

Edgar Filing: HEALTHWATCH INC - Form 10QSB

HEALTHWATCH INC  
Form 10QSB  
November 08, 2001

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended ----- September 30, 2001	Commission File Number ----- 0-11476
---	--

HEALTHWATCH, INC.

-----  
(Exact Name of Small Business Issuer as Specified in Its Charter)

Minnesota ----- (State or Other Jurisdiction of Incorporation or organization)	84-0916792 ----- (I.R.S. Employer Identification No.)
---	--

1100 Johnson Ferry Road, Suite 670, Atlanta, GA 30342  
-----

(Address of Principal Executive Offices)

(404) 256-0083  
-----

(Issuer's Telephone Number, Including Area Code)

N/A  
-----

(Former Name, Former Address and Former Fiscal Year,  
if Changed Since Last Report)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15 (d) of the Exchange Act during the past 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 X No  
-----

Number of registrant's common shares outstanding at October 31, 2001

4,460,575  
-----

Transitional Small Business Disclosure Format (check one)

Yes No X  
-----

PART I.  
FINANCIAL INFORMATION  
ITEM I. FINANCIAL STATEMENTS

Edgar Filing: HEALTHWATCH INC - Form 10QSB

HEALTHWATCH, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET  
SEPTEMBER 30, 2001  
(UNAUDITED)

ASSETS

CURRENT ASSETS

Cash  
Accounts receivable  
Inventory  
Net assets of discontinued subsidiary  
Other current assets

TOTAL CURRENT ASSETS

OTHER ASSETS

Property and equipment, net of accumulated depreciation of \$465,443  
Intangible assets, net of accumulated amortization of \$373,141

TOTAL OTHER ASSETS

TOTAL ASSETS

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable and accrued expenses  
Accrued payroll and payroll taxes  
Debentures payable  
Deferred rent obligation  
Note payable to a bank  
Income taxes payable

TOTAL LIABILITIES (ALL CURRENT)

SHAREHOLDERS' EQUITY

Cumulative preferred stock, 15,000,000 shares authorized,  
\$.05 par value; \$11,132,300 liquidation preference:  
Series P, 66,886 shares issued and outstanding  
Series C, 4,000 shares issued and outstanding  
Series D, 73,880 shares issued and outstanding  
Common stock, \$.05 par value; 50,000,000 shares authorized:  
2,713,884 shares issued and outstanding  
1,743,064 shares to be issued  
Additional paid-in capital  
Unearned compensation  
Accumulated deficit

TOTAL SHAREHOLDERS' EQUITY

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY

Edgar Filing: HEALTHWATCH INC - Form 10QSB

The accompanying notes are an integral part of these consolidated financial statements.

2

HEALTHWATCH, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000

	2001
	----
SALES	\$ 330,55
COST OF SALES	17,50
	-----
GROSS PROFIT	313,04
	-----
OPERATING EXPENSES	
Selling, general and administrative	221,79
Depreciation and amortization	388,15
Research and development	39,73
	-----
Total operating expenses	649,68
	-----
OPERATING LOSS	(336,63)
	-----
OTHER INCOME (EXPENSE)	
Loss from investment in Halis, Inc.	-
Realized gain on marketable securities	-
Interest income	6
Interest expense	(2,38)
	-----
Total other income (expense)	(2,31)
	-----
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(338,94)
INCOME TAX BENEFIT	20,02
	-----
LOSS FROM CONTINUING OPERATIONS	(318,92)
DISCONTINUED OPERATIONS (NET OF INCOME TAX OF \$20,027)	30,04
	-----
NET LOSS	\$ (288,88)
	=====
BASIC AND DILUTED NET LOSS PER COMMON SHARE	
Loss from continuing operations	\$ (318,92)
Less preferred stock dividends (undeclared)	222,64
Less amortization of beneficial conversion option on Series D and Series P preferred stock	763,09
	-----
Loss from continuing operations available to common shareholders	(1,304,66)
Discontinued operations	30,04
	-----
NET LOSS AVAILABLE TO COMMON SHAREHOLDERS	\$ (1,274,62)
	-----
NET LOSS PER COMMON SHARE, BASIC AND DILUTED	
Loss from continuing operations	\$ (0.2
Discontinued operations, net of income tax	-

Edgar Filing: HEALTHWATCH INC - Form 10QSB

Net loss	\$ (0.2
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	4,455,12

The accompanying notes are an integral part of these consolidated financial statements.

