

UNITED AMERICAN HEALTHCARE CORP
Form 10-K
August 25, 2005

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For fiscal year ended June 30, 2005
Commission file number: 000-18839

UNITED AMERICAN HEALTHCARE CORPORATION
(Exact name of registrant as specified in charter)

MICHIGAN 38-2526913
(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)

300 RIVER PLACE, SUITE 4950
DETROIT, MICHIGAN 48207
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (313) 393-4571

Securities registered pursuant to Section 12(b) of the Act: NONE

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

COMMON STOCK, NO PAR VALUE
(Title of Class)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark 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. ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12-b-2 of the Act). Yes ☐ No ☒

THE AGGREGATE MARKET VALUE OF THE VOTING STOCK OF THE REGISTRANT HELD BY NON-AFFILIATES AS OF AUGUST 22, 2005, COMPUTED BY REFERENCE TO THE NASDAQ SMALLCAP MARKET CLOSING PRICE ON SUCH DATE, WAS \$17,582,555.

THE NUMBER OF OUTSTANDING SHARES OF REGISTRANT'S COMMON STOCK AS OF AUGUST 22, 2005 WAS 7,450,235.

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Portions of the registrant's Proxy Statement for its 2004 Annual Meeting of Shareholders have been incorporated by reference in Part III of this Annual Report of Form 10-K.

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As filed with the Securities and Exchange Commission on August 25, 2005

UNITED AMERICAN HEALTHCARE CORPORATION

FORM 10-K

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PART I

ITEM 1. BUSINESS

GENERAL

United American Healthcare Corporation (the "Company") was incorporated in Michigan on December 1, 1983 and commenced operations in May 1985. Unless the context otherwise requires, all references to the Company indicated herein shall mean United American Healthcare Corporation and its consolidated subsidiaries.

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The Company provides comprehensive management and consulting services to a managed care organization in Tennessee, and previously to other health maintenance organizations in other states, principally (until November 1, 2002) Michigan. The Company also arranges for the financing of health care services and delivery of these services by primary care physicians and specialists, hospitals, pharmacies and other ancillary providers to commercial employer groups and government-sponsored populations in Tennessee and previously (until November 1, 2002) Michigan.

Management and consulting services provided by the Company are and have been generally to health maintenance organizations with a targeted mix of Medicaid and non-Medicaid/commercial enrollment. As of August 1, 2005, there were 132,258 enrollees in UAHC Health Plan of Tennessee, Inc. (formally called OmniCare Health Plan, Inc.) ("UAHC-TN"), owned by the Company's wholly owned subsidiary.

Pursuant to notice received from OmniCare Health Plan in Michigan ("OmniCare-MI"), the Company's management agreement with OmniCare-MI terminated November 1, 2002. On that date, the Company ceased providing services to OmniCare-MI, and UAHC-TN became the Company's only managed plan.

Management and consulting services provided by the Company include feasibility studies for licensure, strategic planning, corporate governance, management information systems, human resources, marketing, pre-certification, utilization review programs, individual case management, budgeting, provider network services, accreditation preparation, enrollment processing, claims processing, member services and cost containment programs.

In 1985, the Company became one of the pioneers in arranging for the financing and delivery of health care services to Medicaid recipients utilizing managed care programs. Management believes the Company has gained substantial expertise in understanding and serving the particular needs of the Medicaid population.

INDUSTRY

In an effort to control costs while assuring the delivery of quality health care services, the public and private sectors have increasingly turned to managed care solutions. As a result, the managed

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care industry, which includes health maintenance organization ("HMO"), preferred provider organization ("PPO") and prepaid health service plans, has grown substantially.

While the trend toward managed care solutions has traditionally been pursued most aggressively by the private sector, the public sector has embraced the trend in an effort to control the costs of health care provided to Medicaid recipients. Consequently, many states are promoting managed care initiatives to contain these rising costs and supporting programs that encourage or mandate Medicaid beneficiaries to enroll in managed care plans.

MANAGED CARE PRODUCTS AND SERVICES

The Company owns and manages the operations of an HMO in Tennessee, UAHC-TN. The Company also managed the operations of an HMO in which it had no ownership interest, OmniCare-MI, pursuant to a management agreement, which terminated November 1, 2002.

The following table shows the approximate number of UAHC-TN members serviced by the Company as of August 1, 2005:

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Medicaid	Non - Medicaid	Total
-----	-----	-----
118,724	13,534	132,258

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The following table shows the Company's principal revenue sources in dollar amounts and as a percentage of the Company's total revenues for the periods indicated. Such data are not indicative of the relative contributions to the Company's net earnings.

	YEAR ENDED JUNE 30,								
	2005		2004		2003				
	(in thousands, except percentages)								
Revenues									
UAHC-TN	\$	21,794	98.7%	\$	21,921	99.3%	\$	24,314	87%
OmniCare-MI*		-	-		-	-		3,395	12%

 * The Company's gross revenues derived from OmniCare-MI were based on management fees earned under a management agreement with OmniCare-MI, which terminated November 1, 2002, and are reflected as a discontinued operation in the consolidated financial statements.

MANAGED PLANS

The Company has entered into a long-term management agreement, through a wholly owned subsidiary of the Company, with UAHC-TN. In addition, the Company had a long-term management agreement with OmniCare-MI, which terminated November 1, 2002. Pursuant to these management agreements, the Company provides to UAHC-TN and provided to OmniCare-MI management and consulting services associated with the financing and delivery of health care services. Table A summarizes the terms of these agreements.

Services provided to UAHC-TN and previously OmniCare-MI (the "Managed Plans") include strategic planning; corporate governance; human resource functions; provider network services; provider profiling and credentialing; premium rate setting and review; marketing services (group and individual); accounting and budgeting functions; deposit, disbursement and investment of funds; enrollment functions; collection of accounts; claims processing; management information systems; utilization review; and quality management.

