AMERICAN SHARED HOSPITAL SERVICES
Form 10-K
March 31, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

(Mark One)

þ **Annual Report Pursuant To Section 13 or 15(d) Of The Securities Exchange Act of 1934**
For The Fiscal Year Ended December 31, 2007

or

o **Transition Report Pursuant To Section 13 or 15(d) Of The Securities Exchange Act of 1934**
For The Transition Period From __________ to __________ .

Commission file number 1-08789

American Shared Hospital Services
(Exact name of registrant as specified in its charter)

California	**94-2918118**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**
Four Embarcadero Center, Suite 3700, 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:

Title of each class	**Name of each exchange on which registered**
Common Stock No Par Value	**American Stock Exchange**

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 o No þ

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

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 þ No o

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. o

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: o	Accelerated filer: o	Non-accelerated filer: o	Smaller reporting company: þ

(Do not check if a smaller reporting company)

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

As of June 30, 2007, the aggregate market value of the common stock held by non-affiliates of the registrant was approximately $21,919,000.

Number of shares of common stock of the registrant outstanding as of March 10, 2008: 5,026,587.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s definitive Proxy Statement for the 2008 Annual Meeting of Shareholders are incorporated by reference into Part III of this report.

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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 nineteen (19) medical centers in seventeen (17) states, as of March 7, 2008. The Company provides the 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 Knifeâ (the Gamma Knife). GKF is a non-exclusive provider of alternative financing services for Elekta Gamma Knife units. Gamma Knife revenues accounted for 97% of the Company s revenue in 2007.

In April 2006, the Company invested $2,000,000 for a minority equity interest in Still River Systems, Inc. (Still River), a development-stage company based in Littleton, Massachusetts, which in collaboration with scientists from MIT s Plasma Science and Fusion Center, is developing a medical device for the treatment of cancer patients using proton beam radiation therapy (PBRT). On September 5, 2007 the Company invested approximately $617,000 for an additional equity interest in Still River. The Company has spent an additional $2,000,000 towards the purchase of two Monarch[250] PBRT systems from Still River for anticipated delivery in 2009. The Still River PBRT systems are not currently FDA approved.

The Company continues to develop its design and business model for The Operating Room for the 21[st] Century â (OR21 â). OR21 is not expected to generate significant operations within the next twelve months.

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 or can be an adjunct to conventional brain surgery. Compared to conventional surgery, Gamma Knife radiosurgery usually involves shorter patient hospitalization, 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 size, well circumscribed and critically located structures in the brain. During 2006 Elekta introduced a new Gamma Knife model, the Perfexion unit (Perfexion), which treats patients with 192 single doses of gamma rays and will also provide the ability to perform procedures on areas of the cervical spine. The Gamma Knife delivers the concentrated dose of gamma rays from Cobalt-60 sources housed in the Gamma Knife. The Cobalt-60 sources converge at the target area and deliver a dose that is high enough to destroy the diseased tissue without damaging surrounding healthy tissue.

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

As of December 31, 2007, the Company estimates that there were 115 Gamma Knife sites in the United States and 257 units in operation worldwide. An estimated percentage breakdown of Gamma Knife procedures performed in the U.S. by indications treated is as follows: malignant (42%) and benign (35%) brain tumors, vascular disorders (14%) and functional disorders (9%).

The Company, as of March 7, 2008, has nineteen (19) Gamma Knife units operating at nineteen (19) sites in the United States. The Company s first Gamma Knife commenced operation in September 1991. The Company s Gamma Knife units performed approximately 2,300 procedures in 2007 for a cumulative total of approximately 19,000 procedures through December 31, 2007.

Revenue from Gamma Knife services for the Company during the 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:

Year Ended December 31,	Total Gamma Knife Revenue (in thousands)	Gamma Knife Total Revenue
2007	$ 22,056(1)	97.0%
2006	$ 20,385	100.0%
2005	$ 18,231	100.0%
2004	$ 16,389	100.0%
2003	$ 16,178	100.0%

(1) includes $3,200,000 of equipment sales revenue from the sale of a Perfexion Gamma Knife system to an existing Gamma Knife customer at the end of the contract term.

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, 2007, GKF has distributed $24,786,000 to the Company and $5,814,000 to the minority partner.

Image Guided Radiation Therapy Operations

The Company s radiation therapy business currently consists of one Image Guided Radiation Therapy (IGRT) system that began operation in September 2007 at an existing Gamma Knife customer site. Revenue generated under IGRT services accounted for approximately 3% of the Company s total revenue in 2007.

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 CT, fluoroscopic and 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 census information, there were 3,185 linear accelerator based radiation therapy units installed in the United States as of 2006, 770 of which provided IGRT services. Radiation therapy services were provided through approximately 1,400 hospital based oncology centers and approximately 700 non-hospital based 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 beginning on page A-8 of this report.

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 million to $5.5 million, including equipment, 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 current sites as of March 7, 2008:

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Customers (Gamma Knife except as noted)	Original Term of Contract	Year Contract Began	Basis of Payment
Existing sites			
Southwest Texas Methodist Hospital San Antonio, Texas	10 years	1998	Fee per use
Yale New Haven Ambulatory Services Corporation New Haven, Connecticut	10 years	1998	Fee per use
Kettering Medical Center Kettering, Ohio	10 years	1999	Fee per use
New England Medical Center Boston, Massachusetts	10 years	1999	Fee per use
University of Arkansas for Medical Sciences Little Rock, Arkansas	15 years	1999	Revenue sharing
Froedtert Memorial Lutheran Hospital Milwaukee, Wisconsin	10 years	1999	Fee per use
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
Bayfront Medical Center St. Petersburg, Florida	10 years	2002	Fee per use
Mercy Medical Center Rockville Center, New York	10 years	2002	Fee per use
The Johns Hopkins Hospital Baltimore, Maryland	10 years	2003	Revenue Sharing
Baptist Medical Center Jacksonville, Florida	8 years	2003	Revenue Sharing
Albuquerque Regional Medical Center Albuquerque, New Mexico	10 years	2003	Fee per use
Lehigh Valley Hospital Allentown, Pennsylvania	10 years	2004	Fee per use
Baptist Hospital of East Tennessee Knoxville, Tennessee	10 years	2005	Revenue Sharing
Northern Westchester Hospital Mt. Kisco, New York	10 years	2005	Fee per use
Mercy Health Center Oklahoma City, Oklahoma	10 years	2005	Revenue Sharing

New England Medical Center (IGRT) Boston, Massachusetts	10 years	2007	Revenue Sharing

The Company currently has one new Gamma Knife fee per use contract under development, at USC University Hospital, which is anticipated to become operational during the second half of

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2008. One existing Gamma Knife customer is expected to exercise an early termination provision in its contract, which would end its contract with the Company in late first quarter 2008.

