiaries, Albuquerque GK Equipment, LLC ("AGKE") and Jacksonville GK Equipment, LLC ("JGKE") have minority ownership interests that are held solely by radiation oncologists, who are otherwise exempt from the referral prohibition under the Final Rule. The Company believes it is in compliance with the Final Rule.

A range of federal civil and criminal laws target false claims and fraudulent billing activities. One of the most significant is the Federal False Claims Act, which prohibits the submission of a false claim or the making of a false record or statement in order to secure a reimbursement from a government-sponsored program. In recent years, the federal government has launched several initiatives aimed at uncovering practices which violate false claims or fraudulent billing laws. Claims under these laws may be brought either by the government or by private individuals on behalf of the government, through a "whistleblower" or "qui tam" action. The Company believes that it is in compliance with the Federal False Claims Act; however, because such actions are filed under seal and may remain secret for years, there can be no assurance that the Company or one of its affiliates is not named in a material qui tam action.

Legislation in various jurisdictions requires that health facilities obtain a Certificate of Need ("CON") prior to making expenditures for medical technology in excess of specified amounts. Four of the Company's existing customers were required to obtain a CON or its equivalent. The CON procedure can be expensive and time consuming and may impact the length of time before Gamma Knife services commence. CON requirements vary from state to state in their application to the operations of both the Company and its customers. In some jurisdictions the Company is required to comply with CON procedures to provide its services and in other jurisdictions customers must comply with CON procedures before using the Company's services. The Company is unable to predict if any jurisdiction will eliminate or alter its CON requirements in a manner that will increase competition and, thereby, affect the Company's competitive position.

The Company's Gamma Knife units contain Cobalt 60 radioactive sources. The medical centers that house the Company's Gamma Knife units are responsible for obtaining possession and user's licenses for the Cobalt 60 source from the Nuclear Regulatory Commission.

Standard linear accelerator equipment utilized to treat patients is regulated by the FDA. The licensing is obtained by the individual medical center operating the equipment.

The Company believes it is in substantial compliance with the various rules and regulations that affect its businesses.

INSURANCE AND INDEMNIFICATION

The Company's contracts with equipment vendors generally do not contain indemnification provisions. The Company maintains a comprehensive insurance program covering the value of its property and equipment, subject to deductibles, which the Company believes are reasonable.

The Company's customer contracts generally contain mutual indemnification provisions. The Company maintains general and professional liability insurance. The Company is not involved in the practice of medicine and therefore believes its present insurance coverage and indemnification agreements are adequate for its business.

EMPLOYEES

At December 31, 2016, the Company employed eight (8) people on a full-time basis and one (1) on a part-time basis. None of these employees is subject to a collective bargaining agreement and there is no union representation within the Company. The Company maintains various employee benefit plans and believes that its employee relations are good.

EXECUTIVE OFFICERS OF THE COMPANY

The following table provides current information concerning those persons who serve as executive officers of the Company. The executive officers were appointed by the Board of Directors and serve at the discretion of the Board of Directors.

Name:	Age:	Position:
Ernest A. Bates, M.D.	80	Chairman of the Board of Directors and Chief Executive Officer
Craig K. Tagawa	63	Senior Vice President - Chief Operating and Financial Officer
Ernest R. Bates	50	Vice President of Sales and Business Development

Ernest A. Bates, M.D., founder of the Company, has served in the positions listed above since the incorporation of the Company. A board-certified neurosurgeon, Dr. Bates is Emeritus Vice Chairman of the Board of Trustees at Johns Hopkins University and serves on the Johns Hopkins Neurosurgery Advisory Board. He also serves on the boards of Shared Imaging and The School of Nursing Dean's Advisory Council at UCSF. Dr. Bates currently serves as President and Director of the Ernest Bates Foundation. Dr. Bates previously served on the California Commission for Jobs and Economic Growth and the Magistrate Judge Merit Selection Panel. From 1981-1987 he was a member of the Board of Governors of the California Community Colleges, and he served on the California High Speed Rail Authority from 1997 to 2003. Dr. Bates is a member of the Board of Overseers at the University of California, San Francisco, School of Nursing. He is a graduate of the School of Arts and Sciences of the Johns Hopkins University, and he earned his medical degree at the University of Rochester School of Medicine and Dentistry.

Craig K. Tagawa has served as Chief Operating Officer since February 1999 in addition to serving as Chief Financial Officer since May 1996. Mr. Tagawa also served as Chief Financial Officer from January 1992 through October 1995. Previously a Vice President in such capacity, Mr. Tagawa became a Senior Vice President on February 28, 1993. He is also the Chief Executive Officer of GKF. From September 1988 through January 1992, Mr. Tagawa served in various positions with the Company. Mr. Tagawa currently serves as Chief Financial Officer and Secretary of the Ernest Bates Foundation. He is a former Chair of the Industrial Policy Advisory Committee of the Engineering Research Center for Computer-Integrated Surgical Systems and Technology at The Johns Hopkins University. He

received his undergraduate degree from the University of California at Berkeley and his M.B.A. from Cornell University.

Ernest R. Bates joined the Company in January 2007 as Vice President of Sales and Business Development. He was on the Board of Directors of the Company from 2004 through February 2007. Prior to joining the Company, he had been Managing Director, Institutional Fixed Income Sales of HSBC Securities (USA), Inc. since 2003. Mr. Bates has also served as Managing Director, Head of Asian Product for HSBC Securities (USA) Inc. from 1999 to 2003. From 1993 through 1999, Mr. Bates held various positions with Merrill Lynch, last serving as Vice President, European Syndicate for Merrill Lynch International. He received his undergraduate degree from Brown University and a M.B.A. degree from The Wharton Business School. Ernest R. Bates is the son of Chairman of the Board and Chief Executive Officer Dr. Ernest A. Bates.

AVAILABLE INFORMATION

Our Internet address is www.ashs.com. We make available free of charge, through our Internet website under the “Investor Center” tab in the “Corporate” section, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (“Exchange Act”) as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. The information contained on our Internet website is not part of this document.

ITEM 1A. RISK FACTORS

In addition to the other information in this report, the following factors could affect our future business, results of operations, cash flows or financial position, and could cause future results to differ materially from those expressed in any of the forward-looking statements contained in this report.

The Federal Reimbursement Rate for Gamma Knife Treatments Has Fluctuated

Congress enacted legislation in 2013 that significantly reduced the Medicare reimbursement rate for outpatient Gamma Knife treatment by setting it at the same amount paid for linear accelerator-based radiosurgery treatment. Prior to April 1, 2013, Medicare’s reimbursement rate for Gamma Knife treatment had been relatively stable. In April 2013, the Medicare reimbursement rate for Gamma Knife treatment was lowered from approximately \$9,900 to \$5,300 per treatment session. This sudden reduction in a rate that had historically been stable resulted in a significant decrease in the Company’s revenues from all of our revenue sharing and some of our fixed fee medical centers. The reimbursement rate was subsequently increased to approximately \$5,600 in 2014. Effective January 1, 2015, CMS established a comprehensive Ambulatory Payment Classification (APC) for both Gamma Knife and LINAC one session cranial radiosurgery at a reimbursement rate of approximately \$9,700. This represents an estimated increase of \$4,100 per Medicare Gamma Knife treatment (exclusive of co-insurance and other adjustments) effective January 1, 2015 compared to the 2014 Medicare reimbursement rate. The 2016 reimbursement level was reduced by CMS to approximately \$8,800, but is scheduled to increase to approximately \$9,000 in 2017. There can be no assurance that CMS reimbursement levels will be maintained at levels providing the Company an adequate return on its investment. Any future reductions in the reimbursement rate would adversely affect the Company’s revenues and financial results.

The average Medicare reimbursement rate trends from 2013 to 2017 are outlined below:

Average Medicare Reimbursement Rate Trends

2013	2014	2015	2016	2017
\$ 5,300	\$ 5,600	\$ 9,700	\$ 8,800	\$ 9,000

The Company's Capital Investment at Each Site is Substantial

Each Gamma Knife, PBRT or IGRT device requires a substantial capital investment. In some cases, we contribute additional funds for capital costs and/or annual operating and equipment related costs such as marketing, maintenance, insurance and property taxes. Due to the structure of our contracts with medical centers, there can be no assurance that these costs will be fully recovered or that we will earn a satisfactory return on our investment.

The Market for the Gamma Knife is Limited

There is a limited market for the Gamma Knife, and the market in the United States may be mature. The Company has begun operation at only four (4) new Gamma Knife sites in the United States since 2011. An additional new site is scheduled to begin operation in the second half of 2017. Due to the substantial costs of acquiring a Gamma Knife unit, we must identify medical centers that possess neurosurgery and radiation oncology departments capable of performing a large number of Gamma Knife procedures. As of December 31, 2016, there were approximately 123 operating Gamma Knife units in the United States, of which 17 units were owned by the Company. As of December 31, 2016, the Company has two idle Gamma Knife units with a cumulative net book value of \$1,483,000. One unit was traded in during 2016 to place a new unit at a new customer site in 2017. The Company plans to trade the second unit in for a new unit or place this units at a new site. There can be no assurance that we will be successful in placing these idle units or additional units at any sites in the future. The Company's existing contracts with its customers are fixed in length and there can be no assurance that the customers will wish to extend the contract beyond the end of the term.