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Table A- Summary of Terms of Agreements with the Managed Plans

Terms	UAHC-TN	OmniCare-MI (1)
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(1) Duration:

(a) Effective dates:

(i) Commencement	July 1, 1996	May 1, 1985
(ii) Expiration	June 30, 2010	Nov. 1, 2002

(b) Term extension:

(i) Automatically renewable	Yes - 3 successive 5-year periods	N/A
(ii) Terms of renewal/ continuation	5 years	N/A
(iii) Next review period	January 1, 2010	N/A

(c) Termination:

(i) Without cause by the Plan at such review dates	Yes	N/A
(ii) Either party with cause	Yes	N/A

(2) Fees paid to the Company:

(a) Percentage of revenues	Yes	Yes (2)
(b) Fixed premium rates	No	No

(3) Expenses incurred by the Company:

All administrative expenses necessary to carry out and perform the functions of the Plan, excluding:

(i) Audit	Yes	No
(ii) Legal	Yes	No
(iii) Marketing	No	No

(1) The Company's management agreement with OmniCare-MI was amended after the Rehabilitator of OmniCare-MI was appointed by court order on July 31, 2001, and terminated November 1, 2002, pursuant to notice the Company received from OmniCare-MI.

(2) Fees paid to the Company were changed, however, to a cost-based fee, by amendment dated December 14, 2001 and effective August 1, 2001.

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MANAGED PLAN OWNED BY THE COMPANY

UAHC-TN. UAHC-TN was organized as a Tennessee corporation in October 1993, and is headquartered in Memphis, Tennessee. The Company was active in the development of UAHC-TN, and through the Company's wholly owned subsidiary, United American of Tennessee, Inc., wholly owns UAHC-TN. UAHC-TN began as a PPO contractor with the Bureau of TennCare, a State of Tennessee program that provides medical benefits to Medicaid and working uninsured and uninsurable recipients, and operated as a full-risk prepaid health services plan until it obtained its TennCare HMO license in March 1996. UAHC-TN's TennCare HMO contract was executed in October 1996, retroactive to the date of licensure.

In November 1993, UAHC-TN contracted with the State of Tennessee, doing business as TennCare ("TennCare"), as a Medicaid PPO to arrange for the financing and delivery of health care services on a capitated basis to eligible Medicaid beneficiaries and the Working Uninsured and Uninsurable ("Non-Medicaid") individuals who lack access to private or employer sponsored health insurance or to another government health plan. TennCare placed an indefinite moratorium on Working Uninsured enrollment in December 1994; however, such action did not affect persons enrolled in a plan prior to the moratorium. In April 1997, enrollment was expanded to include the children of the Working Uninsured up to age 18.

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The contract between UAHC-TN and TennCare was renewed July 1, 2000 for a 42-month term, expiring December 31, 2003. The new contract provided for increased capitation rates, but eliminated the practice of providing retroactive payments to managed care organizations for high cost chronic conditions of their members ("adverse selection") and payments earmarked as adjustments for covered benefits.

UAHC-TN was assigned approximately 6,000 members by TennCare in the second half of fiscal 2000 as a result of three other managed care organizations, which had contracts with TennCare, ceasing to serve their enrollees or being unable to take on new enrollees. Medical services expenses for such new UAHC-TN members disproportionately exceeded UAHC-TN's normal per member per month ("PMPM") experience and adversely affected its earnings for and since that period. UAHC-TN received from TennCare in fiscal 2001 an adverse selection payment of \$0.8 million for such fiscal 2000 expenses.

In June 2001, TennCare developed new risk-sharing options for its participating managed care organizations (MCOs), including UAHC-TN. UAHC-TN entered into its changed contract with TennCare effective July 1, 2001.

At June 30, 2001, UAHC-TN was licensed in and served Shelby and Davidson Counties in Tennessee (which include the cities of Memphis and Nashville, respectively). Effective July 1, 2001, UAHC-TN received approval from TennCare to expand its service area to western Tennessee and to withdraw from Davidson County. Additionally, a significant competitor of UAHC-TN ceased doing business in October 2001, and TennCare assigned approximately 40,000 of that plan's members to UAHC-TN on February 15, 2002.

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Beginning July 1, 2002, TennCare implemented an 18-month stabilization program which entailed changes to TennCare's contracts with MCOs, including UAHC-TN. During that period, MCOs were generally compensated for administrative services only (commonly called "ASO"), earned fixed administrative fees, were not at risk for medical costs in excess of targets established based on various factors, were subject to increased oversight, and could incur financial penalties for not achieving certain performance requirements. Through successive contractual amendments, TennCare extended the ASO reimbursement system applicable to UAHC-TN, first through June 30, 2004, then through December 31, 2004, and then through June 30, 2005.

UAHC-TN sought reimbursement from TennCare for exceptionally high medical expenses incurred by new UAHC-TN enrollees in fiscal year 2002, including for actuarially estimated claims incurred but not yet reported to UAHC-TN. In response, TennCare amended its contract with UAHC-TN in September 2002, retroactive to July 1, 2001 in some respects and to May 1, 2002 in other respects. The amendment stated that UAHC-TN's outside actuary certified the plan required \$7.5 million to meet its statutory net worth requirement for the year ended June 30, 2002 and that UAHC-TN "is a viable HMO under contract with TennCare on the same basis as other comparable HMOs in the program effective July 1, 2002."

Pursuant to such contractual amendment: UAHC-TN retroactively elected an available risk option for the ten months from July 1, 2001 through April 30, 2002; TennCare retroactively agreed to reimburse UAHC-TN on a no-risk ASO basis for medical services effective beginning May 1, 2002, and TennCare agreed to pay UAHC-TN up to \$7.5 million as necessary to meet its statutory net worth requirement as of June 30, 2002. Pursuant to an agreement between TennCare and UAHC-TN in October 2002, TennCare further agreed to pay additional funds to UAHC-TN if future certified actuarial data confirmed they were needed by UAHC-TN to meet that requirement.

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UAHC-TN received a permitted practice letter from the State of Tennessee to include such \$7.5 million receivable in its statutory net worth at June 30, 2002. Under generally accepted accounting principles, the \$7.5 million receivable and additional funds were not recorded in fiscal 2002 financial statements but have been recorded in subsequent fiscal years as fiscal 2002 claims are processed. For the year ended June 30, 2005, an additional \$0.02 million of such medical claims were processed, and the same amount was recognized as revenue by UAHC-TN.

UAHC-TN's application for a commercial HMO license was approved on September 7, 2001. Management is not yet actively pursuing that commercial business, however, due to UAHC-TN's substantially increased enrollment from members TennCare assigned to it from defunct other plans.