The Company s fee per use agreement is typically 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 $7,500 to $9,000 per procedure. There are no minimum volume guarantees required of the customer. Typically, 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 revenue sharing agreements (retail) are for a period of eight to fifteen 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 less the site operating expenses. The Company is at risk for any reimbursement rate changes for radiosurgery or radiation therapy services by the government or other third party payors. The Company is also at risk if the customer inefficiently operates the equipment. There are no minimum volume guarantees required of the customer.

One customer accounted for approximately 13% of the Company s revenue in both 2007 and 2006. No one individual customer accounted for more than 10% of the Company s revenue in 2005.

MARKETING

The Company markets its services through its preferred provider status with Elekta and a direct sales effort. In January 2007 the Company hired a Vice President of Sales and Business Development to lead the direct sales effort. Prior to that, the direct sales effort was generally led by the Company s Chief Executive and Chief Operating Officers, with the assistance of a Director of Sales. The major advantages to a health care provider in contracting with the Company for Gamma Knife services include:

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

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

§ 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 IGRT site is operated by ASHS and is financed at approximately 100% of the total project cost, under a loan that fully amortizes over an 84-month period and is fully collateralized by the equipment, the customer contract and accounts receivable.

The Company s Gamma Knife business is operated through GKF. Through 2003, GKF funded its existing Gamma Knife units with loans from a single lender, DVI Financial Services Inc. (DVI), for 100% of the cost of each Gamma Knife, plus any sales tax, customs and duties. Since 2004, alternative lenders have been utilized for financing the Company s Gamma Knife unit additions and upgrades. The loans are predominantly fully amortized over an 84-month period. The loans are collateralized by the Gamma Knife, customer contracts and accounts receivable, and are without recourse to the Company and Elekta.

DVI filed for Chapter 11 bankruptcy protection during 2003, and all the Company s loans with DVI were subsequently assumed by another lender as successor servicer. The Company continues to make payments to the successor servicer on these outstanding note balances. Management believes that the bankruptcy of DVI has not had a materially adverse effect on the Company s financial position or results of operations.

COMPETITION

Conventional neurosurgery and radiation therapy 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.

The Company s ability to secure additional customers for Gamma Knife services, other radiosurgery and radiation therapy services is dependent on its ability to effectively compete against (i) Elekta, the manufacturer of the Gamma Knife, (ii) manufacturers of other radiosurgery and radiation therapy devices, and (iii) other companies that outsource these services. The Company does not have an exclusive relationship with Elekta or other manufacturers 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.

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GOVERNMENT REGULATION

The Company s Gamma Knife and radiation therapy customers receive payments for patient care from federal government and private insurer reimbursement programs. Currently in the United States, Gamma Knife services are performed on an in-patient and on an out-patient basis. Gamma Knife patients with Medicare as their primary insurer and treated on either an in-patient or out-patient basis, comprise an estimated 20% to 35% of the total Gamma Knife patients treated. Radiation therapy patients with Medicare as their primary insurer and treated on either an in-patient or out-patient basis, comprise an estimated 30% to 40% of the total radiation therapy patients treated.

A Prospective Payment System (PPS) is utilized to reimburse hospitals for care given to hospital in-patients covered by federally funded reimbursement programs. Patients are classified into a Diagnosis Related Group (DRG) in accordance with the patient s diagnosis, necessary medical procedures and other factors. Patient reimbursement is limited to a predetermined amount for each DRG. The reimbursement payment may not necessarily cover the cost of all medical services actually provided because the payment is predetermined. Effective October 1, 1997, Gamma Knife services for Medicare hospital in-patients are predominantly reimbursed under either DRG 7 or DRG 8.

In 1986 and again in 1990, Congress enacted legislation requiring the Department of Health and Human Services (DHHS) to develop proposals for a PPS for Medicare out-patient services. DHHS proposed a new payment system, Ambulatory Payment Classifications (APC), which affects all out-patient services performed in a hospital based facility. APC implementation took place in the third quarter of 2000.

The APC consists of 346 clinically, homogenous classifications or groupings of codes that are typically used in out-patient billing. Out-patient services are bundled with fixed rates of payment determined according to specific regional and national factors, similar to that of the in-patient PPS.

The Gamma Knife APC rate is modified periodically but the total reimbursement amount has historically remained fairly constant. However, effective January 1, 2006 the Medicare outpatient reimbursement rate for Gamma Knife procedures was increased approximately 28% compared to the 2005 rate of reimbursement, and on January 1, 2007 this rate was increased approximately 24% compared to the 2006 rate. The 2008 outpatient payment rate was reduced approximately 5% compared to the 2007 rate. The Company has four contracts from which its revenue is directly affected by changes in payment rates under the APC system.

IGRT is a relatively new service to radiation oncology. The 2005 through 2007, APC payment rates averaged approximately $80 for each of five procedure codes. In 2008 DHHS determined that these services are to be packaged into other services. As a result, there are currently no specific outpatient payment rates for IGRT, and reimbursement is made through various packaged codes.

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 knowingly and willfully 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 Social Security Act provides authority to 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. 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.

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 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 Food and Drug Administration. 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.

PROTON BEAM RADIATION THERAPY BUSINESS

Proton beam radiation therapy is an alternative to traditional external beam, photon based radiation delivered by linear accelerators. PBRT, first clinically introduced in the 1950 s, 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, eye, cranial-spinal, head and neck, lung, liver and breast tumors. In excess of 55,000 patients have been treated with protons worldwide.

Introduction of PBRT in the United States, until recently, has been limited due to lack of adequate reimbursement and 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 recent implementation of reimbursement rates for PBRT from the Centers for Medicare and Medicaid Services (CMS) will help make this technology available to a larger segment of the market. CMS PBRT reimbursement in 2007 increased approximately 20% over 2006 reimbursement levels; however, the reimbursement is projected to decrease approximately 30% in 2008 compared to 2007 reimbursement levels.

There are several competing manufacturers of proton beam systems, including Still River, IBA Particle Therapy Inc., Hitachi Ltd., Optivus Proton Therapy Inc., Varian Medical Systems, Inc. (Accel) and Mitsubishi Electric. The Company has invested in Still River and has made deposits towards the purchase of two Still River Monarch^{250} systems. The Still River system potentially provides cancer centers the opportunity to introduce single treatment room PBRT services for approximately $20 million rather than four and five PBRT treatment room programs costing in excess of $100 million. The Still River system is not yet FDA approved and there can be no assurance that it will be approved.