The Company Has a High Level of Debt

The Company's business is capital intensive. The Company finances its Gamma Knife units through its GKF subsidiary. The amounts financed through GKF have been generally non-recourse to ASHS. The Company financed its first proton therapy unit through its wholly owned subsidiary, Orlando, and guaranteed the lease financing. The Company's combined long term debt and capital leases totaled \$27,036,000 as of December 31, 2016 and is collateralized by its Gamma Knife, MEVION S250 and other assets, including accounts receivable and future proceeds from any contract between the Company and any end user of the financed equipment. This high level of debt may adversely affect the Company's ability to secure additional credit in the future, and as a result may affect operations and profitability. If default on debt occurs in the future, the Company's creditors would have the ability to accelerate the defaulted loan, to seize the Gamma Knife or MEVION S250 units or other equipment with respect to which default has occurred, and to apply any collateral they may have at the time to cure the default.

A Small Number of Customers Account for a Major Portion of our Revenues

A limited number of customers have historically accounted for a substantial portion of the Company's total revenue, and the Company expects such customer concentration to continue for the foreseeable future. For example, in 2016, seven (7) customers in total accounted for more than 50% of the Company's revenue. The loss of a significant customer or a significant decline in the business from the Company's largest customers could have a material adverse effect on the Company's business and results of operations. During 2016, one of the Company's seven largest customers provided notice of their intent to exercise the option to purchase the Gamma Knife unit at their hospital at the end of the lease term in April 2017. The Company is placing two other Gamma Knife units in the second half of 2017, but the loss of the contract could cause fluctuations in revenue from quarter to quarter.

The Market for the Company's Services is Competitive

The Company estimates that there are two other companies that actively provide alternative, non-conventional Gamma Knife financing to potential customers. We believe there are no competitor companies that currently have more than three (3) Gamma Knife units in operation. The Company's relationship with Elekta, the manufacturer of the Leksell Gamma Knife unit, is non-exclusive, and in the past the Company has lost sales to customers that chose to purchase a Gamma Knife unit directly from Elekta. The Company also has several competitors in the financing of proton therapy projects. The Company's business model differs from its competitors, but there can be no assurances that the Company will not lose placements to its competitors. In addition, the Company may continue to lose future sales to customers purchasing equipment directly from manufacturers. There can be no assurance that the Company will be able to successfully compete against others in placing future units.

There are Alternatives to the Gamma Knife

Other radiosurgery devices and conventional neurosurgery compete against the Gamma Knife. Each of the medical centers targeted by the Company could decide to acquire another radiosurgery device instead of a Gamma Knife. In addition, neurosurgeons who are responsible for referring patients for Gamma Knife surgery may not be willing to

make such referrals for various reasons, instead opting for invasive surgery. There can be no assurance that the Company will be able to secure a sufficient number of future sites or Gamma Knife procedures to sustain its profitability and growth.

International Operations

The Company has plans to install, in 2017, a Gamma Knife in Peru. The Company sold its operations in Turkey on June 10, 2014. International operations can be subject to exchange rate volatility which could have an adverse effect on our financial results and cash flows. In addition, international operations can be subject to legal and regulatory uncertainty and political and economic instability, which could result in problems asserting property or contractual rights, potential tariffs, increased compliance costs, increased regulatory scrutiny, potential adverse tax consequences, the inability to repatriate funds to the United States, and the Company's inability to operate in those locations.

New Technology and Products Could Result in Equipment Obsolescence

There is constant change and innovation in the market for highly sophisticated medical equipment. New and improved medical equipment can be introduced that could make the Gamma Knife technology obsolete and that would make it uneconomical to operate. During 2000, Elekta introduced an upgraded Gamma Knife which cost approximately \$3.6 million plus applicable tax and duties. This upgrade includes an Automatic Positioning System™ (“APS”), and therefore involved less health care provider intervention. In early 2005, Elekta introduced a new upgrade, the Gamma Knife Model 4C (“Model 4C”). The cost to upgrade existing units to the Model 4C with APS was approximately \$200,000 to \$1,000,000, depending on the current Gamma Knife configuration. In 2006 Elekta introduced a new model of the Gamma Knife, the Perfexion, which costs approximately \$4.5 million plus applicable taxes and duties. The Perfexion can perform procedures faster than previous Gamma Knife models and it involves less health care personnel intervention. In 2015, Elekta introduced the Leksell Gamma Knife Icon™. The Perfexion is upgradeable to the Icon platforms which has enhanced imaging capabilities allowing for treatment of larger tumors. Existing model 4Cs of the Gamma Knife are not upgradeable to the Perfexion model. As of March 1, 2017, 14 of the Company's Gamma Knife units are Perfexion models; of the Company's remaining Gamma Knife units, two (2) are Model 4Cs with APS and one is upgradeable to a more advanced Model 4C unit. The failure to acquire or use new technology and products could have a material adverse effect on our business and results of operations.

In addition, there are constant advances made in radiation therapy equipment. The Company purchased IGRT and CT Simulator systems in 2006 with a list price of approximately \$8,300,000. As in the Gamma Knife business, new and improved IGRT equipment can be introduced that could make the existing technology obsolete and that would make it uneconomical to operate.

The Company Has Invested in a Proton Beam Business

We have committed a substantial amount of our financial resources to next-generation proton beam technology. The first MEVION S250 system began treating patients in December 2013. The Company's first MEVION S250 system began treating patients in April 2016. The Company has committed to purchase two (2) additional MEVION S250 systems and has already made deposits of \$2,000,000 towards this commitment. There can be no assurance that we will be able to finance the two additional systems and if we do, that we will recover this investment or future investments, or our \$2,709,000 common stock investment in Mevion, which was written down to approximately \$579,000 as of December 31, 2015.

The Trading Volume of Our Common Stock is Low

Although our common stock is listed on the NYSE MKT, our common stock has historically experienced low trading volume. Reported average daily trading volume in our common stock for the three-month period ended December 31, 2016 was approximately 10,800 shares. There is no reason to think that a more significant active trading market in our common stock will develop in the future. Limited trading volume subjects our common stock to greater price volatility and may make it difficult for you to sell your shares in a quantity or at a price that is attractive to you.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company's corporate offices are located at Two Embarcadero Center, Suite 410, San Francisco, California, where it leases approximately 3,253 square feet for \$18,434 per month with a lease expiration date in August 2023. Prior to the Company's relocation in 2016, it leased approximately 4,640 square feet for \$25,128 per month and subleased approximately 3,500 square feet of the office space for \$16,042 per month. The sublease expired in May 2016. The Company also has a satellite office in Fairfield, California, where it leases 895 square feet for \$2,505 per month with a lease expiration date in April 2018.

For the year ended December 31, 2016 the Company's aggregate net rental expenses for all properties were approximately \$231,000, net of sublease income of \$76,000.

ITEM 3. LEGAL PROCEEDINGS

There are no material pending legal proceedings involving the Company or any of its property. The Company knows of no legal or administrative proceedings against the Company contemplated by governmental authorities.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**Market Information and Dividend Policy**

The Company's common shares, no par value (the "Common Shares"), are currently traded on the New York Stock Exchange. At December 31, 2016, the Company had 5,468,000 issued and outstanding common shares, 625,000 common shares reserved for options, 4,000 unvested restricted stock units issued, 215,000 vested restricted stock units reserved for issuance and warrants to issue 100,000 shares of common stock.

The following table sets forth the high and low closing sale prices of the Common Shares of the Company on the New York Stock Exchange for each full quarter for the last two fiscal years.

Quarter Ending	Prices for Common Shares	
	High	Low
March 31, 2015	\$ 2.98	\$ 2.26
June 30, 2015	\$ 2.83	\$ 2.36
September 30, 2015	\$ 2.72	\$ 1.86
December 31, 2015	\$ 2.05	\$ 1.51
March 31, 2016	\$ 2.22	\$ 1.53
June 30, 2016	\$ 2.61	\$ 1.85
September 30, 2016	\$ 3.11	\$ 1.86
December 31, 2016	\$ 3.45	\$ 2.70

The Company estimates that there were approximately 1,400 beneficial holders of its Common Shares at December 31, 2016.

There were no dividends declared or paid during 2016, 2015, or 2014. Dividends had been paid by the Company from 2001 to 2007, but during 2007 the Board of Directors suspended dividends for the purpose of preserving cash for the development of its PBRT business. The Company did not pay cash dividends prior to 2001.

Stock Repurchase Program

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 common stock on the open market from time to time at prevailing prices, and in 2008 the Board of Directors reaffirmed these authorizations. In 2016 and 2015, there were no shares repurchased by the Company. In 2014, there were approximately 1,000 shares repurchased at a cost of approximately \$2,000. A total of approximately 928,000 shares have been repurchased in the open market pursuant to these authorizations at a cost of approximately \$1,957,000. As of December 31, 2016, there were approximately 72,000 shares remaining under the repurchase authorizations.

Shareholder Rights Plan

On March 22, 1999, the Company adopted a Shareholder Rights Plan (“Plan”). Under the Plan, the Company made a dividend distribution of one Right for each outstanding share of the Company’s common stock as of the close of business on April 1, 1999. The Rights become exercisable only if any person or group, with certain exceptions, becomes an “acquiring person” (acquires 15% or more of the Company’s outstanding common stock) or announces a tender or exchange offer to acquire 15% or more of the Company’s outstanding common stock. The Company’s Board of Directors adopted the Plan to protect shareholders against a coercive or inadequate takeover offer. On March 12, 2009, the Board of Directors approved the First Amendment to the Plan which, among other things, extended the final date on which the Rights are exercisable until the close of business on April 1, 2019.