Through an amendment with an effective date of July 1, 2005, TennCare has implemented a modified risk arrangement with all its contracted MCOs, including UAHC-TN, which are at risk for losing up to 10% of administrative fee revenue and may receive up to 15% incentive bonus revenue based on performance relative to benchmarks. TennCare has also announced plans to disenroll non-medically needy adults who are not eligible for Medicaid from TennCare coverage statewide, and to impose benefit limits on the 396,000 adults left in the program who are eligible

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for Medicaid. The announced plans would preserve full coverage for the 612,000 children on the program. As a result, UAHC-TN expects to lose only approximately 12,000 of its present 132,258 members over a 12-month period beginning in the first quarter of fiscal year 2006, being its only working uninsured and uninsurable adult members.

As of August 1, 2005, UAHC-TN's total enrollment was 132,258 members, of whom 90% were Medicaid enrollees and 10% were Non-Medicaid enrollees.

MANAGED PLAN PREVIOUSLY OPERATED BY THE COMPANY

OMNICARE-MI. As further described below, OmniCare-MI ceased to be a Managed Plan operated by the Company effective November 1, 2002.

While managed by the Company, OmniCare-MI was a not-for-profit, tax-exempt corporation headquartered in Detroit, Michigan and serving southeastern Michigan, operating in Wayne, Oakland, Macomb, Monroe and Washtenaw counties. Its history included a number of innovations that were adopted and proved successful for the industry. While managed by the Company, it was the first network model HMO in the country and the first to capitate physician services in an IPA-model HMO (an Independent Practice Association model HMO does not employ physicians as staff, but instead contracts with associations or groups of independent physicians to provide services to HMO members). OmniCare-MI also created and implemented the first known mental health capitation carve out in 1983.

While managed by the Company, OmniCare-MI's enrollment was through companies that offered the health plan coverage to employees and their family members, through individual enrollment and through the State of Michigan's Medicaid program pursuant to an agreement with the Michigan Department of Community Health, which made HMO coverage available to eligible Medicaid beneficiaries in certain counties and mandatory in others.

As a Michigan HMO, OmniCare-MI was subject to oversight by the State of Michigan's Commissioner of the Office of Financial and Insurance Services (the

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"Commissioner"). On July 31, 2001, pursuant to a motion by the Commissioner, a State circuit court judge entered an order of rehabilitation of OmniCare-MI (the "Order") and appointed the Commissioner as Rehabilitator of OmniCare-MI. The Order directed the Rehabilitator to administer all of OmniCare-MI's assets and business while attempting to effectuate its rehabilitation, preserve its provider network and maintain uninterrupted health care services to the greatest extent possible.

The Order required the Company to continue performing all services under its OmniCare-MI management agreement, which the Company did until that agreement's termination on November 1, 2002, pursuant to OmniCare-MI's court-approved rehabilitation plan.

GOVERNMENT REGULATION

The Company is and/or has been subject to extensive federal and state health care and insurance regulations designed primarily to protect enrollees in the Managed Plans, particularly with respect to government sponsored enrollees. Such regulations govern many aspects of the Company's business affairs and typically empower state agencies to review management agreements with health care plans for, among other things, reasonableness of charges. Among

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the other areas regulated by federal and state law are licensure requirements, premium rate increases, new product offerings, procedures for quality assurance, enrollment requirements, covered benefits, service area expansion, provider relationships and the financial condition of the managed plans, including cash reserve requirements and dividend restrictions. There can be no assurances that the Company or UAHC-TN will be granted the necessary approvals for new products or will maintain federal qualifications or state licensure.

The licensing and operation of UAHC-TN are governed by the Tennessee statutes and regulations applicable to health maintenance organizations. The licenses are subject to denial, limitation, suspension or revocation if there is a determination that the plan is operating out of compliance with the state's HMO statute, failing to provide quality health services, establishing rates that are unfair or unreasonable, failing to fulfill obligations under outstanding agreements or operating on an unsound fiscal basis. UAHC-TN is not a federally-qualified HMO and, therefore, is not subject to the federal HMO Act.

Federal and state regulation of health care plans and managed care products is subject to frequent change, varies from jurisdiction to jurisdiction and generally gives responsible administrative agencies broad discretion. Laws and regulations relating to the Company's business are subject to amendment and/or interpretation in each jurisdiction. In particular, legislation mandating managed care for Medicaid recipients is often subject to change and may not initially be accompanied by administrative rules and guidelines. Changes in federal or state governmental regulation could affect the Company's operations, profitability and business prospects. While the Company is unable to predict what additional government regulations, if any, affecting its business may be enacted in the future or how existing or future regulations may be interpreted, regulatory revisions may have a material adverse effect on the Company.

INSURANCE

The Company presently carries comprehensive general liability, directors and officers liability, property, business automobile, and workers' compensation insurance. Management believes that coverage levels under these policies are adequate in view of the risks associated with the Company's business. In addition, UAHC-TN has (and OmniCare-MI while managed by the Company had)

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professional liability insurance that covers liability claims arising from medical malpractice. UAHC-TN is required to pay the professional liability insurance premiums under the terms of the Company's management agreement. There can be no assurance as to the future availability or cost of such insurance, or that the Company's business risks will be maintained within the limits of such insurance coverage.

COMPETITION

The managed care industry is highly competitive. The Company directly competes with other entities that provide health care plan management services, some of which are nonprofit corporations and others, which have significantly greater financial and administrative resources. The Company primarily competes on the basis of fee arrangements, cost effectiveness and the range and quality of services offered to prospective health care clients. While the Company believes that its experience gives it certain competitive advantages over existing and potential

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new competitors, there can be no assurance that the Company will be able to compete effectively in the future.

The Company competes with other HMOs, PPOs and insurance companies. The level of this competition may affect, among other things, the operating revenues of UAHC-TN and, therefore, the revenues of the Company. UAHC-TN's primary market competitors in western Tennessee are TLC, Better Health Plans and TennCare Select. UAHC-TN primarily competes on the basis of enrollment, provider networks and other related plan features and criteria. Management believes that UAHC-TN is able to compete effectively with its primary market competitors.

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EMPLOYEES

The Company's ability to maintain its competitive position and expand its business into new markets depends, in significant part, upon the maintenance of its relationships with various existing senior officers, as well as its ability to attract and retain qualified health care management professionals. The Company neither has nor intends to pursue any long-term employment agreement with any of its key personnel. Accordingly, there is no assurance that the Company will be able to maintain such relationships or attract such professionals.