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The Company believes the business model it has developed for use in its Gamma Knife and radiation therapy businesses 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.

EMPLOYEES

At December 31, 2007, the Company employed twelve (12) people on a full-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.	71	Chairman of the Board of Directors and Chief Executive Officer
Craig K. Tagawa	54	Senior Vice President Chief Operating and Financial Officer
Ernest R. Bates	41	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. He is Emeritus Vice Chairman of the Board of Trustees of The Johns Hopkins University, a member of the Board of Trustees at the University of Rochester, a member of the Board of Overseers of the University of California at San Francisco School of Nursing, a member of the Board of Directors of Copia and the Capital Campaign Chairman and a Board Member of the Museum of African Diaspora. Dr. Bates is also a member of the State of California Commission for Jobs and Economic Growth, a member of the Board of Directors of Salzburg Seminar, a board member of the Center for Fastercures-Milken Institute and a member of the Brookings Institution. Dr. Bates is a graduate of The Johns Hopkins University and the University of Rochester School of Medicine.

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. He is currently a 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 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 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 Company s Capital Investment at Each Site is Substantial

Each radiosurgical or radiation therapy 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 may be mature. The Company has recently entered into its first Gamma Knife contract at a new site since 2004. 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, 2007 there were approximately 115 operating Gamma Knife units in the United States, of which 20 units were owned by us, and approximately 257 units in operation worldwide. There can be no assurance that we will be successful in placing 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 IGRT system through ASHS and its Gamma Knife units primarily through its GKF subsidiary. The amounts financed through GKF have been generally non-recourse to ASHS. The Company s combined long term debt and present value of capital leases totals $32,276,000 and is collateralized by the Gamma Knife and IGRT equipment 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 unit 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. The Company also has a line of credit with a bank, against which it has drawn $4,100,000 as of December 31, 2007.

The Market is Competitive

There are currently approximately three companies (in addition to our company) that actively provide alternative, non-conventional Gamma Knife financing to potential customers. We believe there are no competitor companies that currently have more than six 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. In addition, the Company may continue to lose future sales to such customers and may also lose future sales to its competitors. 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

There are other radiosurgery devices as well as conventional neurosurgery that 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 primarily 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.

The Company s Revenue Could Decline if Federal Reimbursement Rates are Lowered

The amount reimbursed to medical centers for each Gamma Knife or radiation therapy treatment may decline in the future. The reimbursement decrease may come from federally mandated programs (i.e., Medicare and Medicaid) or other third party payor groups. Fourteen of the Company s twenty existing contracts are reimbursed by the medical center to the Company on a fee per use basis. The primary risk under this type of contract is that the actual volume of procedures could be less than projected. However, a significant reimbursement rate reduction may result in the Company restructuring certain of its existing contracts. There are also six

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contracts where the Company receives revenue based directly on the amount of reimbursement received for procedures performed. Revenue under those contracts and any future contracts with revenue based directly on reimbursement amounts will be impacted by any reimbursement rate change. Some of the Company s future contracts for Gamma Knife services may have revenue based on such reimbursement rates instead of a fee for service basis. There can be no assurance that future changes in healthcare regulations and reimbursement rates will not directly or indirectly adversely affect the Company s Gamma Knife revenue.

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 costs approximately $3.6 million plus applicable tax and duties. This upgrade includes an Automatic Positioning System (APS), and therefore involves less health care provider intervention. In early 2005, Elekta introduced a new upgrade, the model 4C. Twelve of our existing Gamma Knife units include APS and eight of our existing Gamma Knife units are upgradeable. The cost to upgrade existing units to the new model 4C Gamma Knife with APS is estimated to be 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 provides the additional ability to perform procedures on areas of the cervical spine. Existing models of the Gamma Knife are not upgradeable to the Perfexion model. 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 an IGRT system in 2006 with a list price of approximately $8,300,000. New and improved medical 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 that is Developmental and Unproven

We have committed a substantial amount of our financial resources to next-generation proton beam technology. The PBRT system being developed by Still River is not commercially proven and cannot be reimbursed by most major insurors prior to FDA approval, which may not be obtained until 2009, if at all. Prior to that time, we must make progress payments of $6,000,000 for two Monarch^{250} systems (The Company has already made deposits of $2,000,000 towards this commitment). There can be no assurance that we will recover this investment or future investments, or our $2,617,000 minority investment in Still River. Our current belief is that we will begin to receive revenue for PBRT systems placed and financed by us during 2010, pending FDA approval.

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ITEM 2.
PROPERTIES

The Company s corporate offices are located at Four Embarcadero Center, Suite 3700, San Francisco, California, where it leases approximately 4,600 square feet for $23,195 per month. This lease expires in May 2011. A portion of the office space is subleased on a month-to-month basis to two third parties for approximately $1,000 per month.

For the year ended December 31, 2007 the Company s aggregate net rental expenses for all properties and equipment were approximately $381,000.

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.
SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of the Company s security holders through the solicitation of proxies or otherwise during the fourth quarter of 2007.

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PART II

ITEM 5.

MARKET FOR REGISTRANT S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company s common shares, no par value (the Common Shares), are currently traded on the American Stock Exchange. During 2007 the Company was granted its request to withdraw from the NYSE Arca Exchange, following its filing a Form 25 with the Securities and Exchange Commission. The table below sets forth the high and low closing sale prices of the Common Shares of the Company on the American Stock Exchange Consolidated Reporting System for each full quarter for the last two fiscal years.

	Prices for Common Shares	
Quarter Ending	**High**	**Low**
March 31, 2006	$6.95	$5.90
June 30, 2006	$7.35	$6.11
September 30, 2006	$6.56	$5.50
December 31, 2006	$6.90	$6.10
March 31, 2007	$5.91	$6.68
June 30, 2007	$6.39	$5.80
September 30, 2007	$6.00	$3.65
December 31, 2007	$4.00	$1.85

The Company estimates that there were approximately 2,500 beneficial holders of its Common Shares at December 31, 2007.

The Board of Directors authorized in March 1999 the repurchase of up to 500,000 shares of the Company s Common Stock in the open market from time to time at prevailing prices. Approximately 484,000 shares have been repurchased in the open market pursuant to that authorization at a cost of approximately $1,213,000, although no shares have been repurchased in the open market since 2001. The Board of Directors on February 2, 2001 authorized the repurchase of up to another 500,000 shares of the Company s common stock in the open market from time to time at prevailing prices. No shares have been repurchased under this additional authorization.

During 2007 holders of options to acquire the Company s common stock exercised their respective rights pursuant to such securities, resulting in the Company issuing 1,000 new shares of common stock. In addition, 2,000 new shares of common stock were issued to the Company s board of directors, from stock grants that vested in 2007.