3

HEALTHWATCH, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000

CASH FLOWS FROM OPERATING ACTIVITIES

Net loss

Adjustments:

Depreciation  
Amortization  
Loss from investment in Halis, Inc.  
Gain on sale of marketable securities  
Change in net assets of discontinued subsidiary  
Stock options issued for services  
Changes in assets and liabilities:  
    Accounts receivable  
    Inventory  
    Other current assets  
    Other assets  
    Accounts payable and accrued expenses  
    Deferred revenue and customer deposits

Total adjustments

Net cash used in operating activities

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment  
Proceeds from sale of marketable securities  
Decrease in due from Halis, Inc.  
Purchase of intangible assets, capitalized MERAD  
    technology costs and other

Net cash provided in investing activities

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments on note payable to a bank

Net cash used by financing activities

NET INCREASE (DECREASE) IN CASH

CASH, BEGINNING OF PERIOD

CASH, END OF PERIOD

## Edgar Filing: HEALTHWATCH INC - Form 10QSB

The accompanying notes are an integral part of these consolidated financial statements.

4

### HEALTHWATCH, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2001 (UNAUDITED)

#### PRINCIPLES OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the Company's financial position as of September 30, 2001, and its results of operations and cash flows for the three months then ended have been included. However, operating results for the interim periods noted are not necessarily indicative of the results that may be expected for the year ending June 30, 2002. This report should be read in conjunction with the Company's financial statements and notes thereto contained in the Company's annual report on Form 10-KSB for the year ended June 30, 2001.

#### ORGANIZATION AND NATURE OF BUSINESS

HealthWatch, Inc. ("HealthWatch") and subsidiaries (collectively the "Company") was founded in 1983 and while continuing to be a supplier of parts and services for noninvasive vascular diagnostic medical instruments to hospitals and medical clinics throughout the United States, continues to evolve into primarily a software information technology ("IT") company. The Company's virtual software application utility (the "MERAD Technology") utilizes an advanced multi-media object and relational database which creates knowledge objects that can be used and reused in virtually unlimited numbers of combinations to provide efficient applications that can be accessed in both an Internet and Intranet environment. Headquartered in Atlanta, Georgia, HealthWatch has research and development, marketing, sales and support capabilities in the healthcare IT sector.

The Company's objective is to become a leading provider of enterprise software applications to process and manage transactions for physician offices, hospitals, outpatient clinics, and other healthcare providers. As part of this plan, the Company will offer and market an enterprise software solution, known as the Healthcare Enterprise System (the "HES System"). The HES System uses proprietary technology to distribute, in a compressed digital format, one system that includes over 30 integrated applications for the management of a healthcare enterprise's resources, patient data, clinical data, and finances. The HES System was designed and built using the Company's software application utility, the "MERAD Technology".

5

#### INTANGIBLE ASSETS

## Edgar Filing: HEALTHWATCH INC - Form 10QSB

Intangible assets are being amortized over five years using the straight-line method.

### LONG-LIVED ASSETS

HealthWatch evaluates the carrying value of long-lived assets, including intangibles, whenever events or changes in circumstances indicate that the carrying value of the asset may be impaired. An impairment loss is recognized when estimated undiscounted future cash flows expected to result from the use of the asset, including disposition, is less than the carrying value of the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value exceeds the fair value of the assets, as measured by discounted cash flows over the remaining life of the assets.

### SIGNIFICANT ESTIMATES

Management has estimated the undiscounted future cash flows that are expected to result from the use of its technology. These estimates are based on current letters of intent and anticipated future sales. Achieving these estimates depends on the Company's success in implementing its sales plan and penetrating the market with its available resources. Management's estimates of projected cash flows are subject to risks and uncertainties of change affecting the recoverability of the Company's intangible assets. Although management has made its best estimate of these factors based on current conditions and information, it is reasonably possible that changes could occur in the near term which could adversely affect management's estimate of net cash flows expected to be generated from its technology and the need for asset impairment write-downs. As a result, the carrying amount of the Company's intangible assets of approximately \$6.5 million may be reduced materially in the near term.