The total number of employees at August 1, 2005 was 106 compared to 119 at August 1, 2004. The Company's employees do not belong to a collective bargaining unit and management considers its relations with employees to be good.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements to encourage management to provide prospective information about their companies without fear of litigation so long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those projected in the statements. Certain statements contained in this Form 10-K annual report, including, without

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limitation, statements containing the words "believes," "anticipates," "will," "could," "may," "might" and words of similar import, constitute "forward-looking statements" within the meaning of this "safe harbor."

Such forward-looking statements are based on management's current expectations and involve known and unknown risks, uncertainties and other factors, many of which the Company is unable to predict or control, that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors potentially include, among others, the following:

1. Inability to increase premium rates commensurate with increases in medical costs due to utilization, government regulation, or other factors.
 2. Discontinuation of, limitations upon, or restructuring of government-funded programs, including but not limited to the TennCare program.
 3. Increases in medical costs, including increases in utilization and costs of medical services and the effects of actions by competitors or groups of providers.
 4. Adverse state and federal legislation and initiatives, including: the State of Tennessee's limitations upon or reductions in premium payments; prohibition or limitation of capitated arrangements or financial incentives to providers; federal and state benefit mandates (including mandatory length of stay and emergency room coverage); limitations on the ability to manage care and utilization; and any willing provider or pharmacy laws.
 5. Failure to obtain new customer bases or members or retain or regain customer bases or members, or reductions in work force by existing customers.
 6. Increased competition between current organizations, the entrance of new competitors and the introduction of new products by new and existing competitors.
 7. Adverse publicity and media coverage.
 8. Inability to carry out marketing and sales plans.
 9. Loss or retirement of key executives.
 10. Termination of provider contracts or renegotiations at less cost-effective rates or terms of payment.
 11. Adverse regulatory determinations resulting in loss or limitations of licensure, certification or contracts with governmental payers.
 12. Higher sales, administrative or general expenses occasioned by the need for additional advertising, marketing, administrative or management information systems expenditures.
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13. Increases by regulatory authorities of minimum capital, reserve and other financial solvency requirements.

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14. Denial of accreditation by quality accrediting agencies, e.g., the National Committee for Quality Assurance (NCQA).
15. Adverse results from significant litigation matters.
16. Inability to obtain satisfactory bank loan credit arrangements, if needed.
17. Increased costs to comply with the Health Insurance Portability and Accountability Act of 1996 (HIPAA).

ITEM 2. PROPERTIES

The Company currently leases approximately 30,000 aggregate square feet from which it conducts its operations in Michigan and Tennessee. The principal offices of the Company are located at 300 River Place, Suite 4950, Detroit, Michigan, where it currently leases approximately 2,000 square feet of office space.

The Company believes that its current facilities provide sufficient space suitable for all of its activities and that sufficient other space will be available on reasonable terms, if needed.

ITEM 3. LEGAL PROCEEDINGS

On May 27, 2005 and June 16, 2005, complaints were filed in two similar lawsuits against the Company and certain of its present and past officers in the United States District Court for the Eastern District of Michigan. The plaintiffs in the two respective cases are Gregory Zaluski and William Coleman, each on behalf of himself and all others similarly situated. Both complaints allege that in the period from May 26, 2000 through April 22, 2005, the Company made materially false and misleading statements in violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, with the alleged result of artificially inflating the market price of the Company's stock during that period. Both complaints allege that as a direct result of facts publicly disclosed by the Company in April 2005, the Company's stock price dropped by about \$3.39. Each plaintiff claims to represent a class consisting of others similarly situated, namely, those who purchased the Company's stock during the specified period. The plaintiffs are seeking to recover damages on behalf of themselves and the class, and any other relief the court may grant. The plaintiffs, intending to have the two cases consolidated, have agreed that the Company need not respond to the complaints until the court appoints lead plaintiffs and lead counsel and until such lead plaintiffs file a consolidated amended complaint.

In a lawsuit described in our Form 8-K Report of February 7, 2005, Provider Creditors Committee on behalf of Michigan Health Maintenance Organizations Plans, Inc. v. United American Health Care Corporation and others, the plaintiffs have filed a second amended complaint still seeking damages in excess of \$62 million from the Company and other defendants based on allegations that the Company breached its management agreement with OmniCare Health Plan in Michigan ("OmniCare-MI") and that the Company's actions as the management company of OmniCare-MI resulted in such alleged damages. The Company on

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July 15, 2005, filed an answer and affirmative defenses and a motion for partial summary disposition seeking dismissal of numerous counts. The Company intends to vigorously defend the lawsuit.

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

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The table below sets forth for the Common Stock the range of the high and low sales prices per share on the NASDAQ SmallCap Market for each quarter in the past two fiscal years.

As of August 22, 2005, the closing price of the Common Stock was \$2.36 per share and there were approximately 119 shareholders of record of the Company.

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The following table shows consolidated financial data for the periods indicated:

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outstanding - diluted	7,674	7,266	6,950	6
Balance Sheet Data (June 30):				
Cash and investments	\$ 13,573	\$ 8,767	\$ 4,693	\$ 18
Goodwill	3,452	3,452	2,952	2
Total assets	24,235	20,081	15,114	33
Medical claims and benefits payable	172	406	591	24
Debt	-	847	1,766	2
Shareholders' equity	20,483	14,885	7,140	1
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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

This Financial Review discusses the Company's results of operations, financial position and liquidity. This discussion should be read in conjunction with the consolidated financial statements and related notes thereto contained elsewhere in this annual report.

The Company provides comprehensive management and consulting services to managed care organizations, including health maintenance organizations ("HMOs") in Tennessee and (until

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November 1, 2002) Michigan, with a targeted mix of Medicaid and commercial enrollment. OmniCare Health Plan, in Michigan ("OmniCare-MI"), an HMO then administered by the Company under a management agreement, was placed in court-ordered rehabilitation proceedings on July 31, 2001, which relieved the Company from further funding OmniCare-MI's capital deficiencies and which continued its OmniCare-MI management agreement, with substantially reduced management fee revenues from OmniCare-MI beginning August 1, 2001. In March 2002, upon the court-appointed Rehabilitator's filing a proposed rehabilitation plan for OmniCare-MI, the Company announced it anticipated eventual termination of the management agreement. Such termination occurred November 1, 2002, after which the Company's only managed plan has been UAHC Health Plan, Inc. (formerly called OmniCare Health Plan, Inc.) ("UAHC-TN"), an HMO, which is owned by the Company's wholly owned subsidiary. Accordingly, the consolidated financial statements in this annual report have been restated to present the operations related to managing OmniCare-MI as a discontinued operation.