Equity Compensation Plans

During 2016, 4,000 restricted stock units, 37,000 restricted stock units for deferred compensation and 20,000 options were issued. Additional information regarding our equity compensation plans is incorporated herein by reference from the 2017 Proxy Statement. Also, see Note 9-“Shareholders’ Equity to the Consolidated Financial Statements”.

Recent Sales of Unregistered Securities

The Company sold 750,000 shares of common stock to members of the Board of Directors in two private placement transactions in 2014 that were exempt under Section 4(a)(2) of the Securities Act.

ITEM 6. SELECTED FINANCIAL DATA

Summary of Operations	Year Ended December 31,				
	(Amounts in thousands except per share data)				
	2016	2015	2014	2013	2012
Revenue	\$18,700	\$16,548	\$15,417	\$17,584	\$17,048
Costs of revenue	9,905	9,833	10,138	10,640	10,118
Selling and administrative expense	3,802	3,496	3,630	4,025	4,045
Interest expense	1,707	1,239	1,699	1,799	2,155
Total expenses	15,414	14,568	15,467	16,464	16,318
Income (loss) from operations	3,286	1,980	(50)	1,120	730
(Loss) on early extinguishment of debt	(108)	0	0	0	0
(Loss) on write down investment in equity securities	0	(2,140)	0	0	0
(Loss) on sale of subsidiary	0	0	(572)	0	0
Gain (loss) foreign currency transactions	0	0	161	(1,174)	132
Interest and other income	15	18	28	25	58
Income (loss) before income taxes	3,193	(142)	(433)	(29)	920
Income tax expense	943	434	129	84	107
Net income (loss)	2,250	(576)	(562)	(113)	813
Less net income attributable to non-controlling interest	(1,320)	(946)	(390)	(199)	(775)
Net income (loss) attributable to ASHS	\$930	\$(1,522)	\$(952)	\$(312)	\$38
Net income (loss) per common share attributable to ASHS:					
Basic	\$0.17	\$(0.28)	\$(0.19)	\$(0.07)	\$0.01
Diluted	\$0.17	\$(0.28)	\$(0.19)	\$(0.07)	\$0.01
See accompanying note (1)					

Balance Sheet Data	As of December 31,				
	(Amounts in thousands)				
	2016	2015	2014	2013	2012
Cash and cash equivalents	\$2,871	\$2,209	\$1,059	\$1,909	\$1,564
Certificate of deposit and securities	0	0	9,000	9,000	9,000
Restricted cash	250	50	50	50	50
Working capital (deficit)	(293)	(2,691)	(2,004)	(4,079)	(2,697)
Total assets	60,598	54,114	67,528	71,742	73,323
Advances on line of credit	0	0	8,780	8,840	8,550
Current portion of long-term debt and capital leases	7,078	7,005	6,108	8,771	7,674
Long-term debt/capital leases, less current portion	19,958	16,113	20,776	23,690	27,010
Shareholders' equity	\$27,137	\$25,180	\$26,154	\$24,055	\$24,830
See accompanying note (1)					

(1) In 1995, the Company entered into an operating agreement granting to American Shared Radiosurgery Services (a California corporation and a wholly-owned subsidiary of the Company) an 81% ownership interest in GKF. During

2010 and 2011, GKF established new operating subsidiaries, EWRS, EWRS Turkey, AGKE, and JGKE, and other subsidiaries that are not yet operational. On June 10, 2014, the Company sold EWRS Turkey. Accordingly, the financial data for the Company presented above include the results of GKF and its subsidiaries for the periods 2012 through 2016.

This financial data as of December 31, 2016, 2015 and 2014 and for the years ended December 31, 2016, 2015 and 2014 should be read in conjunction with our consolidated financial statements and the notes thereto beginning on page A-1 of this report and with Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations."

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

APPLICATION OF CRITICAL ACCOUNTING POLICIES

The Company's consolidated financial statements are prepared in accordance with generally accepted accounting principles and follow general practices within the industry in which it operates. Application of these principles requires management to make estimates, assumptions and judgments that affect the amounts reported in the financial statements and accompanying notes. These estimates, assumptions and judgments are based on information available as of the date of the financial statements; accordingly, as this information changes, the financial statements could reflect different estimates, assumptions and judgments. Certain policies inherently have a greater reliance on the use of estimates, assumptions and judgments and as such have a greater possibility of producing results that could be materially different than originally reported.

The most significant accounting policies followed by the Company are presented in Note 2 to the consolidated financial statements. These policies along with the disclosures presented in the other financial statement notes and in this discussion and analysis, provide information on how significant assets and liabilities are valued in the financial statements and how those values are determined. Based on the valuation techniques used and the sensitivity of financial statement amounts, and the methods, assumptions and estimates underlying those amounts, management has identified revenue recognition and costs of sales for turn-key and revenue sharing arrangements, and the carrying value of its Mevion investment to be the areas that required the most subjective or complex judgments, and as such could be most subject to revision as new information becomes available. The following are our critical accounting policies in which management's estimates, assumptions and judgments most directly and materially affect the financial statements:

Revenue Recognition

The Company has one revenue-generating activity, which consists of equipment leasing to hospitals, and includes the operation of Gamma Knife units by GKF, the operation of one proton therapy unit by Orlando, and the operation of one IGRT site by ASHS. During 2014, the Company entered into a lease agreement where the lessee gave the Company a piece of equipment for \$1. The Company estimated and recorded the fair market value of the equipment received and recognized deferred revenue. As of December 31, 2014, the fair market value of the equipment received during the year was \$700,000.

Revenue is recognized when services have been rendered and collectability is reasonably assured, on either a fee per use or revenue sharing basis. During 2016, the Company had ten (10) fee per use arrangements and nine (9) retail service arrangements. Under both of these types of agreements, the hospital is responsible for billing patients and

collecting technical component fees for services performed. Revenue associated with installation of the Gamma Knife, PBRT, and IGRT units, if any, is a part of the negotiated lease amount and not a distinctly identifiable amount. The costs, if any, associated with installation of the units are amortized over the period of the related lease to match revenue recognition of these costs.

For fee per use agreements, revenue is not estimated because these contracts provide for a fixed fee per procedure, and are typically for a ten year term. Revenue is recognized at the time the procedures are performed, based on each hospital's contracted rate. There is no guaranteed minimum payment. Costs related to operating the units are charged to costs of operations as incurred, which approximates the recognition of the related revenue. Revenue under fee per use agreements is recorded in accordance with the contract terms.

During 2016, ASHS had one (1) agreement, Orlando had one (1) agreement, and GKF had seven (7) agreements that are based on revenue sharing. These can be further classified as either "turn-key" arrangements or "revenue sharing" arrangements. For GKF's four (4) turn-key sites, GKF is solely responsible for the costs to acquire and install the Gamma Knife. In return, GKF receives payment from the hospital in the amount of its reimbursement from third party payors. Revenue is recognized by the Company during the period in which the procedure is performed, and is estimated based on what can be reasonably expected to be paid by the third party payor to the hospital. The estimate is primarily determined from historical experience and hospital contracts with third party payors. These estimates are reviewed on a regular basis and adjusted as necessary to more accurately reflect the expected payment amount. The Company also records an estimate of operating costs associated with each procedure during the period in which the procedure is performed. For two of 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. Costs are determined primarily based on historical treatment protocols and cost schedules with the hospital. The Company's estimated operating costs are reviewed on a regular basis and adjusted as necessary to more accurately reflect the actual operating costs. Revenue for turn-key sites is recorded on a gross basis, and the operating expenses the Company reimburses to the hospital are recorded in other operating costs.

Under revenue sharing arrangements the hospital shares in the responsibility and risk with the Company for the capital investment to acquire and install the equipment. Unlike our turn-key arrangement, the lease payment under a revenue sharing arrangement is a percentage of reimbursed revenue. Payments are made by the hospital, generally on a monthly basis, to the Company based on an agreed upon percentage allocation of cash collected. Revenue is recognized during the period in which procedures are performed, and is estimated based on the reimbursement amount that the Company expects to receive from the hospital for those procedures. This estimate is reviewed on a regular basis and adjusted as necessary to more accurately reflect the expected payment amount.

Revenue from retail arrangements amounted to approximately 57%, 47% and 42% of total revenue for the years ended December 31, 2016, 2015 and 2014, respectively. Because the revenue estimates are reviewed on a quarterly basis, any adjustments required for past revenue estimates would result in an increase or reduction in revenue during the current quarterly period.

Carrying Value of Mevion Investment

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. During the year ended December 31, 2015, due to Mevion's cancellation of its planned IPO on July 27, 2015 and its announcement on August 4, 2015 of an investment of up to \$200M by new investors, the Company determined that its Mevion common stock investment was impaired on an other-than-temporary basis. The fair value of the Company's investment in Mevion was approximately \$579,000 as of December 31, 2015 with an impairment loss for the year then ended of \$2,140,000. For additional information, see "Impairment Analysis of Investment in Equity Securities."

2016 Results

For the year ended December 31, 2016, 86% of the Company's revenue was derived from its Gamma Knife business, 12% was derived from the PBRT system, and the remaining 2% from its IGRT business. For the year ended December 31, 2015, 97% of the Company's revenue was derived from its Gamma Knife business, and the remaining 3% from its IGRT business. For the year ended December 31, 2014, 94% of the Company's revenue was derived from its Gamma Knife business, and the remaining 6% from its IGRT business.

TOTAL REVENUE

(in thousands) 2016	2015	2014
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	Increase (Decrease)		Increase (Decrease)	
Total revenue	\$18,700	13.0	% \$16,548	7.3 % \$15,417

Total revenue increased 13.0% compared to 2016, due to the Company's new PBRT unit which became operational in April 2016. Total revenue in 2015 increased 7.3% compared to 2014, due to an increase in Gamma Knife revenue, offset by a decrease in IGRT revenue.