### REVENUE RECOGNITION

Revenue consists of software licensing fees, product and supply sales, consulting services, and third party claims processing fees. The Company recognizes revenue from product sales at the time ownership transfers to the customer, principally at shipment. Revenues from licensing agreements are recognized after shipment of the product and fulfillment of acceptance terms, provided no significant obligations remain and collection of resulting receivables are deemed probable. Service revenues are recognized when the services are performed. Claims processing fees are recognized monthly as services are performed, with fees computed based on a percent premium or a fee per participant.

6

### NET LOSS PER SHARE

Basic loss per share is calculated as net loss available to common shareholders divided by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur from common shares issuable through stock options, stock warrants and convertible debt and stock. As the Company's stock options, stock warrants and convertible debt and stock are antidilutive for all periods presented, dilutive loss per share is the same as basic loss per share.

### INCOME TAXES

Deferred income tax assets and liabilities are recognized for the estimated tax effects of temporary differences between the financial reporting and tax

## Edgar Filing: HEALTHWATCH INC - Form 10QSB

reporting bases of assets and liabilities and for loss carryforwards based on enacted tax laws and rates. A valuation allowance is used to eliminate deferred income tax assets to the amount that is more likely than not to be utilized.

### DEBENTURES PAYABLE

As of September 30, 2001, the Company had outstanding debentures with principal totaling \$25,000. The debentures accrue interest at an annual rate of 10%, payable quarterly. The debentures matured on March 1, 1998, and are currently in default as to the payment of principal and past due interest. The debentures, including unpaid accrued interest, could be converted, at the option of the holder, into shares of the Company's common stock. As of September 30, 2001, \$16,334 in accrued but unpaid interest was outstanding on the debentures. The Company is attempting to reach an agreement with the remaining debenture holder in an effort to resolve the amounts outstanding or otherwise bring the debentures out of their default status.

### SUBSEQUENT EVENT

On October 9, 2001, the Company sold its claims processing subsidiary, ABAS, to a company controlled by the President of ABAS. The sales agreement specifies a maximum purchase price of \$1,320,000. This purchase price consists of \$265,000 paid at closing, \$55,000 to be paid on or before June 1, 2002, and profit sharing revenues of \$1,000,000, of which \$465,000 is guaranteed through a promissory note. The agreement also includes a marketing and administrative services agreement to jointly pursue certain new technology based services and share in revenues. The sale resulted in an estimated pre-tax gain of approximately \$585,000 (\$351,000 after estimated taxes).

The following is a summary of operations of ABAS included in the consolidated financial statements of HealthWatch for the three months ended September 30, 2001 and 2000:

	2001	2000
	----	----
Sales	\$1,115,979	\$ --
Operating expenses	1,060,232	--
	-----	-----
Operating income	55,747	--
	-----	-----
Interest expense	(5,680)	--
	-----	-----
Net income	\$ 50,067	\$ --
	=====	=====

7

Assets and liabilities of ABAS at September 30, 2001 are summarized as follows:

Cash	\$113,251
Restricted cash	3,056
Receivables	219,236
Deferred income taxes	45,000
Other current assets	79,623
	-----
Total current assets	460,166
Property and equipment, net	176,560
Other assets	17,722
	-----
Total assets	\$654,448

Edgar Filing: HEALTHWATCH INC - Form 10QSB

Accounts payable and accrued expenses	\$107,181
Deferred rent obligation	66,230
Capital lease obligations - current	56,979
Total current liabilities	230,390
Capital lease obligations - long term	102,297
Total liabilities	\$332,687

8

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Forward Looking Statements

The following discussion of HealthWatch's financial condition and results of operations contains forward looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities and Exchange Act of 1934, which are intended to be covered by the safe harbors created thereby. These statements include the plans and objectives of HealthWatch for future operations. The forward looking statements included herein are based on current expectations that involve numerous risks and uncertainties. HealthWatch's plans and objectives are based on certain assumptions including, but not limited to, competitive conditions within the healthcare industry will not change materially or adversely and that there will be no material adverse change in HealthWatch's operations or business. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions, as well as future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond HealthWatch's control. Although HealthWatch believes that the assumptions underlying the forward looking statements included herein are reasonable, the inclusion of such information should not be regarded as a representation by HealthWatch, or any other person, that the objectives and plans of HealthWatch will be achieved.