Beginning July 1, 2002, TennCare implemented an 18-month stabilization program which entailed changes to TennCare's contracts with MCOs, including UAHC-TN. During that period, MCOs were generally compensated for administrative services only (commonly called "ASO"), earned fixed administrative fees, were not at risk for medical costs in excess of targets established based on various factors, were subject to increased oversight, and could incur financial penalties for not achieving certain performance requirements. Through successive contractual amendments, TennCare extended the ASO reimbursement system applicable to UAHC-TN first through June 30, 2004, then through December 31, 2004, and then through June 30, 2005. These matters are more fully discussed and analyzed below under the heading "Review of Consolidated Results of Operations - 2005 Compared to 2004."

REVIEW OF CONSOLIDATED RESULTS OF OPERATIONS - 2005 COMPARED TO 2004

UAHC-TN DEVELOPMENTS

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UAHC-TN's results of operations for fiscal 2004 and 2005 are best understood in the context of certain earlier events involving several of TennCare's major contracted MCOs, which ceased doing business in fiscal 2002. Beginning in February, March and April 2002, UAHC-TN unexpectedly noticed increases in its claims payments, investigated, and found that approximately 9,500 new members added in September-December 2001 represented children with special needs with medical costs over 100% of the premiums received, and that many members transferred to UAHC-TN from failed MCOs also had medical costs in excess of UAHC-TN's premiums received. Beginning in April 2002, UAHC-TN wrote to TennCare seeking risk adjustments and reimbursements to compensate UAHC-TN for such medical expenses, including for actuarially estimated claims incurred but not yet reported to UAHC-TN.

TennCare responded to its MCOs' situation generally and in some instances individually. For all its contracted MCOs generally, TennCare changed its reimbursement system to an administrative services only ("ASO") program for an 18-month stabilization period (July 1, 2002 through December 31, 2003), during which the MCOs - including UAHC-TN - have no medical cost risk

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(i.e., no risk for medical losses), earn fixed administrative fees and are subject to increased oversight. Through successive contractual amendments, TennCare extended the ASO reimbursement system applicable to UAHC-TN, first through June 30, 2004, then through December 31, 2004, and then through June 30, 2005. Through an amendment with an effective date of July 1, 2005, TennCare has implemented a modified risk arrangement with all its contracted MCOs, including UAHC-TN, which are at risk for losing up to 10% of administrative fee revenue and may receive up to 15% incentive bonus revenue based on performance relative to benchmarks. TennCare has also announced plans to disenroll non-medically needy adults who are not eligible for Medicaid from TennCare coverage statewide, and to impose benefit limits on the 396,000 adults left in the program who are eligible for Medicaid. The announced plans would preserve full coverage for the 612,000 children on the program. As a result, UAHC-TN expects to lose only approximately 12,000 of its present 132,258 members over a 12-month period beginning in the first quarter of fiscal year 2006, being its only working uninsured and uninsurable adult members.

Pursuant to a Notice of Administrative Supervision issued by the Commissioner of the State of Tennessee's Department of Commerce and Insurance on April 20, 2005, to our subsidiary, UAHC-TN was placed under administrative supervision of the Commissioner and "has until December 31, 2005 to demonstrate to the Commissioner's satisfaction" that its "continued operation and business, absent the supervision or other oversight by the Commissioner, is not hazardous, financially or operationally, to its enrollees, its creditors or the public."

UAHC-TN received no prior notice of the notice and order of administrative supervision and had no opportunity to respond to its factual assertions. UAHC-TN and the Company are fully cooperating with the State of Tennessee in accordance with the terms of the order, and we do not currently anticipate any material developments during the supervision period.

The administrative supervision order prohibits UAHC-TN from taking certain actions, including making any payments, without the approval of the Commissioner's appointed Administrative Supervisor during the supervision. It is important to recognize that administrative supervision is significantly different than receivership and that UAHC-TN is not in receivership.

The administrative supervision notice asserted a number of findings of fact, which the Commissioner stated formed the basis for her order. UAHC-TN and the Company do not agree with many of those findings. The notice also asserted that

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its findings of fact described potential grounds for termination of UAHC-TN's TennCare contract. Although we acknowledge that any such termination would have a material adverse effect on UAHC-TN and the Company, we do not agree that those findings are accurate. Moreover, the State of Tennessee in August 2005 extended UAHC-TN's TennCare contract through June 30, 2006, by an amendment to the contract effective as of July 1, 2005.

On May 25, 2004, and effective as of January 1, 2004, the Company's wholly owned subsidiary, United American of Tennessee, Inc. ("UA-TN"), which already owned 75% of the outstanding stock of UAHC-TN, purchased the remaining 25% of the outstanding common stock of UAHC-

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TN. UAHC-TN thereby became a wholly owned subsidiary of UA-TN and a wholly owned second-tier subsidiary of the Company. The 25% minority interest was purchased under a longstanding option agreement for \$500,000 evidenced by a Company promissory note that was paid by December 31, 2004.

As of June 30, 2005, UAHC-TN's total enrollment was 131,247 members, compared to 129,484 at June 30, 2004.

OMNICARE-MI DEVELOPMENTS

It should be noted initially in this discussion that the Company's longstanding management agreement with OmniCare-MI ended effective November 1, 2002. The consolidated financial statements have been restated to present the operations related to managing OmniCare-MI as a discontinued operation.

As a Michigan HMO, OmniCare-MI is subject to oversight by the State of Michigan's Commissioner of the Office of Financial and Insurance Services (the "Commissioner"). On July 31, 2001, pursuant to a motion by the Commissioner, a State circuit court judge entered an order of rehabilitation of OmniCare-MI (the "Order") and appointed the Commissioner as Rehabilitator of OmniCare-MI. The Order directed the Rehabilitator to administer all of OmniCare-MI's assets and business while attempting to effectuate its rehabilitation, preserve its provider network and maintain uninterrupted health care services to the greatest extent possible. Pursuant to and since the Order, through the management agreement's termination date, the Rehabilitator's appointed special deputy served as the Chief Executive Officer of OmniCare-MI.