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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 percent or more of the Company s outstanding common stock) or announces a tender or exchange offer to acquire 15 percent 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. The Board of Directors is not aware that any person or group intends to make a takeover offer for the Company.

At December 31, 2007 the Company had 5,026,587 issued and outstanding common shares, 568,180 common shares reserved for options, 1,500 restricted stock units issued and 5,596 shares reserved pursuant to the Company s Shareholder Rights Plan.

During 2007, shareholders of record on January 2, 2007, April 2, 2007 and July 2, 2007 were paid quarterly dividends of $0.0475 per common share on January 15, 2007, April 16, 2007 and July 16, 2007, respectively. Subsequently, the Board of Directors suspended dividends for the purpose of preserving cash for the development of its PBRT business. During 2006, shareholders of record as of January 3, 2006, April 3, 2006, July 3, 2006 and October 2, 2006 were paid quarterly dividends of $0.0475 per common share on January 18, 2006, April 17, 2006, July 14, 2006 and October 16, 2006. The Board of Directors evaluates the Company s level of earnings, balance sheet position, availability of cash and expected future cash requirements on a quarterly basis to determine its dividend policy. The Company did not pay cash dividends prior to 2001.

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PERFORMANCE GRAPH, TOTAL RETURN TO SHAREHOLDERS

The following graph and table compares cumulative total shareholder return on the Company s Common Shares (ASHS total return) (i) with the cumulative total return of the Standard & Poor s 500 Stock Index (S&P 500) and (ii) with the Standard & Poor s SmallCap 600 Stock Index (S&P SmallCap600), in each case during the five years ended December 31, 2007.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among American Shared Hospital Services, The S&P 500 Index

And The S&P Smallcap 600 Index

* $100 invested on 12/31/02 in stock or index-including reinvestment of dividends. Fiscal year ending December 31.

	12/02	12/03	12/04	12/05	12/06	12/07
American Shared Hospital Services	**100.00**	**153.04**	**156.39**	**170.25**	**185.63**	**58.43**
S&P 500	**100.00**	**128.68**	**142.69**	**149.70**	**173.34**	**182.87**
S&P Smallcap 600	**100.00**	**138.79**	**170.22**	**183.30**	**211.01**	**210.38**

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ITEM 6.
SELECTED FINANCIAL DATA
Summary of Operations

	Year Ended December 31, (Amounts in thousands except per share data)				
	2007	2006	2005	2004	2003
Revenue	$22,622	$20,385	$18,231	$16,389	$16,178
Costs of operations	13,354	10,365	9,072	7,887	7,400
Selling and administrative expense	4,646	3,995	3,613	2,963	3,255
Interest expense	1,946	2,161	2,075	2,261	2,547
Total expenses	19,946	16,521	14,760	13,111	13,202
Income from operations	2,676	3,864	3,471	3,278	2,976
Interest and other income	328	308	202	102	121
Minority interest expense	(1,134)	(1,314)	(1,126)	(983)	(928)
Income before income taxes	1,870	2,858	2,547	2,397	2,169
Income tax expense	919	1,202	780	412	787
Net income	$ 951	$ 1,656	$ 1,767	$ 1,985	$ 1,382
Net income per common share:					
Basic	$ 0.19	$ 0.33	$ 0.36	$ 0.46	$ 0.36
Diluted	$ 0.19	$ 0.33	$ 0.35	$ 0.39	$ 0.27
Cash dividend declared per common share	$0.0950	$0.1900	$0.1875	$0.1725	$0.2000
Dividend payout ratio (paid and declared)	0.50	0.58	0.54	0.44	0.74

See accompanying note (1)

Balance Sheet Data

	As of December 31, (Amounts in thousands)				
	2007	2006	2005	2004	2003
Cash and cash equivalents	$ 6,340	$ 3,952	$ 1,298	$ 8,121	$10,312
Securities- current	2,605	1,574	4,537	957	
Restricted cash	50	50	50	50	50
Working capital (deficit)	747	(541)	2,423	4,978	5,268
Securities- long-term	1,065	3,380	2,797		
Total assets	63,044	50,905	48,668	47,367	46,304
Advances on line of credit	4,100	4,000			
Current portion of long-term debt/capital leases	8,272	5,876	6,377	6,562	6,803
Long-term debt/capital leases, less current portion	24,004	15,189	18,705	18,924	20,114
Shareholders equity	$19,540	$19,009	$18,320	$17,546	$15,329

See accompanying note (1)

(1) In October 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 GK Financing, LLC. ASHS incorporated a new wholly-owned subsidiary, OR21, Inc. (OR21) in November 1999, and a new wholly-owned subsidiary, MedLeader.com, Inc. (MedLeader) in April 2000. Accordingly, the financial data for the Company presented above include the results of GKF, OR21 and MedLeader for 2003 through 2007.

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This financial data as of December 31, 2007, 2006 and 2005 and for the years ended December 31, 2007, 2006 and 2005 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. Estimates, assumptions and judgments are necessary when assets and liabilities are required to be recorded at fair value, when a decline in the value of an asset not carried on the financial statements at fair value warrants an impairment write-down or valuation reserve to be established, or when an asset or liability needs to be recorded contingent upon a future event. Carrying assets and liabilities at fair value inherently results in more financial statement volatility. The fair values and the information used to record valuation adjustments for certain assets and liabilities are based either on quoted market prices or are provided by other third-party sources when available. When third-party information is not available, valuation adjustments are estimated in good faith by management primarily through the use of internal cash flow modeling techniques.

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 the determination of the allowance for doubtful accounts and revenue recognition to be two 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 and the operation of an IGRT site by ASHS.

Revenue is recognized when services have been rendered and collectibility is reasonably assured, on either a fee per use or revenue sharing basis. The Company has contracts with fourteen fee per use hospitals and six retail hospitals. Under both of these types of agreements, the hospital is responsible for billing patients and collection of fees for services performed. Revenue associated with installation of the Gamma Knife 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 on a gross basis.

ASHS has one agreement and GKF has five agreements that are based on revenue sharing. These can be further classified as either turn-key arrangements or net revenue sharing arrangements. For GKF s four 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. 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 net 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 net revenue sharing arrangement is a percentage of revenue less operating costs. Payments are made by the hospital, generally on a monthly basis, to GKF based on an agreed upon percentage allocation of income remaining after all operating expenses are deducted from cash collected. Revenue is recognized during the period in which procedures are performed, and is determined based on the net reimbursement amount that the Company expects to receive from the hospital for those procedures. Under the net revenue sharing arrangement, the percent of revenue received is recorded net of costs to provide the treatment. 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 32%, 34% and 29% of revenue for the years ended December 31 2007, 2006 and 2005, respectively.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is estimated based on possible losses relating to the Company s revenue sharing customers. The Company receives reimbursement from the customer based on the customer s collections from individuals and third-party payors such as insurance companies and Medicare. Receivables are charged against the allowance in the period that they are deemed uncollectible.