Gamma Knife Revenue

	2016	Increase (Decrease)		2015	Increase (Decrease)		2014
Medical services revenue from Gamma Knife (in thousands)	\$16,076	(0.0)%		\$16,077	10.7 %		\$14,521
Number of Gamma Knife procedures	1,922	(1.3)%		1,947	(4.8)%		2,046
Average revenue per procedure	\$8,364	1.3 %		\$8,257	16.3 %		\$7,097

Total Gamma Knife revenue for 2016 was \$16,076,000 compared to \$16,077,000 in 2015. Total Gamma Knife revenue for 2015 increased 10.7% to \$16,077,000 compared to \$14,521,000 in 2014. Total Gamma Knife revenue for 2014 decreased 10.0% to \$14,521,000 compared to \$16,127,000 in 2013. The Company had seventeen, seventeen, and twenty Gamma Knife units in operation at December 31, 2016, 2015 and 2014, respectively.

The number of Gamma Knife procedures performed in 2016 was consistent with prior year, excluding one customer contract that expired in March 2015. The number of Gamma Knife procedures performed in 2015 increased 125, excluding procedures performed in Turkey in 2014. This increase was due to a new site which treated its first patient in December 2014, and increased volume at existing sites, offset by one contract which ended March 31, 2015.

Revenue per procedure increased by \$107 in 2016, \$1,160 in 2015 and \$599 in 2014 compared to 2015 and 2014, respectively. For 2016, the increase was due to a favorable payor mix at the Company's retail sites. For 2015, the increase was due to a favorable payor mix, increased reimbursement for Medicare procedures, effective January 1, 2015, and the sale of EWRS Turkey units which were reimbursed at lower rates compared to the Company's other units.

Proton Therapy Revenue

	2016	Increase (Decrease)		2015	Increase (Decrease)		2014
Medical services revenue from PBRT (in thousands)	\$2,149	*		\$ 0	0.0 %		\$ 0
Number of PBRT fractions	2,330	*		0	0.0 %		0

Average revenue per fraction \$922 * \$ 0 0.0 % \$ 0

*Not meaningful

Total PBRT revenue for 2016 was \$2,149,000 compared to \$0 in 2015 and 2014. The number of PBRT fractions performed in 2016 was 2,330 compared to 0 in 2015 and 2014. Revenue per fraction in 2016 was \$922 compared to \$0 in 2015 and 2014. The Company's first MEVION S250 system was placed at Orlando Health and treated its first patient in April 2016.

IGRT Revenue

(in thousands)	2016	Increase (Decrease)	2015	Increase (Decrease)	2014
Medical services revenue from IGRT	\$475	0.8	% \$471	(47.4))% \$896

Medical services revenue from the Company's IGRT contract for 2016 increased 0.8% to \$475,000 compared to \$471,000 in 2015. Medical services revenue from the Company's IGRT contracts for 2015 decreased 47.4% to \$471,000 compared to \$896,000 in 2014. The sale of EWRS Turkey in 2014 contributed \$208,000 to the decline, in addition to lower volume at the Company's existing site.

COSTS OF REVENUE

(In thousands)	2016	Increase (Decrease)	2015	Increase (Decrease)	2014
Total costs of revenue	\$9,905	0.7	% \$9,833	(3.0))% \$10,138
Percentage of total revenue	53.0 %		59.4 %		65.8 %

The Company's costs of revenue, consisting of maintenance and supplies, depreciation and amortization, and other operating expenses (such as insurance, property taxes, sales taxes, marketing costs and operating costs from the Company's retail sites) increased by \$72,000 in 2016 compared to 2015 and decreased by \$305,000 in 2015 compared to 2014.

The Company's maintenance and supplies costs were 4.7% of total revenue in 2016, 6.6% of total revenue in 2015, and 11.0% of total revenue in 2014. Maintenance and supplies costs decreased by \$215,000 and \$602,000 in 2016 and 2015 compared to 2015 and 2014, respectively. The decrease in 2016 compared to 2015 was due to the expiration of fixed fee maintenance contracts at existing sites. The decrease in 2015 compared to 2014 was due to the expiration of fixed fee maintenance contracts at existing sites and the sale of the Company's units in Turkey, which also had fixed fee maintenance contracts. The existing sites with fixed fee maintenance contracts that expired, now receive maintenance on a scheduled and on an as needed basis, which can be more cost effective.

Depreciation and amortization costs as a percentage of total revenue were 33.5%, 37.1%, and 40.0%, in 2016, 2015 and 2014, respectively. Depreciation and amortization costs increased \$123,000 in 2016 compared to 2015 and decreased \$32,000 in 2015 compared to 2015 and 2014, respectively. The increase in 2016 compared to 2015 is due to depreciation incurred on the PBRT system. The decrease in 2015 compared to 2014 is due to the sale of EWRS Turkey in 2014, offset by increased depreciation in 2015 for the Company's new site, which started in December 2014, and two Cobalt-60 reloads, which occurred during the second and third quarters 2015.

Other direct operating costs as a percentage of total revenue were 14.8%, 15.7%, and 14.8% in 2016, 2015 and 2014, respectively. Other direct operating costs increased by \$164,000 in 2016 compared to 2015 and increased \$329,000 in 2015 compared to 2014. The increase in 2016 is due to marketing costs for the new PBRT site and increased

marketing costs at an existing customer site, offset by a decrease in operating costs at the Company's retail sites. The increase in 2015 is due to increased operating costs at the Company's retail sites, offset slightly by lower insurance costs.

SELLING AND ADMINISTRATIVE EXPENSE

(In thousands)	2016	Increase (Decrease)	2015	Increase (Decrease)	2014
Selling and administrative costs	\$3,802	8.8	% \$3,496	(3.7)% \$3,630
Percentage of total revenue	20.3 %		21.1 %		23.5 %

The Company's selling and administrative costs increased \$306,000 in 2016 compared to 2015 and decreased \$134,000 in 2015 compared to 2014. The increase in 2016 is due to a write-off of deferred legal fees and increased rent expense. The increase in rent expense is primarily due to the expiration of the sublease at the Company's prior office space, which offset total rent. The decrease in 2015 is due to consulting fees that were expensed in 2014, a decrease in state and local taxes paid, offset by an increase in stock-based compensation expense.

INTEREST EXPENSE

(In thousands)	2016	Increase (Decrease)	2015	Increase (Decrease)	2014	
Interest expense	\$1,707	37.8	% \$1,239	(27.1)	% \$1,699	
Percentage of total revenue	9.1	%	7.5	%	11.0	%

The Company's interest expense increased \$468,000 in 2016 compared to 2015 and decreased \$460,000 in 2015 compared to 2014. The increase in 2016 compared to 2015 is primarily due to interest incurred on PBRT lease financing, offset by a lower average principal base for the Company's Gamma Knife portfolio, effectively reducing interest expense. The decrease in 2015 compared to 2014 is due, in part, to the sale of EWRS Turkey in 2014, which accounted for approximately \$100,000 of expense in 2014. In addition, the Company had a lower average principal base in 2015, effectively reducing interest expense.

(LOSS) ON EARLY EXTINGUISHMENT OF DEBT

(In thousands)	2016	Increase (Decrease)	2015	Increase (Decrease)	2014
(Loss) on early extinguishment of debt	(\$108)	*	\$0	0.0	% \$0
Percentage of total revenue	(0.6%)		0.0%		0.0%

*Not meaningful

(Loss) on early extinguishment of debt was \$108,000 in 2016 compared to \$0 in 2015 and 2014. In February 2016, the Company used a portion of the proceeds from the lease financing for its first MEVION S250 to pay down the \$1,000,000 of Promissory Notes that were issued pursuant to the Note and Warrant Purchase Agreements (the "Agreements") between the Company and four members of the Company's Board of Directors. The Agreements permit for early payment without penalty to the Company. The Notes were issued with common stock warrants with an estimated fair value of \$145,000. The unamortized balance of the discount on the Notes, of \$80,000, and deferred fees incurred from the issuance of the Note of approximately \$28,000, were recorded as a loss on early extinguishment of debt on the Company's condensed consolidated statement of operations.

(LOSS) ON WRITE DOWN INVESTMENT IN EQUITY SECURITIES

(In thousands)	2016	Increase (Decrease)	2015	Increase (Decrease)	2014
(Loss) on write down investment in equity securities	\$ 0	(100.0)%	\$ 2,140	*	\$ 0
Percentage of total revenue	0.0 %		12.9 %		0.0 %

*Not meaningful

(Loss) on the write down of the Company's investment in equity securities was \$0 in 2016 compared to \$2,140 in 2015, and \$0 in 2014. The (loss) on the write down of investment in equity securities is due to the other-than-temporary impairment assessment performed at June 30, 2015. At June 30, 2015, the Company adjusted the carrying value of its investment in Mevion to the determined fair value of \$600,000 and recorded a \$2,114,000 impairment loss. Subsequently, the Company engaged a third party expert to review its assessment of the fair value of the Company's common stock in Mevion and as a result, adjusted the impairment loss an additional \$26,000. For the year ended December 31, 2015 the impairment loss was \$2,140,000 and the fair value was approximately \$579,000.

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 is \$0.