The Order beneficially relieved the Company from further funding OmniCare-MI's capital deficiencies through unsecured loans and forgiving earned management fees. The Order required the Company to continue performing all services under its OmniCare-MI management agreement, which continued through October 31, 2002. That agreement terminated November 1, 2002 pursuant to notice received from OmniCare-MI in accordance with its amended rehabilitation plan, which a State circuit court judge approved on July 29, 2002.

Because of its resulting workforce reduction, the Company made plans to sublease all of its then principal office premises in Detroit, Michigan, to OmniCare-MI, retroactive to November 1, 2002, and expiring at the lease end in May 2005, and to sell to OmniCare-MI furniture, a telephone system and certain computer hardware and software that the Company chose to leave there. OmniCare-MI commenced its occupancy of the premises on November 1, 2002 and the Company remained in a portion of the premises until it moved its principal offices to new leased premises in Detroit on February 3, 2003. Management had expected both parties to finalize and sign the sublease, and close the sale of such assets, in the fourth quarter of fiscal 2003, but was delayed as a result of the appointment by the Governor of Michigan of Linda A. Watters as the new Commissioner of the Office of Financial and Insurance Services on April 11,

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2003. Ms. Watters had served on the Company's Board of Directors continually since 2000 and resigned that office on the same date she became the new Commissioner (as required to avoid any possible appearance of a conflict of interest and not as the result of any disagreement with the Company). Because of the new Commissioner's prior association with the Company, the State circuit court judge who retained jurisdiction over OmniCare-MI's rehabilitation proceedings then

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required that a designated independent person replace the Rehabilitator's (i.e., Commissioner's) special deputy who had been dealing with the sublease and assets purchase. Meanwhile, due to the subsequent sale of OmniCare-MI members to Coventry of Michigan approved on May 10, 2004 and effective October 1, 2004, the sale of assets did not occur and the Company accordingly recorded a loss from discontinued operations of \$0.7 million in the fourth quarter of fiscal year 2004. The Company renegotiated sublease terms with Michigan HMO (formerly doing business as OmniCare Health Plan in Michigan), which continued to occupy and pay rent for reduced space in such premises. Michigan HMO's occupancy and rent obligation for the subleased premises ceased on February 28, 2005 sooner than the primary lease end in May 2005. The Company recorded a liability in the first quarter of fiscal year 2005 as it relates to the sublease obligation.

SPECIFIC COMPARISONS OF 2005 TO 2004

Total revenues were \$22.1 million for the fiscal year ended June 30, 2005 compared to \$22.1 million for the fiscal year ended June 30, 2004, practically unchanged year-over-year.

Medical premiums revenues were \$0.02 million for the fiscal year ended June 30, 2005, a decrease of \$0.5 million (96%) from medical premiums revenues of \$0.5 million for the fiscal year ended June 30, 2004. The decrease came from UAHC-TN as the result of TennCare's changing its reimbursement system to an ASO program for an initially declared 18-month stabilization period beginning July 1, 2002, subsequently extended through June 30, 2005.

Fixed administrative fees related to the ASO program were \$20.9 million for the fiscal year ended June 30, 2005, an increase of \$0.5 million (3%) from fixed administrative fees of \$20.4 million for the fiscal year ended June 30, 2004. The increase in fixed administrative fees is principally due to a slight increase in members of UAHC-TN.

Total expenses were \$16.0 million for the fiscal year ended June 30, 2005, compared to \$15.3 million for the fiscal year ended June 30, 2004, an increase of \$0.7 million (4%). The increase was principally due to an increase in costs associated with the Administrative Supervision Order for UAHC-TN discussed above, and an increase in claims processing costs.

Because of TennCare's ASO reimbursement system, medical services expenses were \$0.02 million in the fiscal year ended June 30, 2005, a decrease of \$0.5 million (96%), as compared with medical services expenses of \$0.5 million in the fiscal year ended June 30, 2004. The \$0.02 million of medical services expenses represent fiscal 2002 claims processed and reimbursed by TennCare in fiscal 2005 as explained in item 1 under the heading "Managed Plans - Managed Plan Owned by the Company."

Marketing, general and administrative expenses were \$15.7 million for the fiscal year ended June 30, 2005, as compared with marketing, general and administrative expenses of \$14.5 million for the comparable period a year earlier, a increase of \$1.2 million (9%). The increase was principally due to an increase in costs associated with the administrative supervision order for UAHC-TN discussed

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above, and an increase in claims processing costs.

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Depreciation and amortization expense decreased \$0.2 million (22%), to \$0.05 million for the fiscal year ended June 30, 2005 from \$0.23 million for the fiscal year ended June 30, 2004.

Interest expense decreased \$0.06 million (88%), to \$0.06 million for the fiscal year ended June 30, 2005 from \$0.07 million for the fiscal year ended June 30, 2004, principally due to debt reduction.

Earnings from continuing operations before income taxes were \$6.1 million and \$6.8 million for the fiscal years ended June 30, 2005 and 2004, respectively. Such decrease in earnings from continuing operations of \$0.7 million, or \$0.08 per basic share, is principally due to an increase in marketing, general and administrative expenses.

Income tax expense increased \$1.8 million (160%), to \$0.7 million for the fiscal year ended June 30, 2005 from \$(1.1) million for the fiscal year ended June 30, 2004. The Company's effective tax rate for the fiscal year ended June 30, 2005 is 11% and differs from the statutory rate of 34%. This difference is the result of the utilization of net operating loss carryforwards for which a valuation allowance had previously been applied.

The Company recognized a loss of \$0.1 million from discontinued operations for the fiscal year ended June 30, 2005, principally due to a liability relating to a sublease as described above, partially offset by the release of certain liabilities related to a patient care software system no longer in use by the Company. For the fiscal year ended June 30, 2004, the Company recognized a loss from discontinued operations of \$0.7 million. The charges for discontinued operations are the result of the termination of the Company's longstanding management agreement with OmniCare-MI, effective November 1, 2002. See "OVERVIEW" above for more detailed discussion and analysis of such loss from discontinued operations.

Net earnings were \$5.3 million, or \$0.72 per basic share, for the fiscal year ended June 30, 2005, compared to net earnings of \$7.2 million, or \$0.99 per basic share, for the fiscal year ended June 30, 2004, an decrease of \$1.9 million (23%). Such decrease in net earnings is principally due to an increase in marketing, general and administrative expenses and a higher effective tax rate for the period.