If the Company s net accounts receivable estimates for revenue sharing customers as of December 31, 2007 changed by as much as 10% based on actual collection information, it would have the effect of increasing or decreasing revenue by approximately $289,000.

GENERAL

For the year ended December 31, 2007, 97% of the Company s revenue was derived from its Gamma Knife business, and the remaining 3% from its IGRT business. For the years ended December 31, 2006 and 2005, 100% of the Company s revenue was derived from its Gamma Knife business.

TOTAL REVENUE

(in thousands)	2007	Increase (Decrease)	2006	Increase (Decrease)	2005
Total revenue	$22,622	11.0%	$20,385	11.8%	$18,231

Total revenue increased 11% in 2007 compared to 2006, primarily due to $3,200,000 of equipment sales revenue, which was generated by the sale of a new Gamma Knife unit to an existing Gamma Knife customer in fourth quarter 2007 near the end of the Company s lease with the customer. The revenue increase was also partially due to the addition of the Company s first contract to provide IGRT services in third quarter 2007, which was partially offset by the termination of another Gamma Knife contract at the end of its term in third quarter 2007.

IGRT Revenue

In September 2007, the equipment provided under the Company s contract for IGRT services at an existing Gamma Knife customer became operational, and medical services revenue for IGRT services provided $566,000 in revenue for the year.

Gamma Knife Revenue

Total Gamma Knife revenue for 2007 increased 8.2% to $22,056,000 compared to $20,835,000 in 2006. The revenue for 2007 includes $3,200,000 of equipment sales revenue, which was generated by the sale of a new Gamma Knife unit to an existing Gamma Knife customer in fourth quarter 2007 near the end of the Company s lease with the customer. Revenue from this equipment sale is not considered medical services revenue, and is not included in the table below.

	2007	Increase (Decrease)	2006	Increase (Decrease)	2005
Medical services revenue (in thousands)	$18,856	(7.5%)	$20,385	11.8%	$18,231
Number of Gamma Knife procedures	2,335	(8.9%)	2,563	6.3%	2,410
Average revenue per procedure	$ 8,075	1.5%	$ 7,954	5.1%	$ 7,565

Medical services revenue from Gamma Knife operations decreased $1,529,000 in 2007 compared to 2006, and increased $2,154,000 in 2006 compared to 2005. The 2007 decrease was due to the termination of one Gamma Knife contract at the end of its term in third quarter 2007 and a 6% decrease in revenue from Gamma Knife units in operation more than one year. The 2006 increase compared to 2005 was primarily due to the full year inclusion of three new Gamma Knife units that began operation during 2005 and an increase in the average revenue per procedure, primarily at some of the Company s revenue sharing sites. The Company had twenty, twenty-one and twenty-one Gamma Knife units in operation at December 31, 2007, 2006 and 2005, respectively.

The number of Gamma Knife procedures in 2007 decreased by 228 compared to 2006 due to the termination of one Gamma Knife contract at the end of its term in third quarter 2007 and a 7% decrease in procedures from Gamma Knife units in operation more than one year. The number of Gamma Knife procedures in 2006 increased by 153 compared to 2005 primarily due to the full year inclusion of three Gamma Knife units that began operation during 2005 and a 2% increase in procedures from Gamma Knife units in operation more than one year.

Revenue per procedure increased by $121 in 2007 and increased by $389 in 2006 compared to the prior years, respectively. The Company s contracts generally have different procedure rates because their investment basis varies, so revenue per procedure can vary year to year depending primarily on the mix of procedures performed at certain locations. In addition to this normal variation in the procedure mix, the increase in 2007 was also due to the termination of a Gamma Knife contract during 2007 that had a lower than average per procedure rate. The increase per procedure in 2006 was primarily due to higher average procedure rates at the Company s turn-key retail sites and a higher mix of revenue generated by the retail sites compared to fee per use sites.

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COSTS OF OPERATIONS

(In thousands)	2007	Increase (Decrease)	2006	Increase (Decrease)	2005
Costs of operations	$13,354	28.8%	$10,365	14.3%	$9,072
Percentage of total revenue	59.0%		50.8%		49.8%

The Company s costs of operations, consisting of cost of equipment sales, 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 $2,989,000 in 2007 compared to 2006, and increased $1,293,000 in 2006 compared to 2005.

In 2007 costs of operations included $3,394,000 in cost of equipment sales, compared to no cost in 2006 and 2005. Cost of equipment sales is specific to equipment sales revenue, and represents approximately 15% of total revenue in 2007.

The Company s maintenance and supplies costs were 6% of total revenue in each of the years 2007, 2006 and 2005. Maintenance and supplies costs decreased $11,000 in 2007 compared to 2006, and increased $260,000 in 2006 compared to 2005. The decrease in 2007 compared to 2006 was primarily caused by the end of one maintenance contract due to the termination of the customer lease, and the discontinuance of another maintenance contract where the equipment came under warranty due to a Perfexion Gamma Knife upgrade. These decreases were partially offset by contract price increases at several other sites. The increase in 2006 compared to 2005 was primarily due to the expiration of the warranty period on three Gamma Knife units and the full year inclusion of one Gamma Knife unit where the warranty period expired during 2005.

Depreciation and amortization increased $128,000 in 2007 compared to 2006, and increased $470,000 in 2006 compared to 2005. The increase in 2007 was primarily due to the addition of one IGRT system in the third quarter, the replacement of one Gamma Knife unit to a Perfexion unit in the fourth quarter, and the cobalt reload of another Gamma Knife unit in the third quarter. The increase was partially offset by depreciation ending on one Gamma Knife unit due to the end of lease termination of a customer contract. The increase in 2006 was primarily due to the full year s inclusion of depreciation from three Gamma Knife units that started operation during 2005, and the upgrade and/or cobalt reload on two existing Gamma Knife units in 2006.

Other direct operating costs as a percentage of medical services revenue were 12%, 16% and 14% in 2007, 2006 and 2005, respectively. The decrease of $522,000 in 2007 compared to 2006 was primarily due to reduced marketing and promotion costs at the operations level and lower property tax, sales/use tax and other local tax expense. The increase of $563,000 in 2006 compared to 2005 was primarily due to higher operating costs related to an increase in the number of procedures performed at two of the Company s turn-key retail locations.