Financial Condition

Total assets at September 30, 2001 decreased \$347,752 to \$7,323,951 from \$7,671,703 at June 30, 2001. The decrease is primarily due to the amortization of intangibles of \$373,141, a reduction of \$92,112 in cash used to reduce current liabilities, offset by an increase in accounts receivables of \$156,664. Current liabilities at September 30, 2001 decreased \$69,443 to \$1,458,944 from \$1,528,387 at June 30, 2001. The decrease is primarily due to the repayment of current liabilities. Shareholders' equity at September 30, 2001 decreased \$278,309 to \$5,865,007 from \$6,143,316 at June 30, 2001. This decrease is primarily due to the net loss for the three months ended September 30, 2001 of \$288,880.

Results of Operations

Three months ended September 30, 2001 compared to three months ended September 30, 2000

Revenues increased \$226,286, or 217% to \$330,552 in the first quarter ended September 30, 2001 from \$104,266 during the same period in 2000. The increase results from licensing revenue of the Company's HES System.

Cost of products sold decreased \$5,073 or 22.5% to \$17,503 in the first quarter



## Edgar Filing: HEALTHWATCH INC - Form 10QSB

ended September 30, 2001 from \$22,576 during the same period in 2000. The decrease is primarily due to the continued shift from product sales to service and support at Healthwatch Technologies.

Gross margins increased to \$313,049, 94.7%, in the first quarter ended September 30, 2001 from

9

\$81,690, 78.3%, during the same period in 2000. Higher gross margins were achieved from the revenue generated from the HES System and the continued shift from product sales to service and support at Healthwatch Technologies.

Selling, general and administrative expenses decreased \$693,542 or 75.8% to \$221,798 in the first quarter ended September 30, 2001 from \$915,340 during the same period in 2000. This decrease was primarily due to a decrease in compensation expense, the discontinuance of payments to Halis under the business collaboration agreement subsequent to the merger, and general reductions in operating expenses.

Research and development expenses remained substantially the same at \$39,732 in the first quarter ended September 30, 2001 as compared to \$38,480 during the same period in 2000.

Depreciation and amortization increased \$330,445 to \$388,154 in the first quarter ended September 30, 2001 from \$57,709 during the same period in 2000. The increase is primarily the result of amortization expense of \$300,162 related to intangible assets acquired in the Halis merger which was effective May 31, 2001.

Equity loss from investment in Halis decreased \$118,660 due to the consummation of the Halis merger.

Interest income decreased \$58,036 to \$68 in the first quarter ended September 30, 2001 as compared to \$58,104 during the same period in 2000. The decrease is due to the sale of Marketable Securities used for working capital purposes.

Interest expense decreased \$1,234 to \$2,380 in the first quarter ended September 30, 2001 as compared to \$3,614 during the same period in 2000. The decrease is due to margin interest paid in the first quarter of 2000.

### Liquidity and Capital Resources

At September 30, 2001, HealthWatch had a cash balance of \$42,492. During the three months ended September 30, 2001, operating activities consumed \$67,912 of cash as compared to \$738,959 for the same period in 2000. The decrease in cash used in operations is primarily the result of lower expenses, including the discontinuance of payments to Halis under the business collaboration agreement subsequent to the merger.

There were no cash investing activities during the three months ended September 30, 2001.

Financing activities used \$24,200 cash during the three months ended September 30, 2001. In the first quarter 2001, the Company made principal payments on the note payable to a bank.

The Company has begun to implement its business plan. Currently, HealthWatch does not have any material commitments outstanding for capital expenditures and does not anticipate making any material capital expenditures in the short term. HealthWatch is not currently generating positive cash flow from its operations,

## Edgar Filing: HEALTHWATCH INC - Form 10QSB

and does not currently have liquid assets necessary to sustain operations over the next twelve months. Management believes that it will be able to

10

provide the necessary operating capital from sales of its products and services. However, if HealthWatch is unable to generate sufficient cash flow from its business it will be necessary to seek additional equity or debt financing. There can be no assurance that the Company will be successful in obtaining additional financing under acceptable terms, if at all.

11

### PART II. OTHER INFORMATION

#### ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

During the quarter ended September 30, 2001, the Company issued 3,571 shares of common stock as a result of the conversion of 125 shares of Series D preferred stock.

#### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

On March 1, 1998, \$580,000 principal amount of the Company's 10% secured convertible debentures ("Debentures") were due and payable. The Company was unable to pay the Debentures in accordance with their terms and the Company obtained no further extension of the maturity date from the holders. During fiscal 1999, \$100,000 in principal of the Debentures was paid to the holders thereof. In January and February 2000, the Debenture holders converted \$455,000 of their Debentures and related accrued interest of \$139,357 into 316,990 shares of common stock of the Company. As of September 30, 2001, a principal balance of \$25,000 remains outstanding.

#### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of the Company's shareholders during the first quarter ended September 30, 2001.

12

#### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) EXHIBITS. The following exhibits are filed with or incorporated by reference into this report:
- 2.1 Agreement and Plan of Merger by and among Halis, Inc., HealthWatch Merger Sub, Inc. and HealthWatch, Inc. dated as of June 29, 2000 (1).
  - 2.2 Amendment to the Agreement and Plan of Merger dated as of September 29, 2000 (1).
  - 2.3 Letter of Intent between HealthWatch, Inc. and Halis, Inc. dated March 8, 2000 (1).
  - 2.4 Amendment to the Financing Option between HealthWatch, Inc. and Halis, Inc. dated July 28, 2000 (1).
  - 2.5 Second Amendment to the Agreement and Plan of Merger, dated as of January 31, 2001 (1).
  - 3.1 Articles of Incorporation of HealthWatch, Inc., dated June 10, 1983

## Edgar Filing: HEALTHWATCH INC - Form 10QSB

- (1).
- 3.2 Certificate of Amendment of Articles of Incorporation of HealthWatch, Inc., dated October 20, 1987(1)
- 3.3 Articles of Amendment of Articles of Incorporation of HealthWatch, Inc., dated December 5, 1989 (1).
- 3.4 Articles of Amendment of Articles of Incorporation of HealthWatch, Inc., dated December 8, 1999 (1).
- 3.5 Bylaws of HealthWatch, Inc. (1).
- 3.13 Certification of Designation, Preferences, Rights and Limitations of the 6% Series A Convertible Preferred Stock of HealthWatch, Inc. dated June 9, 1998 (1).
- 3.14 Amended and Restated Certification of Designation, Preferences, Rights and Limitations of the Series P Preferred Stock of HealthWatch, Inc. dated March 22, 2000 (1).
- 3.15 Certification of Designation, Preferences, Rights and Limitations of the Series C 8% Convertible Preferred Stock of HealthWatch, Inc. dated March 20, 2000 (1).
- 3.16 Certification of Designation, Preferences, Rights and Limitations of the Series D 8% Convertible Preferred Stock of HealthWatch, Inc. dated March 20, 2000 (1).
- 4.1 Specimen form of the Company's Common Stock certificate (2)
- 4.8 Subscription and Purchase Agreement dated as of the 14th day of August 1992 between the Company and the Purchasers of the Company's 10% convertible senior debentures due 1997 (including as an appendix thereto the form of the debenture certificate) (3)
- 10.1 Business Collaboration Agreement dated as of October 10, 1997 between HealthWatch, Inc. and Halis, Inc. (1)
- 10.6 Form of Warrant Certificate of HealthWatch, Inc. (1)
- 10.8 Amended and Restated Agency Agreement between Commonwealth Associates, L.P. and HealthWatch, Inc. dated February 7, 2000 (1).
- 10.9 HealthWatch, Inc. 2000 Stock Option Plan, adopted as of May 8, 2000, approved by HealthWatch stockholders July 14 2000 (1).
- 10.10 Form of Stock Option Agreement (1).
- 10.11 Amendment to the Business Collaboration Agreement dated September 20, 2000 between Halis, Inc. and HealthWatch, Inc. (1)
- 10.12 Finders Agreement between HealthWatch, Inc. and Commonwealth Associates, L.P., dated March 21, 2000 (1)
- 21.1 Subsidiaries of HealthWatch, Inc. (1).

13

- (b) REPORTS ON FORM 8-K. The following reports on Form 8-K were filed during the quarter ended September 30, 2001.

None.

- 
- (1) Incorporated herein by reference to the Company's Registration Statement on Form S-4, as amended, originally filed on October 24, 2000 ( File No. 333-48546).
  - (2) Incorporated herein by reference to Registration Statement on Form S-18 (File No. 2-85688D).
  - (3) Incorporated herein by reference to Registration Statement on Form SB-2 (File No. 33-73462).

14

### SIGNATURES

In accordance with the Exchange Act, the registrant caused this report

## Edgar Filing: HEALTHWATCH INC - Form 10QSB

to be signed by the undersigned, thereunto duly authorized.