REVIEW OF CONSOLIDATED RESULTS OF OPERATIONS - 2004 TO 2003

Total revenues decreased \$2.4 million (10%), to \$22.1 million for the fiscal year ended June 30, 2004 from \$24.5 million for the fiscal year ended June 30, 2003, principally as the result of the change in the reimbursement system of TennCare, discussed above.

Medical premium revenues were \$0.5 million for the fiscal year ended June 30, 2004, a decrease of \$7.3 million (93%) from medical premium revenues of \$7.8 million for the fiscal year ended June 30, 2003. The decrease came from UAHC-TN as the result of TennCare's changing its reimbursement system to an ASO program for an initially declared 18-month stabilization period beginning July 1, 2002, subsequently extended through June 30, 2005.

Fixed administrative fees related to the ASO program were \$20.4 million for the fiscal year ended June 30, 2004, an increase of \$5.6 million (38%) from fixed administrative fees of \$14.8

million for the fiscal year ended June 30, 2003. The increase in fixed administrative fees is principally due to an increase in members and an increase in reimbursement rates effective July 1, 2003.

Total expenses were \$15.3 million for the fiscal year ended June 30, 2004, compared to \$16.6 million for the year ended June 30, 2003, a decrease of \$1.3 million (8%). The decreases were principally due to the TennCare ASO program for UAHC-TN discussed above.

Because of TennCare's ASO reimbursement system, medical services expenses were \$0.5 million in the fiscal year ended June 30, 2004, an increase of \$0.1 million (23%) as compared with medical services expenses of \$0.4 million in the fiscal year ended June 30, 2003. The \$0.5 million of medical services expenses represent fiscal 2002 claims processed and reimbursed by TennCare in fiscal 2004 as explained above.

Marketing, general and administrative expenses were \$14.5 million for the fiscal year ended June 30, 2004, as compared with marketing, general and administrative expenses of \$15.7 million for the comparable period a year earlier, a decrease of \$1.2 million (8%). The decrease is principally due to TennCare's payment of premium tax as a result of the ASO arrangement discussed above, offset by the costs of claims processing associated with a membership increase.

Depreciation and amortization expense decreased \$0.07 million (23%), to \$0.23 million for the fiscal year ended June 30, 2004 from \$0.3 million for the fiscal year ended June 30, 2003.

Interest expense decreased \$0.08 million (60%), to \$0.06 million for the fiscal year ended June 30, 2004 from \$0.14 million for the fiscal year ended June 30, 2003, principally due to debt reduction.

Income tax expense decreased \$1.7 million (269%), to \$(1.1) million in the fiscal year ended June 30, 2004 from \$0.6 million in the fiscal year ended June 30, 2003. The Company's effective tax rate for the fiscal year ended June 30, 2003 was (16)% and differs from the statutory rate of 34%. This difference is primarily a result of the utilization of net operating loss carryforwards.

Earnings from continuing operations before income taxes were \$6.8 million and \$8.0 million for the fiscal years ended June 30, 2004 and 2003, respectively. Such decrease in earnings from continuing operations of \$1.2 million is principally due to the fiscal 2002 contractual risk agreement discussed above.

Earnings from continuing operations were \$7.9 million, or \$1.09 per basic share, for the fiscal year ended June 30, 2004 compared to earnings from continuing operations of \$7.3 million, or \$1.06 per basic share, for the fiscal year ended June 30, 2003. Such increase in earnings from continuing operations of \$0.6 million, or \$0.03 per basic share, is principally due to the recognition of a deferred tax asset, an increase in members of UAHC-TN and an increase in reimbursement rates effective July 1, 2003.

The Company recognized a loss from discontinued operations of \$0.7 million in the fiscal year ended June 30, 2004 compared to a loss from discontinued operations of \$2.1 million in the fiscal year ended June 30, 2003 as the result of the termination of the Company's longstanding management agreement with OmniCare-MI, effective November 1, 2002. See "OVERVIEW" above for more detailed discussion and analysis of such loss from discontinued operations.

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Net earnings were \$7.2 million, or \$0.99 per basic share, for the fiscal year ended June 30, 2004 compared to net earnings of \$5.2 million, or \$0.75 per basic share, for the fiscal year ended June 30, 2003, principally due to the utilization of net operating loss carryforwards, an increase in members and an increase in reimbursement rates effective July 1, 2003.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2005, the Company had (i) cash and cash equivalents and short-term marketable securities of \$13.5 million, compared to \$8.8 million at June 30, 2004; (ii) working capital of \$13.7 million, compared to working capital of \$8.1 million at June 30, 2004; and (iii) a current assets-to-current liabilities ratio of 4.70-to-1, compared to 2.56-to-1 at June 30, 2004.

Net cash from operating activities was \$5.6 million in fiscal 2005 compared to net cash from operating activities of \$5.0 million in fiscal 2004. Investing activities in fiscal 2005 included the purchase of marketable securities of \$2.8 million. Debt repayments were \$0.8 million in fiscal 2005.

Cash and marketable securities increased by \$4.8 million at June 30, 2005 compared to June 30, 2004 due primarily to operating activities.

Accounts receivable decreased by \$0.1 million at June 30, 2005 compared to June 30, 2004, primarily due to third-party liability recovery program reimbursements due from TennCare.

Property, plant and equipment decreased by \$0.1 million at June 30, 2005 compared to June 30, 2004, due to the recording of depreciation of \$0.2 million.

Medical claims payable decreased by \$0.2 million at June 30, 2005 compared to June 30, 2004, which is directly related to the payment of outstanding medical claims.

The Company's wholly owned subsidiary, UAHC-TN, had a required minimum net worth requirement using statutory accounting practices of \$7.6 million at June 30, 2005. UAHC-TN had excess statutory net worth of \$5.5 million at June 30, 2005.

UAHC-TN's application for a commercial HMO license was approved on September 7, 2001. Management is not yet actively pursuing that commercial business, however, due to UAHC-TN's substantially increased enrollment from members TennCare assigned from defunct other plans, together with adapting to TennCare's stabilization program.