SELLING AND ADMINISTRATIVE

(In thousands)	2007	Increase (Decrease)	2006	Increase (Decrease)	2005
Selling and administrative costs	$4,646	16.3%	$3,995	10.6%	$3,613
Percentage of revenue	20.5%		19.6%		19.8%

The Company s selling and administrative costs increased $651,000 in 2007 compared to 2006, and increased $382,000 in 2006 compared to 2005. The increase in 2007 compared to 2006 was primarily due to increased payroll related costs of approximately $227,000 and business development costs of approximately $178,000. The Company increased spending in these areas primarily due to its attempt to develop the PBRT business. In addition, audit and accounting fees increased approximately $190,000, and consulting and other fees increased approximately $211,000. These increases were partially offset by reduced legal fees and contributions of approximately $79,000 and $72,000, respectively, compared to the prior year. The increase in 2006 compared to 2005 was due to increased legal, accounting and consulting fees of approximately $234,000 and payroll related costs of approximately $346,000, primarily bonuses paid for the development of the proton beam business. These increases were partially offset by lower business meeting and other business development costs. Costs to develop the Company s OR21 business decreased $82,000, and there was no Gamma Knife User s Meeting in 2006, unlike 2005 when the Company spent $42,000 for its second such meeting.

INTEREST EXPENSE

(In thousands)	2007	Increase (Decrease)	2006	Increase (Decrease)	2005
Interest expense	$1,946	(9.9%)	$2,161	4.1%	$2,075
Percentage of revenue	8.6%		10.6%		11.4%

The Company s interest expense decreased $215,000 in 2007 compared to 2006, and increased $86,000 in 2006 compared to 2005. The decrease in 2007 was due to lower interest expense on the Company s more mature Gamma Knife units and the completion of debt service on two Gamma Knife units. This was partially offset by additional interest expense from financing a Perfexion Gamma Knife unit at one site, financing the IGRT system at another site, and increased interest expense on borrowing under the Company s line of credit with a bank. The increase in 2006 was primarily due to interest expense from borrowing under the Company s line of credit which offset lower interest expense from financing on the Company s Gamma Knife units. Interest expense on the more mature units is lower than newer units because interest expense decreases with each principal payment.

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OTHER INCOME AND EXPENSE

(In thousands)	2007	Increase (Decrease)	2006	Increase (Decrease)	2005
Interest and other income	$ 328	6.5%	$ 308	52.5%	$ 202
Percentage of revenue	1.4%		1.5%		1.1%
Minority interest expense	$(1,134)	(13.7%)	$(1,314)	16.7%	$(1,126)
Percentage of revenue	(5.0)%		(6.4)%		(6.2)%

Interest and other income increased $20,000 in 2007 compared to 2006 and increased $106,000 in 2006 compared to 2005. The increase in 2007 was primarily due to higher invested cash balances and higher interest rates on those investments. The increase was partially offset by a loss on disposal of assets of $186,000 upon the termination of a customer contract. The increase in 2006 compared to 2005 was primarily due to investment in longer term holdings with higher interest rates available compared to prior years.

Minority interest decreased $180,000 in 2007 and increased $188,000 in 2006 compared to the prior year, respectively. Minority interest represents the pre-tax income earned by the minority partner s 19% interest in GKF. The decrease or increase in minority interest reflects the relative profitability of GKF.

INCOME TAXES

(In thousands)	2007	Increase (Decrease)	2006	Increase (Decrease)	2005
Income tax expense	$919	(23.5%)	$1,202	54.1%	$780
Percentage of revenue	4.1%		5.9%		4.3%

Income tax expense decreased $283,000 in 2007 compared to 2006, and increased $422,000 in 2006 compared to 2005. The Company s income tax expense decreased in 2007 compared to 2006 primarily because of reduced income before income taxes, although the effective income tax rate increased to an estimated 49% for 2007 compared to 42% in 2006. The increase in the effective rate is primarily due to higher state income taxes at the subsidiary level where separate state returns are required and net operating loss carryforwards cannot be applied. The Company recorded an estimated 42% effective income tax provision for 2006, a 5% increase over the estimated income tax provision for 2005. The increase is primarily due to an increase in estimated state income taxes in those states where separate state returns are required. The Company s estimated 37% estimated income tax provision for 2005 was reduced to an effective rate of 31% by a $193,000 income tax benefit from the exercise of options to purchase 264,000 common shares. The income tax benefit was the result of compensation expense that was recognized when these options for common shares were granted in 1995.

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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 tax purposes.

The Company had a net operating loss carryforward for federal income tax return purposes at December 31, 2007 of approximately $7,461,000.

NET INCOME

(In thousands, except per share amounts)	2007	Increase (Decrease)	2006	Increase (Decrease)	2005
Net income	$ 951	(42.6)%	$1,656	(6.3)%	$1,767
Net income per share, diluted	$0.19	(42.4)%	$ 0.33	(5.7)%	$ 0.35

The Company had net income of $951,000 in 2007 compared to $1,656,000 in 2006 and $1,767,000 in 2005. Net income for 2007 was lower than 2006 primarily because of reduced medical services revenue, partially due to the loss of one Gamma Knife customer in late third quarter 2007. It was also partially due to a loss on the sale of equipment and higher selling and administrative costs primarily from increased payroll, business developments costs, accounting and consulting fees. Net income for 2006 included increased operating income of $393,000, an 11.3% increase compared to 2005, which was generated primarily by a revenue increase of 11.8%. An increase of $422,000 in the income tax provision for 2006 compared to 2005 more than offset the operating income increase, causing a decrease in net income of $111,000.

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash and cash equivalents of $6,340,000 at December 31, 2007 compared to $3,952,000 at December 31, 2006. A large part of the increase in cash is due to a $1,284,000 reduction in the Company s position in marketable securities, which it converted to cash. This is reflected on the balance sheet as a decrease of $2,315,000 in long term securities partially offset by an increase of $1,031,000 in short term securities as of December 31, 2007, compared to the prior year. The increase is also due to cash generated from operations and financing on cash deposits the Company made in the prior year towards the purchase of new equipment. 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.

Securities represents a portion of the Company s cash that is invested in high-quality short to long-term fixed income marketable securities in order to maximize income on its available cash. Securities with maturity dates between three and twelve months in the amount of $2,605,000 are classified as current assets. Securities in the amount of $1,065,000 have maturities in excess of one year and are classified as long-term. It is the Company s intent to hold these securities until maturity.

Restricted cash of $50,000 at December 31, 2007 reflects cash that may only be used for the operations of GKF.