(LOSS) ON SALE OF SUBSIDIARY

(In thousands)	2016	Increase (Decrease)	2015	Increase (Decrease)	2014
(Loss) on sale of subsidiary	\$0	0.0	% \$0	(100.0)%	\$(572)
Percentage of total revenue	0.0 %		0.0 %		(3.7)%

Loss on sale of subsidiary was \$0 in 2016 and 2015 compared to \$572,000 in 2014. 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 pay-off outstanding debt associated with the Turkey operations and the excess was cash to the Company of \$768,000.

GAIN FOREIGN CURRENCY TRANSACTIONS

(In thousands)	2016	Increase (Decrease)	2015	Increase (Decrease)	2014
Gain (loss) foreign transactions	\$0	0.0	% \$0	(100.0)%	\$161
Percentage of total revenue	0.0 %		0.0 %		1.0 %

The gain from foreign currency transactions was \$0 in 2016 and 2015 compared to \$161,000 in 2014. The decrease in 2015 from foreign currency transactions is due to the sale of EWRS Turkey in 2014, which meant that there were no more significant amounts of transactions or held cash in foreign currency as of June 10, 2014.

INTEREST AND OTHER INCOME

(In thousands)	2016	2015	2014
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		Increase (Decrease)		Increase (Decrease)			
Interest and other income	\$ 15	(16.7)%	\$ 18	(35.7)%	\$ 28
Percentage of total revenue	0.1 %			0.1 %			0.2 %

Interest and other income decreased \$3,000 and \$10,000 in 2016 and 2015 compared to 2015 and 2014, respectively. The decrease in 2015 was due to lower interest income because the Company closed out the certificate of deposit on January 2, 2015.

INCOME TAX EXPENSE

(In thousands)	2016	Increase (Decrease)	2015	Increase (Decrease)	2014
Income tax expense	\$943	117.3	% \$434	236.4	% \$129
Percentage of total revenue	5.0 %		2.6 %		0.8 %
Percentage of income (loss) before income taxes	50.3 %		(39.9)%		(15.7)%

Income tax expense increased \$509,000 and \$305,000 in 2016 and 2015 compared to 2015 and 2014, respectively. The increase in 2016 is due to income from the PBRT system and operations of the Company's subsidiaries. The increase in 2015 is due to income from operations of the Company's subsidiaries. The loss incurred on the write-down of the Company's investment in equity securities is a capital loss which is treated as non-deductible expense for income tax provision purposes and as such, a full valuation allowance was recorded against this loss and the net impact to the provision was \$0.

The Company anticipates that it will continue to record income tax expense if it operates profitably in the future. Currently there are state income tax payments required for most states in which the Company operates. However, there are minimal current federal income tax payments required due to net operating loss carryforwards and other deferred tax assets available for federal tax purposes.

The Company had a net operating loss carryforward for federal income tax return purposes at December 31, 2016 of approximately \$7,589,000.

NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

(In thousands)	2016	Increase (Decrease)	2015	Increase (Decrease)	2014
Net income attributable to non-controlling interests	\$ 1,320	39.5	% \$946	142.6	% \$390
Percentage of total revenue	7.1	%	5.7	%	2.5

Net income attributable to non-controlling interests increased \$374,000 and \$556,000 in 2016 and 2015 compared to 2015 and 2014, respectively. Net income attributable to non-controlling interests represents the pre-tax income earned by the 19% non-controlling interest in GKF, and the pre-tax income or losses of the non-controlling interests in various subsidiaries controlled by GKF. The decrease or increase in net income attributable to non-controlling interests reflects the relative profitability of GKF.

NET INCOME (LOSS) ATTRIBUTABLE TO AMERICAN SHARED HOSPITAL SERVICES

(In thousands, except per share amounts)	2016	Increase (Decrease)	2015	Increase (Decrease)	2014
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Net income (loss) attributable to ASHS	\$930	161.1	% \$(1,522)	(59.9)%	\$(952)
Net income (loss) per share attributable to ASHS, diluted	\$0.17	160.7	% \$(0.28)	(47.3)%	\$(0.19)

Net income attributable to American Shared Hospital Services was \$930,000 in 2016 compared to a net loss of \$1,522,000 in 2015, and a net loss of \$952,000 in 2014. Excluding the loss on early extinguishment of debt of \$108,000, net of estimated taxes, in 2016, and the write-down of the Company's investment in Mevion of \$2,140,000 in 2015, net income increased \$376,000. This increase was due to the new PBRT system which began operations in April 2016. Excluding the write-down of the Company's investment in Mevion of \$2,140,000 in 2015, and the loss on sale of subsidiary of \$572,000 and foreign currency gains of \$161,000 in 2014, net income increased \$1,159,000 in 2015 compared to 2014. The increase in net income in 2015 compared to 2014 is due to increased volumes and average reimbursement per procedures, in addition to lower costs of revenue.

IMPAIRMENT ANALYSIS OF INVESTMENT IN EQUITY SECURITIES

As of December 31, 2016, and December 31, 2015 the Company had a \$579,000 investment in the common stock of Mevion, representing an approximate 0.46% interest in Mevion. The Company accounts for this investment under the cost method. The Company carries 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 not be recoverable.

Based on guidance provided in Accounting Standards Codification (“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 related events of Mevion, that occurred in the second and third quarters of 2015 and its impact on the Company’s investment. The Company determined that these circumstances indicated a decline in value of its Mevion investment that was other-than-temporary, and concluded that a write-down of the carrying value should be recognized. As of June 30, 2015, the Company adjusted its investment in Mevion to the estimated 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.

During the period ended December 31, 2015, the Company engaged a third-party expert to review and corroborate its assessment of the fair value of the Mevion investment. Based on the third-party analysis, an additional impairment loss of \$26,000 was recognized by the Company during the three months ended December 31, 2015. The fair value of the Company’s investment in Mevion, as of December 31, 2015, and September 30, 2016 was approximately \$579,000. The impairment loss for the year ended December 31, 2015 was \$2,140,000.

The Company reviewed this investment at December 31, 2016 in light of both current market conditions and the ongoing needs of Mevion to raise cash to continue its development of the first compact, single room PBRT system. Based on its analysis, the Company determined no additional impairment needs to be recognized as of December 31, 2016.

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash and cash equivalents of \$2,871,000 at December 31, 2016 compared to \$2,209,000 at December 31, 2015, an increase of \$662,000. The Company’s expected primary cash needs on both a short and long-term basis are for capital expenditures, business expansion, working capital, and other general corporate purposes.

Restricted cash of \$250,000 at December 31, 2016 increased \$200,000 compared to December 31, 2015. The increase in 2016 is due to restricted cash requirements per Orlando's lease financing agreement. Existing restricted cash reflects cash that may only be used for the operations of GKF.

Operating activities provided cash of \$8,378,000 in 2016, which was driven by net income of \$2,250,000, non-cash charges for depreciation and amortization of \$6,327,000, the loss on early extinguishment of debt of \$108,000, deferred income tax of \$772,000, accrued interest on lease financing of \$414,000, stock-based compensation expense of \$215,000, and other non-cash items of \$4,000. These were partially offset by changes in receivables of \$1,230,000, changes in prepaid and other assets of \$283,000, and changes in accounts payable and accrued liabilities of \$199,000.

The Company's trade accounts receivable increased by \$1,047,000 to \$4,085,000 at December 31, 2016 from \$3,038,000 at December 31, 2015, primarily due to accounts receivable related to the new PBRT system which began operations in April 2016. The number of days revenue (sales) outstanding ("DSO") in accounts receivable as of December 31, 2016 increased to 80 days compared to 67 days at December 31, 2015. DSO can and does fluctuate depending on timing of customer payments received and the mix of fee per use versus retail customers. Retail sites generally have longer collection periods than fee per use sites.

Investing activities used \$1,612,000 of cash in 2016 due to payments made towards the purchase of property and equipment of \$1,612,000.

Financing activities used \$6,104,000 of cash during 2016, primarily due to principal payments on long-term debt of \$2,968,000, principal payments towards capital leases of \$4,171,000, distributions to non-controlling interests of \$699,000, and restricted cash of \$200,000. This was partially offset by long term debt financing on equipment of \$570,000, capital contributions from non-controlling interests in subsidiaries of the Company of \$7,000, proceeds from warrants exercised of \$220,000, and proceeds from capital lease financing for reimbursement of payments for acquisition of equipment of \$1,137,000.

The Company had negative working capital at December 31, 2016 of \$293,000 compared to negative working capital of \$2,691,000 at December 31, 2015. The \$2,398,000 increase in net working capital was due to an increase in cash and restricted cash of \$662,000 and \$200,000, respectively, increases in accounts receivable of \$1,047,000, increases in other accounts receivable of \$183,000, increases in prepaid and other assets of \$289,000, increases in employee compensation expenses of \$28,000, and a net increase in the current portion of long term debt and capital leases of \$73,000. This was offset by a decrease in accounts payable of \$56,000 and decreases in other accrued liabilities of \$62,000. 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, in the past, has secured financing for its Gamma Knife and radiation therapy units. The Company has secured financing for its projects from several lenders and anticipates that it will be able to secure financing on future projects from these or other lending sources, but there can be no assurance that financing will continue to be available on acceptable terms.

IMPACT OF INFLATION AND CHANGING PRICES

The Company does not believe that inflation has had a significant impact on operations because a substantial majority of the costs that it incurs under its customer contracts are fixed through the term of the contract.