HEALTHWATCH, INC.

Date: November 8, 2001

/s/ Paul W. Harrison  
-----

Paul W. Harrison  
Chairman, President and  
Chief Executive Officer

Date: November 8, 2001

/s/ Thomas C. Ridenour  
-----

Chief Financial Officer and  
Principal Accounting Officer

15

### EXHIBIT INDEX

Number -----	Description -----
2.1	Agreement and Plan of Merger by and among Halis, Inc., HealthWatch Merger Sub, Inc. and HealthWatch, Inc. dated as of June 29, 2000 (1).
2.2	Amendment to the Agreement and Plan of Merger dated as of September 29, 2000 (1).
2.3	Letter of Intent between HealthWatch, Inc. and Halis, Inc. dated March 8, 2000 (1).
2.4	Amendment to the Financing Option between HealthWatch, Inc. and Halis, Inc. dated July 28, 2000 (1).
2.5	Second Amendment to the Agreement and Plan of Merger, dated as of January 31, 2001 (1).
2.6	Third Amendment to the Agreement and Plan of Merger, dated as of February 16, 2001 (1).
2.7	Fourth Amendment to the Agreement and Plan of Merger, dated as of March 28, 2001 (1).
2.8	Fifth Amendment to the Agreement and Plan of Merger, dated as of April 26, 2001 (1).
3.1	Articles of Incorporation of HealthWatch, Inc., dated June 10, 1983 (1).
3.2	Certificate of Amendment of Articles of Incorporation of HealthWatch, Inc., dated October 20, 1987(1)
3.3	Articles of Amendment of Articles of Incorporation of HealthWatch, Inc., dated December 5, 1989 (1).
3.4	Articles of Amendment of Articles of Incorporation of HealthWatch, Inc., dated December 8, 1999 (1).
3.5	Bylaws of HealthWatch, Inc. (1).
3.13	Certification of Designation, Preferences, Rights and Limitations of the 6% Series A Convertible Preferred Stock of HealthWatch, Inc. dated June 9, 1998 (1).
3.14	Amended and Restated Certification of Designation, Preferences, Rights and Limitations of the Series P Preferred Stock of HealthWatch, Inc. dated March 22, 2000 (1).
3.15	Certification of Designation, Preferences, Rights and Limitations of the Series C 8% Convertible Preferred Stock of HealthWatch, Inc. dated March 20, 2000 (1).
3.16	Certification of Designation, Preferences, Rights and Limitations of the Series D 8% Convertible Preferred Stock of HealthWatch, Inc. dated March 20, 2000 (1).
4.1	Specimen form of the Company's Common Stock certificate (2)
4.8	Subscription and Purchase Agreement dated as of the 14th day of August

## Edgar Filing: HEALTHWATCH INC - Form 10QSB

- 1992 between the Company and the Purchasers of the Company's 10% convertible senior debentures due 1997 (including as an appendix thereto the form of the debenture certificate) (3)
- 10.1 Business Collaboration Agreement dated as of October 10, 1997 between HealthWatch, Inc. and Halis, Inc. (1)
- 10.6 Form of Warrant Certificate of HealthWatch, Inc. (1)
- 10.8 Amended and Restated Agency Agreement between Commonwealth Associates, L.P. and HealthWatch, Inc. dated February 7, 2000 (1).
- 10.9 HealthWatch, Inc. 2000 Stock Option Plan, adopted as of May 8, 2000, approved by HealthWatch stockholders July 14 2000 (1).
- 10.10 Form of Stock Option Agreement (1).
- 10.11 Amendment to the Business Collaboration Agreement dated September 20, 2000 between Halis, Inc. and HealthWatch, Inc. (1)
- 10.12 Finders Agreement between HealthWatch, Inc. and Commonwealth Associates, L.P., dated March 21, 2000 (1)

16

- 21.1 Subsidiaries of HealthWatch, Inc. (1)
- 

- (1) Incorporated herein by reference to the Company's Registration Statement on Form S-4, as amended, originally filed on October 24, 2000 ( File No. 333-48546).
- (2) Incorporated herein by reference to Registration Statement on Form S-18 (File No. 2-85688D).
- (3) Incorporated herein by reference to Registration Statement on Form SB-2 (File No. 33-73462).

17