The Company has a $6,000,000 line of credit with a bank, secured by its cash and securities. The line of credit has been in place since June 2004 and is renewable annually. As of December 31, 2007, there was $4,100,000 borrowed against the line of credit. The Company believes it has the ability, and it is the Company s intention, to renew the line of credit at its maturity in 2008.

Operating activities provided cash of $8,484,000 in 2007, which is primarily due to net income of $951,000, depreciation and amortization of $6,111,000 and an increase in the minority interest of $1,134,000. The Company s trade accounts receivable increased to $4,486,000 at December 31, 2007 from $4,248,000 at December 31, 2006, primarily due to additional revenue from the Company s new IGRT site, which is a retail site. Retail sites generally have longer collection periods than fee per use sites. This is the primary reason there is an increase to 98 days in the number of days revenue (sales) outstanding (DSO) in accounts receivable as of December 31, 2007 compared to 81 days as of December 31, 2006. We expect DSO to fluctuate in the future depending on timing of customer payments received and the mix of fee per use versus retail customers.

Investing activities used $15,666,000 of cash in 2007 primarily due to the Company s acquisition of property and equipment of $16,333,000, which included the installation of a Perfexion Gamma Knife unit, progress payments towards two additional Perfexion units scheduled for installation in 2008, an upgrade and cobalt reload at another existing Gamma Knife site, the installation of an IGRT system, and additional progress payments towards the purchase of two proton beam units.

Financing activities provided $9,570,000 of cash during 2007, primarily due to long term debt financing on the purchase of property and equipment of $16,997,000. This was partially offset by principal payments on long-term debt of $4,777,000, principal payments towards capital leases of $1,009,000, distributions to minority owners of $1,096,000 and the payment of dividends of $715,000.

The Company had working capital at December 31, 2007 of $747,000 compared to a working capital deficit of $541,000 at December 31, 2006 primarily due to increased cash, securities and accounts receivable, which more than offset a $2,313,000 increase in current portion of long-term debt.

The Company primarily invests its cash in money market or similar funds and high quality short to long-term securities in order to minimize the potential for principal erosion. Cash is invested in these funds pending use in the Company s operations. The Company believes its cash position is adequate to service the Company s cash requirements in 2008.

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The Company finances all of its Gamma Knife and radiation therapy units, and anticipates that it will continue to do so with future contracts. During 2003 the Company s primary lender, DVI, filed for Chapter 11 bankruptcy protection. The principal balances of notes held by DVI were transferred to a third party lender as successor servicer, and the Company continues to make payments on several outstanding note balances serviced by this third party lender. Since that time, the Company has secured financing for its projects from other 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. The Company meets all debt covenants required under notes with its lenders, and expects that any covenants required by future lenders will be acceptable to the Company.

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

The following table presents, as of December 31, 2007, 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 referenced note to the consolidated financial statements.

		Payments Due by Period			
Contractual Obligations	**Total amounts committed**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Long-term debt (includes interest)	$ 32,712,000	$ 8,685,000	$ 19,109,000	$ 3,536,000	$ 1,382,000
Capital leases (includes interest)	4,435,000	1,355,000	2,791,000	289,000	
Line of credit	4,100,000	4,100,000			
Future equipment purchases (1)	22,400,000		22,400,000		
Operating leases	978,000	289,000	688,000	1,000	
Total contractual obligations	$ 64,625,000	$ 14,429,000	$ 44,988,000	$ 3,826,000	$ 1,382,000

(1) The Company has deposits toward the purchase of three Gamma Knife units and two Monarch250 proton beam units as of December 31, 2007. Funding from interim financing has been obtained for

approximately $7,600,000 of the $30,000,000 total equipment purchase commitments, and is included in long term debt. For the two Monarch[250] units specifically, the Company has a commitment to total deposits of $3,000,000 per machine until FDA approval is received, at which time the remaining balance is committed. Interim financing has been obtained for $1,000,000 per machine towards these purchases. For two of the Gamma Knife units, financing commitments are in place. Financing has not yet been obtained for the third Gamma Knife unit, but is anticipated pending final site selection. For all equipment in this classification, term financing for these purchases will not be finalized until 2008 or later, and therefore an accurate determination of payments by period cannot be made as of December 31, 2007. For purposes of this table, these commitments are listed in the 1-3 year category.

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Further discussion of the long-term debt commitment is included in Note 5, capital leases in Note 6, and operating leases in Note 12 of the consolidated financial statements.

The Company has no significant off-balance sheet arrangements.

ITEM 7A.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The table below presents information about certain market-sensitive financial instruments as of December 31, 2007. The fair values were determined based on quoted market prices for the same or similar instruments.

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

	Maturity Date, Year ending December 31							
(amounts in thousands)	2008	2009	2010	2011	2012	Thereafter	Total	Fair Value
Fixed-rate long-term debt and present value of capital leases	$8,273	$12,109	$4,475	$2,733	$1,869	$2,817	$32,276	$32,288
Average interest rates	8.1%	8.1%	8.0%	8.0%	8.0%	8.0%	8.0%	

At December 31, 2007, we had no significant long-term, market-sensitive investments.

We have no affiliation with partnerships, trust 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.

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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, 2007. 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. Based on this assessment management believes that, as of December 31, 2007, the Company s internal control over financial reporting is effective based on those criteria.

This annual report does not include an attestation report of the Company s registered public accounting firm regarding internal control over financial reporting. Management s report was not subject to attestation by the Company s registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management s report in this annual report.

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, including at the date of the filing of the amended 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) 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, 2007, 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.

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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 2008 Annual Meeting of Shareholders (the 2008 Proxy Statement). Information regarding executive officers of the Company, included herein under the caption Executive Officers of the Registrant 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 2008 Proxy Statement.

Information concerning our audit committee financial experts required by this Item is incorporated by reference from the 2008 Proxy Statement.

Information concerning compliance with Section 16(a) of the Exchange Act required by this Item is incorporated by reference from the 2008 Proxy Statement.

We have adopted a Code of Ethics that is incorporated by reference from the 2008 Proxy Statement.

ITEM 11.
EXECUTIVE COMPENSATION

Incorporated herein by reference from the 2008 Proxy Statement.

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

Incorporated herein by reference from the 2008 Proxy Statement.

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

Incorporated herein by reference from the 2008 Proxy Statement.