CONTRACTUAL OBLIGATIONS, COMMITMENTS, CONTINGENT LIABILITIES AND OFF BALANCE SHEET ARRANGEMENTS

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The following table presents, as of December 31, 2016, the Company's significant fixed and determinable contractual obligations by payment date. The payment amounts represent those amounts contractually due to the recipient and do not include any unamortized premiums or discounts, hedge basis adjustments, or other similar carrying value adjustments. Further discussion of the nature of each obligation is included in the notes to the consolidated financial statements referenced below. For purposes of this table, these commitments are listed in the less than 1 year and 1-3 year categories.

	Payments Due by Period				
	Total amounts	Less than			
Contractual Obligations	committed	1 year	1-3 years	4-5 years	After 5 years
Long-term debt (includes interest)	\$8,149,000	\$2,583,000	\$4,067,000	\$1,499,000	\$-
Capital leases (includes interest)	24,501,000	6,725,000	9,623,000	7,935,000	218,000
Future equipment purchases	28,960,000	3,160,000	25,800,000	-	-
Operating leases	1,719,000	260,000	539,000	496,000	424,000
Total contractual obligations	\$63,329,000	\$12,728,000	\$40,029,000	\$9,930,000	\$642,000

Further discussion of the long-term debt commitment is included in Note 5, capital leases in Note 6, and operating leases in Note 11 of the consolidated financial statements.

As of December 31, 2016, the Company had commitments to purchase two MEVION S250 PBRT systems for \$25,800,000 and the Company had \$2,000,000 in non-refundable deposits toward the purchase of these two PBRT systems from Mevion. The non-refundable deposits are recorded in the consolidated balance sheets as deposits and construction in progress. The Company's first MEVION S250 PBRT treated its first patient in April 2016. The Company and Mevion have not agreed on construction and delivery timetables for the second and third PBRT units for which the Company has purchase commitments. The Company is actively seeking sites for these units but to date has not entered into agreements with any party for either placement of a PBRT unit or the related financing. In the past, the Company and Mevion have established construction and delivery timetables, and therefore progress payment dates, only after the Company has notified Mevion that there is a proposed site for the unit. Accordingly, the timing of the required payments for the remaining \$25,800,000 of the Company's purchase commitments remains uncertain. The Company's position is that these payments should not commence until a site is available for a PBRT unit and the related financing is in place.

As of December 31, 2016, the Company had commitments to purchase one Gamma Knife Perfexion system, one Cobalt-60 reload, and is scheduled to install one Gamma Knife Model 4C system, which the Company previously financed and owns. Total Gamma Knife commitments as of December 31, 2016, were \$3,160,000. The Model 4C unit is scheduled to be installed in the third quarter of 2017 at the Company's new customer site in Peru. There are cash requirements for the Peru commitment in the next 12 months of approximately \$200,000. 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 new site the Company expects to start treating patients in the latter half of 2017. The Company has secured financing for this unit. The Cobalt-60 reload is for an existing customer and occurred in the first quarter of 2017. The Company obtained financing for this reload as well. There are no other significant cash requirements 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 December 31, 2016:

	2017	Thereafter	Total
Proton Beam Units	\$-	\$25,800,000	\$25,800,000
Gamma Knife Units	3,160,000	-	3,160,000
Total Commitments	\$3,160,000	\$25,800,000	\$28,960,000

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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The table below presents information about certain market-sensitive financial instruments as of December 31, 2016. The fair values were determined based on quoted market prices for the same or similar instruments.

(amounts in thousands)	Payments Due by Period						Total	Fair Value
	2017	2018	2019	2020	2021	There-after		
Fixed rate long-term debt and present value of capital leases	\$7,438	\$6,418	\$4,827	\$3,172	\$5,077	\$211	\$27,143	\$27,569
Average interest rates	7.8 %	8.2 %	8.9 %	10.0 %	11.1 %	13.0 %	8.6 %	

We do not hold or issue derivative instruments for trading purposes and are not a party to any instruments with leverage or prepayment features.

At December 31, 2016, we had no significant long-term, market-sensitive investments.

We have no affiliation with partnerships, trusts or other entities whose purpose is to facilitate off-balance sheet financial transactions or similar arrangements, and therefore have no exposure to the financing, liquidity, market or credit risks associated with such entities.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See the Index to Consolidated Financial Statements and Financial Statement Schedules included at page A-1 of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

Our Chief Executive Officer and our Chief Financial Officer, after evaluating the effectiveness of the Company's "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 ("Exchange Act") Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this annual report, have concluded that our disclosure controls and procedures are effective based on their evaluation of these controls and procedures required by paragraph (b) of Exchange Act Rules 13a-15 or 15d-15.

(b) Management's report on internal control over financial reporting.

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control system was designed to provide reasonable assurance to its management and Board of Directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2016. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework (2013). Based on this assessment management believes that, as of December 31, 2016, the Company's internal control over financial reporting is effective based on those criteria.

(c) Changes in internal controls over financial reporting.

Our Chief Executive Officer and our Chief Financial Officer have evaluated the changes to the Company's internal control over financial reporting that occurred during our last fiscal quarter ended December 31, 2016, as required by paragraph (d) of Exchange Act Rules 13a-15 and 15d-15, and have concluded that there were no such changes that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information regarding directors is incorporated herein by reference from the Company's definitive Proxy Statement for the 2017 Annual Meeting of Shareholders (the "2017 Proxy Statement"). Information regarding executive officers of the Company, included herein under the caption "Executive Officers of the Company" in Part I, Item 1 above, is incorporated herein by reference.

Information concerning the identification of our standing audit committee required by this Item is incorporated by reference from the 2017 Proxy Statement.

Information concerning our audit committee financial experts required by this Item is incorporated by reference from the 2017 Proxy Statement.

Information concerning compliance with Section 16(a) of the Exchange Act required by this Item is incorporated by reference from the 2017 Proxy Statement.

We have adopted a Code of Ethics that is available on our website at www.ashs.com. The information on our website is not part of this report. You may also request a copy of this document free of charge by writing our Corporate Secretary.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this Item is incorporated herein by reference from the 2017 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this Item is incorporated herein by reference from the 2017 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this Item is incorporated herein by reference from the 2017 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required by this Item is incorporated herein by reference from the 2017 Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements and Schedules.

The following Financial Statements and Schedules are filed with this Report:

Report of Independent Registered Public Accounting Firm

Audited Consolidated Financial Statements

Consolidated Balance Sheets

Consolidated Statements of Operations

Consolidated Statements of Comprehensive Income (Loss)

Consolidated Statements of Shareholders' Equity

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

Financial Statement Schedules- no schedules are included since the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the financial statements and notes thereto.

(b) Exhibits.

The following Exhibits are filed with this Report.

Exhibit Number	Description	Incorporated by reference herein Form	Exhibit	Date
3.1	* Articles of Incorporation of the Company, as amended.			
3.2	By-laws of the Company, as amended and restated dated as of June 9, 2011.	10-K 001-08789	3.2	3/30/2012
4.1		8-K	4	4/1/1999

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Rights Agreement dated as of March 22, 1999 between American Shared Hospital Services and American Stock Transfer & Trust Company, as Rights Agent. 001-08789

4.1a	First Amendment to Rights Agreement dated as of March 12, 2009 between American Shared Hospital Services and American Stock Transfer & Trust Company, as Rights Agent.	8-K 001-08789	3.1	3/13/2009
10.1	Operating Agreement for GK Financing, LLC dated as of October 17, 1995 between American Shared Radiosurgery Services, Inc. and GKV Investments, Inc.	S-1 033-63721	10.12	10/26/1995
10.1a	Amendment Agreement dated as of October 26, 1995 to the GK Financing, LLC Operating Agreement between American Shared Radiosurgery Services, Inc. and GKV Investments, Inc.	S-1/A 033-63721	10.13	3/29/1996
10.1b	Second Amendment Agreement dated as of December 20, 1995 to the GK Financing, LLC Operating Agreement between American Shared Radiosurgery Services, Inc. and GKV Investments, Inc.	S-1/A 033-63721	10.13	3/29/1996

10.1c	Third Amendment Agreement dated as of October 16, 1996 to the GK Financing, LLC Operating Agreement between American Shared Radiosurgery Services, Inc. and GKV Investments, Inc.	10-K 001-08789	10.13b	3/31/1998
10.1d	Fourth Amendment Agreement dated as of March 31, 1998 to the GK Financing, LLC Operating Agreement between American Shared Radiosurgery Services, Inc. and GKV Investments, Inc.	10-K 001-08789	10.8	3/31/1999
10.1e	Fifth Amendment Agreement dated as of March 31, 1998 to the GK Financing, LLC Operating Agreement between American Shared Radiosurgery Services, Inc. and GKV Investments, Inc.	10-K 001-08789	10.9	3/31/1999
10.1f	Sixth Amendment Agreement dated as of June 5, 1998 to the GK Financing, LLC Operating Agreement between American Shared Radiosurgery Services, Inc. and GKV Investments, Inc.	10-K 001-08789	10.10	3/31/1999
10.1g	Seventh Amendment Agreement dated as of October 18, 2006 to the GK Financing, LLC Operating Agreement between American Shared Radiosurgery Services, Inc. and GKV Investments, Inc.	10-K 001-08789	10.52	4/2/2007
10.1h	Eighth Amendment Agreement dated as of April 28, 2010 to the GK Financing, LLC Operating Agreement between American Shared Radiosurgery Services, Inc. and GKV Investments, Inc.	10-K 001-08789	10.1h	3/30/2016
10.1i	Ninth Amendment Agreement dated as of May 16, 2011 to the GK Financing, LLC Operating Agreement between American Shared Radiosurgery Services, Inc. and GKV Investments, Inc.	10-K 001-08789	10.1i	3/30/2016
10.2	Lease Agreement for a Gamma Knife Unit dated as of October 29, 1996, between GK Financing, LLC and Methodist Healthcare Systems of San Antonio, LTD., dba Southwest Texas Methodist Hospital	10-K 001-08789	10.2	3/30/2016

10.2a	Addendum to Lease Agreement for a Gamma Knife Unit dated as of October 31, 1996 between GK Financing, LLC and Methodist Healthcare System of San Antonio, LTD., dba Southwest Texas Methodist Hospital.	10-K 001-08789	10.2a	3/30/2016
10.2b	Addendum Two to Lease Agreement for a Gamma Knife Unit dated as of October 16, 1997 between Methodist Healthcare System of San Antonio, LTD., d.b.a. Southwest Texas Methodist Hospital and GK Financing, LLC.	10-K 001-08789	10.2b	3/30/2016
10.2c	Amendment to Lease Agreement for a Gamma Knife Unit dated as of December 13, 2003 between Methodist Healthcare Systems of San Antonio, Ltd., d/b/a Southwest Texas Methodist Hospital and GK Financing, LLC.	10-K 001-08789	10.2c	3/30/2016
10.2d#	Second Amendment to Lease Agreement for a Gamma Knife Unit (Perfexion Upgrade) dated as of December 23, 2009 between GK Financing, LLC and Methodist Healthcare Systems of San Antonio, Ltd., d/b/a Southwest Texas Methodist Hospital.	10-Q 001-08789	10.18b	11/15/2010
10.3	Lease Agreement for a Gamma Knife Unit dated as of April 10, 1997 between GK Financing, LLC and Yale-New Haven Ambulatory Services Corporation.	10-K 001-08789	10.3	3/30/2016
10.3a	Addendum to Lease Agreement for a Gamma Knife Unit dated as of October 25, 2005 between Yale-New Haven Ambulatory Services Corporation and GK Financing, LLC.	10-K 001-08789	10.3a	3/30/2016
10.3b	Assignment, Assumption, and Amendment to Lease Agreement for a Gamma Knife Unit dated as of June 30, 2006 between Yale-New Haven Ambulatory Services Corporation, Yale-New Haven Hospital, Inc. a/k/a Yale-New Haven Hospital, and GK Financing, LLC.	10-K 001-08789	10.3b	3/30/2016
10.3c#	Second Amendment to Lease Agreement for a Gamma Knife Unit (Perfexion Upgrade) dated as of May 15, 2009 between Yale-New Haven Hospital, Inc. a/k/a Yale-New Haven Hospital and GK Financing, LLC.	10-Q/A 001-08789	10.19c	11/10/2010

10.3d	Third Amendment to Lease Agreement for a Gamma Knife Unit dated as of July 1, 2014 between Yale-New Haven Hospital, Inc. a/k/a Yale-New Haven Hospital and GK Financing, LLC.	10-Q 001-08789	10.19c	11/14/2014
10.4	Purchased Services Agreement (for a Gamma Knife Unit) dated as of November 19, 2008 between GK Financing, LLC and Kettering Medical Center.	10-Q 001-08789	10.1	8/11/2016
10.4a	First Amendment to Purchased Services Agreement (for a Gamma Knife Unit) dated as of June 11, 2009 between GK Financing, LLC and Kettering Medical Center.	10-Q 001-08789	10.1a	8/11/2016
10.4b#	Second Amendment to Purchased Services Agreement (for a Gamma Knife Unit) dated as of February 27, 2014 between GK Financing, LLC and Kettering Medical Center.	10-K 001-08789	10.21c	4/1/2015
10.5 #	Lease Agreement for a Gamma Knife Unit (Perfexion Upgrade) dated as of July 30, 2013 between Tufts Medical Center, Inc. (FKA New England Medical Center Hospitals, Inc.) and GK Financing, LLC.	10-K 001-08789	10.22b	3/31/2014
10.6 #	Amended and Restated Equipment Lease Agreement (for a Gamma Knife Unit) dated as of December 12, 2014, between GK Financing, LLC and the Board of Trustees of the University of Arkansas on behalf of the University of Arkansas for Medical Sciences.	10-Q 001-08789	10.4	8/19/2015
10.7	Lease Agreement for a Gamma Knife Unit dated as of May 28, 1999 between GK Financing, LLC and Froedtert Memorial Lutheran Hospital.	10-K 001-08789	10.7	3/30/2016
10.7a	Addendum dated as of June 24, 1999 to Lease Agreement for a Gamma Knife Unit between GK Financing, LLC and Froedtert Memorial Lutheran Hospital.	10-K 001-08789	10.27	3/29/2000

10.7b	Amendment dated as of July 12, 1999 to Lease Agreement for a Gamma Knife Unit between GK Financing, LLC and Froedtert Memorial Lutheran Hospital.	10-K 001-08789	10.28	3/29/2000
10.7c	Amendment dated as of August 24, 1999 to Lease Agreement for a Gamma Knife Unit between GK Financing, LLC and Froedtert Memorial Lutheran Hospital.	10-K 001-08789	10.29	3/29/2000
10.7d	First Amendment to Lease Agreement for a Gamma Knife Unit dated as of December 29, 2008 between GK Financing, LLC and Froedtert Memorial Lutheran Hospital.	10-K 001-08789	10.7d	3/30/2016
10.7e	Second Amendment to Lease Agreement for a Gamma Knife Unit dated as of May 16, 2013 between GK Financing, LLC and Froedtert Memorial Lutheran Hospital, Inc.	10-K 001-08789	10.7e	3/30/2016
10.7f	Third Amendment to Lease Agreement for a Gamma Knife Unit dated as of December 15, 2014 between GK Financing, LLC and Froedtert Memorial Lutheran Hospital, Inc.	10-K 001-08789	10.26c	4/1/2015
10.8	Lease Agreement for a Gamma Knife Unit dated as of December 11, 1996 between GK Financing, LLC and The Community Hospital Group, Inc., dba JFK Medical Center.	10-K 001-08789	10.8	3/30/2016
10.8a	Addendum One to Lease Agreement for a Gamma Knife Unit dated on January 9, 2008 and effective as of July 1, 2002 between The Community Hospital Group, Inc., dba JFK Medical Center and GK Financing, LLC.	10-K 001-08789	10.8a	3/30/2016
10.8b	Addendum Two to Lease Agreement for a Gamma Knife Unit dated as of January 9, 2008 between The Community Hospital Group, Inc., dba JFK Medical Center and GK Financing, LLC.	10-K 001-08789	10.8b	3/30/2016
10.8c	Addendum Three to Lease Agreement for a Gamma Knife Unit dated as of April 25, 2015, between The Community Hospital Group, Inc., dba JFK Medical Center and GK Financing, LLC.	10-Q 001-08789	10.5	8/19/2015

10.9	Lease Agreement for a Gamma Knife Unit dated as of June 3, 1999 between GK Financing, LLC and Sunrise Hospital and Medical Center, LLC d/b/a Sunrise Hospital and Medical Center.	10-K 001-08789	10.9	3/30/2016
10.9a	Addendum to Lease Agreement for a Gamma Knife Unit dated as of December 1, 1998 between Sunrise Hospital and Medical Center, LLC d/b/a Sunrise Hospital and Medical Center and GK Financing, LLC.	10-K 001-08789	10.9a	3/30/2016
10.9b	Addendum Two to Lease Agreement for a Gamma Knife Unit dated as of January 17, 2007 between GK Financing, LLC and Sunrise Hospital Medical Center, LLC d/b/a Sunrise Hospital Medical Center.	10-K 001-08789	10.9b	3/30/2016
10.9c	Addendum Three to Lease Agreement for a Gamma Knife Unit dated as of June 20, 2007 between GK Financing, LLC and Sunrise Hospital and Medical Center, LLC d/b/a Sunrise Hospital and Medical Center.	10-K 001-08789	10.9c	3/30/2016
10.9d	Addendum Four to Lease Agreement for a Gamma Knife Unit dated as of February 8, 2010 between GK Financing, LLC and Sunrise Hospital and Medical Center, LLC d/b/a Sunrise Hospital and Medical Center.	10-K 001-08789	10.9d	3/30/2016
10.9e	Addendum Five to Lease Agreement for a Gamma Knife Unit dated as of May #18, 2012 between GK Financing, LLC and Sunrise Hospital and Medical Center, LLC d/b/a Sunrise Hospital and Medical Center.	10-Q 001-08789	10.66	11/14/2013
10.10	Lease Agreement for a Gamma Knife Unit dated as of November 1, 1999 between GK Financing, LLC and Jackson HMA, Inc. d/b/a Central Mississippi Medical Center.	10-K 001-08789	10.10	3/30/2016
10.10a	Addendum to Lease Agreement for a Gamma Knife Unit dated as of November 1, 1999 between Jackson HMA, Inc. dba Central Mississippi Medical Center and GK Financing, LLC.	10-Q 001-08789	10.34	8/10/2001