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ITEM 14.
PRINCIPAL ACCOUNTING FEES AND SERVICES

Incorporated herein by reference from the 2008 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 Income
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:
2.1	Securities Purchase Agreement, dated as of March 12, 1999, by and among Alliance Imaging, Inc.; Embarcadero Holding Corp. I; Embarcadero Holding Corp. II; American Shared Hospital Services; and MMRI, Inc. (1)
3.1	Articles of Incorporation of the Company, as amended. (2)
3.2	By-laws of the Company, as amended. (3)
4.6	Form of Common Stock Purchase Warrant of American Shared Hospital Services. (3)

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Exhibit Number:	Description:
4.8	Registration Rights Agreement, dated as of May 17, 1995, by and among American Shared Hospital Services, the Holders referred to in the Note Purchase Agreement, dated as of May 12, 1995 and General Electric Company, acting through GE Medical Systems. (3)
4.9	Rights Agreement dated as of March 22, 1999 between American Shared Hospital Services and American Stock Transfer & Trust Company as Rights Agent. (25)
10.1	The Company s 1984 Stock Option Plan, as amended. (4)
10.2	The Company s 1995 Stock Option Plan, as amended. (5)
10.3	Form of Indemnification Agreement between American Shared Hospital Services and members of its Board of Directors. (4)
10.4	Ernest A. Bates Stock Option Agreement dated as of August 15, 1995. (6)
10.5	Operating Agreement for GK Financing, LLC, dated as of October 17, 1995. (3)
10.6	Amendments dated as of October 26, 1995 and as of December 20, 1995 to the GK Financing, LLC Operating Agreement, dated as of October 17, 1995. (7)
10.7	Amendment dated as of October 16, 1996 to the GK Financing, LLC Operating Agreement, dated as of October 17, 1995. (1)
10.8	Amendment dated as of March 31, 1999 (Fourth Amendment) to the GK Financing, LLC Operating Agreement dated as of October 17, 1995. (8)
10.9	Amendment dated as of March 31, 1999 (Fifth Amendment) to the GK Financing, LLC Operating Agreement dated as of October 17, 1995. (8)
10.10	Amendment dated as of June 5, 1999 to the GK Financing, LLC Operating Agreement dated as of October 17, 1995. (8)
10.11a	Assignment and Assumption Agreement, dated as of December 31, 1995, between American Shared Radiosurgery Services (assignor) and GK Financing, LLC (assignee). (8)
10.11b	Assignment and Assumption Agreement, dated as of November 1, 1995, between American Shared Hospital Services (assignor) and American Shared Radiosurgery Services (assignee). (4)

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Exhibit Number:	Description:
10.11c	Amendment Number One dated as of August 1, 1995 to the Lease Agreement for a Gamma Knife Unit between The Regents of the University of California and American Shared Hospital Services. (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.) (8)
10.11d	Lease Agreement dated as of July 3, 1990 for a Gamma Knife Unit between American Shared Hospital Services and The Regents of the University of California. (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.) (8)
10.12	Amendment Number Two dated as of February 6, 1999 to the Lease Agreement for a Gamma Knife Unit between UCSF-Stanford Health Care and GK Financing, LLC. (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.) (8)
10.13	Assignment and Assumption Agreement, dated as of February 3, 1996, between American Shared Radiosurgery Services (assignor) and GK Financing, LLC (assignee). (4)
10.14	Lease Agreement for a Gamma Knife Unit dated as of April 6, 1994, between Ernest A. Bates, M.D. and NME Hospitals, Inc. dba USC University Hospital. (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.) (8)
10.15	Assignment and Assumption and Agreement dated as of February 1, 1996 between Ernest A. Bates, M.D. and GK Financing, LLC with respect to the Lease Agreement for a Gamma Knife dated as of April 6, 1994 between Ernest A. Bates, M.D. and NME Hospitals, Inc. dba USC University Hospital. (8)
10.16	Lease Agreement for a Gamma Knife Unit dated as of October 31, 1996 between Hoag Memorial Hospital Presbyterian and GK Financing, LLC. (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.) (8)

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Exhibit Number:	Description:
10.17	Addendum to Lease Agreement for a Gamma Knife Unit dated as of December 1, 1999 between Hoag Memorial Hospital Presbyterian and GK Financing, LLC. (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.) (8)
10.18	Lease Agreement for a Gamma Knife Unit dated as of October 29, 1996 between Methodist Healthcare Systems of San Antonio, Ltd., dba Southwest Texas Methodist Hospital and GK Financing, LLC. (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.) (8)
10.18a	Amendment to Lease Agreement for a Gamma Knife Unit effective December 13, 2003 by and between Methodist Healthcare Systems of San Antonio, Ltd., dba Southwest Texas Methodist Hospital and GK Financing, LLC. (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.) (22)
10.19	Lease agreement for a Gamma Knife Unit dated as of April 10, 1997 between Yale-New Haven Ambulatory Services Corporation and GK Financing, LLC. (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.) (8)
10.19a	Amendment to Lease agreement for a Gamma Knife Unit effective October 25, 2005 by and between Yale-New Haven Ambulatory Services Corporation and GK Financing, LLC. (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.) (27)

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Exhibit Number:	Description:
10.19b	Amendment to Lease agreement for a Gamma Knife Unit effective June 30, 2006 by and between Yale-New Haven Ambulatory Services Corporation and GK Financing, LLC. (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.) (31)
10.20	Lease Agreement for a Gamma Knife Unit dated as of June 1, 1999 between GK Financing, LLC and Kettering Medical Center. (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.) (9)
10.21	Addendum to Contract with GKF and KMC/WKNI, dated June 1, 1999 between GK Financing, LLC and Kettering Medical Center. (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.) (9)
10.22	Lease Agreement for a Gamma Knife Unit dated as of October 5, 1999 between GK Financing, LLC and New England Medical Center Hospitals, Inc. (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.) (9)
10.22a	Addendum to Lease Agreement for a Gamma Knife unit effective April 1, 2005 between GK Financing, LLC and New England Medical Center Hospitals, Inc. (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.) (24)
10.23	Equipment Lease Agreement dated as of October 29, 1999 between GK Financing, LLC and the Board of Trustees of the University of Arkansas on behalf of The University of Arkansas for Medical Sciences. (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.) (9)

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Exhibit Number:	Description:
10.23a	Amendment to Lease Agreement effective as of September 15, 2005 between GK Financing, LLC and the Board of Trustees of the University of Arkansas on behalf of The University of Arkansas for Medical Sciences. (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.) (26)
10.23b	Amendment to Lease Agreement effective as of October 31, 2007 between GK Financing, LLC and the Board of Trustees of the University of Arkansas on behalf of The University of Arkansas for Medical Sciences.
10.24	First Amendment to Lease Agreement for a Gamma Knife Unit effective as of August 2, 2000 between GK Financing, LLC and Tenet HealthSystems Hospitals, Inc. (formerly known as NME Hospitals, Inc.) dba USC University Hospital. (Confidential material appearin