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10.10b#	Addendum Two to Lease Agreement for a Gamma Knife Unit dated as of November 6, 2006 between GK Financing, LLC and Jackson HMA, Inc. d/b/a Central Mississippi Medical Center.	10-K 001-08789	10.51	4/2/2007
10.10c	Amendment Three to Lease Agreement for a Gamma Knife Unit dated as of February 23, 2010 between GK Financing, LLC and Jackson HMA, LLC d/b/a Central Mississippi Medical Center.	10-K 001-08789	10.10c	3/30/2016
10.11	Lease Agreement for a Gamma Knife Unit dated as of February 18, 2000 between GK Financing, LLC and OSF HealthCare System.	10-K 001-08789	10.11	3/30/2016
10.11a	Addendum to Lease Agreement for a Gamma Knife Unit dated as of April 13, 2007, between GK Financing, LLC and OSF Healthcare System.	10-Q 001-08789	10.2	8/11/2016
10.11b	Addendum Two to Lease Agreement for a Gamma Knife Unit dated as of October 31, 2012 between GK Financing, LLC and OSF Healthcare System.	10-Q 001-08789	10.2a	8/11/2016
10.11c#	Addendum Three to Lease Agreement for a Gamma Knife Unit dates as of June 7, 2016 between GK Financing, LLC and OSF Healthcare System.	10-Q 001-08789	10.2b	8/11/2016
10.12	Equipment Lease Agreement (for a Gamma Knife Unit) dated as of September 13, 2001 between GK Financing, LLC and Mercy Medical Center.	10-K 001-08789	10.12	3/30/2016
10.12a	Amendment Number One to Equipment Lease Agreement (for a Gamma Knife Unit) dated as of September 13, 2001 between GK Financing, LLC and Mercy Medical Center.	10-Q 001-08789	10.41	11/14/2002
10.13	Equipment Lease Agreement (for a Gamma Knife Unit) dated as of February 13, 2003 between GK Financing, LLC and AHS Albuquerque Regional Medical Center, LLC.	10-K 001-08789	10.13	3/30/2016

10.13a	#	Amendment to Equipment Lease Agreement (Perfexion Upgrade) dated as of April 8, 2011 between GK Financing, LLC and Lovelace Health System, Inc., d/b/a Lovelace Medical Center.	10-Q 001-08789	10.62	8/15/2011
10.13b		Assignment and Assumption of Purchase and License Agreement dated as of February 2, 2011 between Elekta, Inc., GK Financing, LLC and Albuquerque GK Equipment, LLC.	10-Q 001-08789	10.62a	8/15/2011
10.14		Equipment Lease Agreement (for a Gamma Knife Unit) dated as of March 21, 2003 between GK Financing, LLC and Northern Westchester Hospital Center.	10-K 001-08789	10.14	3/30/2016
10.14a	#	Amendment to Equipment Lease Agreement (Perfexion Upgrade) dated as of June 8, 2012 between GK Financing, LLC and Northern Westchester Hospital Center.	10-Q 001-08789	10.46a	8/14/2013
10.15		Equipment Lease Agreement (for a Gamma Knife Unit) dated as of May 28, 2004 between GK Financing, LLC and Mercy Health Center.	10-K 001-08789	10.15	3/30/2016
10.15a		Addendum One to Equipment Lease Agreement (for a Gamma Knife Unit) dated as of December 23, 2011 between Mercy Health Center and GK Financing, LLC.	10-K 001-08789	10.15a	3/30/2016
10.15b		Addendum Two to Equipment Lease Agreement (for a Gamma Knife Unit) dated as of July 31, 2015, between Mercy Hospital Oklahoma City, Inc. and GK Financing, LLC.	10-Q 001-08789	10.1	11/12/2015
10.15c	*	Addendum Three to Equipment Lease Agreement (for a Gamma Knife Unit) dated as of September 3, 2016, between Mercy Hospital Oklahoma City, Inc. and GK Financing, LLC.			
10.16	#	Purchased Services Agreement (for a Gamma Knife Unit) dated as of March 5, 2008 between GK Financing, LLC and USC University Hospital, Inc.	10-Q 001-08789	10.57	5/14/2008

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10.16a	#	First Amendment to Purchased Services Agreement (for a Gamma Knife Unit) dated as of April 1, 2009 between GK Financing, LLC and University of Southern California.	10-Q 001-08789	10.57a	8/14/2009
10.16b	#	Second Amendment to Purchased Services Agreement (for a Gamma Knife Unit) dated as of October 1, 2013 between GK Financing, LLC and University of Southern California.	10-Q 001-08789	10.57b	8/14/2014
10.17	#	Equipment Lease Agreement (for a Gamma Knife Unit) dated as of May 1, 2010 between GK Financing, LLC and Fort Sanders Regional Medical Center.	10-Q 001-08789	10.60	5/16/2011
10.17a	#	Amendment to Lease Agreement (for a Gamma Knife Unit) dated as of January 3, 2012 between GK Financing, LLC and Fort Sanders Regional Medical Center.	10-K 001-08789	10.17a	3/30/2016
10.18	#	Leksell Gamma Knife Perfexion Purchased Services Agreement dated as of August 5, 2011 between Jacksonville GK Equipment, LLC and St. Vincent's Medical Center, Inc.	10-K 001-08789	10.63	3/30/2012
10.18a	#	First Amendment to the Leksell Gamma Knife Perfexion Purchased Services Agreement dated as of October 10, 2011 between Jacksonville GK Equipment, LLC and St. Vincent's Medical Center, Inc.	10-K 001-08789	10.63a	3/30/2012
10.19	#	Leksell Gamma Knife Perfexion Purchased Services Agreement dated as of January 19, 2012 between GK Financing, LLC and Sacred Heart Health System, Inc.	10-Q 001-08789	10.65	5/15/2013
10.20	#	Leksell Gamma Knife Perfexion Purchased Services Agreement dated as of March 27, 2014 between GK Financing, LLC and PeaceHealth doing business through its operating division PeaceHealth Sacred Heart Medical Center at RiverBend.	10-K 001-08789	10.67	4/1/2015
10.21	#	Proton Beam Radiation Therapy Lease Agreement dated as of October 18, 2006 between American Shared Hospital Services and Orlando Regional Healthcare System, Inc.	10-Q 001-08789	10.3	8/11/2016

10.21a#	Amendment One to Proton Beam Radiation Therapy Lease Agreement dated as of August 12, 2012 between American Shared Hospital Services and Orlando Health, Inc., formerly known as Orlando Regional Healthcare System, Inc.	10-Q 001-08789	10.3a	8/11/2016
10.22	American Shared Hospital Services Incentive Compensation Plan as Amended and Restated (Formerly the 2006 Stock Incentive Plan) effective April 16, 2015.	10-Q 001-08789	10.3	8/19/2015
10.23	Loan Agreement dated as of September 30, 2011 between Bank of America, N.A. and American Shared Hospital Services.	10-Q 001-08789	10.48a	8/14/2014
10.23a	Amendment No. 1 to Loan Agreement dated as of August 31, 2012 between Bank of America, N.A. and American Shared Hospital Services.	10-Q 001-08789	10.48b	8/14/2014
10.23b	Amendment No. 2 to Loan Agreement dated as of September 20, 2013 between Bank of America, N.A. and American Shared Hospital Services.	10-Q 001-08789	10.48c	8/14/2014
10.23c	Waiver and Amendment No. 3 to Loan Agreement dated as of August 8, 2014 between Bank of America, N.A. and American Shared Hospital Services.	10-Q 001-08789	10.48d	8/14/2014
10.24	Form of Indemnification Agreement between American Shared Hospital Services and members of its Board of Directors.	10-K 001-08789	10.26	3/30/2016
10.25	Form of American Shared Hospital Services Incentive Compensation Plan Performance Share Award Agreement.			
21.1	*Subsidiaries of American Shared Hospital Services			
23.1	*Consent of Independent Registered Public Accounting Firm			
31.1	* Certification of Chief Executive Officer pursuant to Rule 13a-14a/15d-14a, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
31.2	* Certification of Chief Financial Officer pursuant to Rule 13a-14a/15d-14a, 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.

Confidential material appearing in this document has been omitted and filed separately with the Securities and Exchange Commission in accordance with Rule 24b-2, promulgated under the Securities and Exchange Act of 1934, as amended. Omitted information has been replaced with asterisks.

• Indicates management compensatory plan, contract, or arrangement.

ITEM 16. FORM 10-K SUMMARY

The Optional summary in Item 16 has not been included in this Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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)

March 27, 2017 By: /s/ Ernest A. Bates, M.D.
Ernest A. Bates, M.D.
Chairman of the Board and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Ernest A. Bates Ernest A. Bates, M.D.	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	March 27, 2017
/s/ Daniel G. Kelly Jr. Daniel G. Kelly JR.	Director	March 27, 2017
/s/ David A. Larson David A. Larson, M.D.	Director	March 27, 2017
/s/ S. Mert Ozyurek S. Mert Ozyurek	Director	March 27, 2017
/s/ John F. Ruffle John F. Ruffle	Director	March 27, 2017
/s/ Raymond C. Stachowiak Raymond C. Stachowiak	Director	March 27, 2017
/s/ Stanley S. Trotman, Jr. Stanley S. Trotman, Jr.	Director	March 27, 2017

/s/ Craig K. Tagawa
Craig K. Tagawa

Chief Operating Officer and March 27, 2017
Chief Financial Officer
(Principal Accounting Officer)

AMERICAN SHARED HOSPITAL SERVICES

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

and

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016, 2015 and 2014

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American Shared Hospital Services

Consolidated Balance Sheets

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders

American Shared Hospital Services

We have audited the accompanying consolidated balance sheets of American Shared Hospital Services and subsidiaries (the “Company”) as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income (loss), shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2016. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of American Shared Hospital Services and subsidiaries at December 31, 2016 and 2015, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with accepted accounting principles generally accepted in the United States of America.

/s/ Moss Adams LLP

San Francisco, California

March 27, 2017

See accompanying notes 3

American Shared Hospital Services

Consolidated Balance Sheets

ASSETS