Beginning July 1, 2002, TennCare implemented an 18-month stabilization program, which entailed changes to TennCare's contracts with MCOs, including UAHC-TN. During that period, MCOs are generally compensated for administrative services only (commonly called "ASO"), earned fixed administrative fees, were not at risk for medical costs in excess of targets established based on various factors, were subject to increased oversight, and could incur financial penalties for not achieving certain performance requirements. Through successive contractual amendments, TennCare extended the ASO reimbursement system applicable to UAHC-TN, first through June 30, 2004, then through December 31, 2004, and then through June 30, 2005. Through an amendment with an effective date of July 1, 2005, TennCare has implemented a modified risk arrangement with all its contracted MCOs, including UAHC-TN, which are at risk for losing up to 10% of administrative fee revenue and may receive up to 15% incentive bonus revenue based on performance relative to benchmarks. TennCare has also announced plans to disenroll non-medically needy adults who are not eligible for Medicaid from

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TennCare coverage statewide, and to impose benefit limits on the 396,000 adults left in the program who are eligible for Medicaid. The announced plans would preserve full coverage for the 612,000 children on the program. As a result, UAHC-TN expects to lose only approximately 12,000 of its present 132,258 members over a 12-month period beginning in the first quarter of fiscal year 2006, being its only working uninsured and uninsurable adult members.

The Company and the Department of Finance and Administration of the State of Tennessee, Bureau of TennCare ("TennCare") are parties to two escrow agreements under which the Company has funded, on August 5, 2005, two escrow accounts held by TennCare at the State Treasury. One, in the amount of \$2,300,000, is security for repayment to TennCare of any overpayments to UAHC-TN that may be determined by a pending audit of all UAHC-TN process claims since 2002; and the other, in the amount of \$420,500, is security for any money damages that may be awarded to TennCare in the event of any future litigation between the parties in connection with certain pending investigations by state and federal authorities. The escrow accounts bear interest at a rate no lower than the prevailing commercial interest rates for savings accounts at financial institutions in Nashville, Tennessee. The escrow accounts will terminate August 5, 2007 or sooner in certain events, except if litigation is pursued by either party, in which event the escrow accounts will continue until the end of such litigation. All amounts (including interest earnings) credited to the escrow accounts will belong to the Company, except to the extent, if any, they are paid to TennCare to satisfy amounts determined to be owed to TennCare as provided in the escrow agreements. Both escrow agreements recite that TennCare does not at this time assert there has been any breach of UAHC-TN's TennCare contract and that the Company has funded the escrow accounts as a show of goodwill and good faith in working with TennCare.

Pursuant to a Notice of Administrative Supervision issued by the Commissioner of the State of Tennessee's Department of Commerce and Insurance on April 20, 2005, to our subsidiary, UAHC-TN was placed under administrative supervision of the Commissioner and "has until December 31, 2005 to demonstrate to the Commissioner's satisfaction" that its "continued operation and business, absent the supervision or other oversight by the Commissioner, is not hazardous, financially or operationally, to its enrollees, its creditors or the public."

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UAHC-TN received no prior notice of the notice and order of administrative supervision and had no opportunity to respond to its factual assertions. UAHC-TN and the Company are fully cooperating with the State of Tennessee in accordance with the terms of the order, and we do not currently anticipate any material developments during the supervision period.

The administrative supervision order prohibits UAHC-TN from taking certain actions, including making any payments, without the approval of the Commissioner's appointed Administrative Supervisor during the supervision. It is important to recognize that administrative supervision is significantly different than receivership and that UAHC-TN is not in receivership.

The administrative supervision notice asserted a number of findings of fact which the Commissioner stated formed the basis for her order. UAHC-TN and the Company do not agree with many of those findings. The notice also asserted that its findings of fact described potential grounds for termination of UAHC-TN's TennCare contract. Although we acknowledge that any such termination would have a material adverse effect on UAHC-TN and the Company, we do not agree that those findings are accurate. Moreover, the State of Tennessee in August 2005 extended UAHC-TN's TennCare contract through June 30, 2006, by an amendment to the contract effective as of July 1, 2005.

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The Company's de facto sublease to OmniCare-MI of the Company's leased premises in Detroit, Michigan, from November 1, 2002 to the end of the lease in May 2005 cost the Company approximately \$40,000 per month through November 2004. Due to the subsequent sale of OmniCare-MI members to Coventry of Michigan approved on May 10, 2004 and effective October 1, 2004, the sale of assets did not occur and the Company accordingly recorded a loss from discontinued operations of \$0.7 million in the fourth quarter of fiscal year 2004. The Company renegotiated sublease terms with Michigan HMO (formerly doing business as OmniCare Health Plan in Michigan), which continued to occupy and pay rent for reduced space in such premises. Michigan HMO's occupancy and rent obligation for the subleased premises ceased on February 28, 2005 sooner than the primary lease end in May 2005. The Company recorded a liability in the first quarter of fiscal year 2005 as it relates to the sublease obligation. Those events would increase the Company's rent expense under that lease, but management cannot currently predict the timing and amount thereof.

The Company's ability to generate adequate amounts of cash to meet its future cash needs depends on a number of factors, particularly including its ability to control administrative costs, related to the new modified risk arrangement for the TennCare program beginning July 1, 2005 and controlling corporate overhead costs. On the basis of the matters discussed above, management believes at this time that the Company has the ability to generate sufficient cash to adequately support its financial requirements through the next twelve months, and maintain minimum statutory net worth requirements of UAHC-TN.

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RECENTLY ENACTED PRONOUNCEMENTS

The following are new accounting standards and interpretations that may be applicable in the future to the Company:

SFAS No. 123(R), "Share-Based Payment", which is a replacement to SFAS No. 123 "Accounting for Stock Based Compensation" and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees", was issued in December 2004. The revisions are intended to provide investors and other users of financial statements with more complete and neutral financial information by requiring that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. SFAS No. 123(R) covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. SFAS No. 123, as originally issued in 1995, established a preferable fair-value-based method of accounting for share-based payment transactions with employees. However, that Statement permitted entities the option of continuing to apply the guidance in APB Opinion No. 25, as long as the footnotes to financial statements disclosed what net income would have been had the preferable fair-value-based method been used. Publicly traded entities (other than those filing as small business issuers) will be required to apply SFAS No. 123(R) as of the first annual reporting period that begins after June 15, 2005. The Company is currently evaluating the financial statement impact of the adoption of SFAS No. 123(R).

SFAS No. 151, "Inventory Costs," which amends ARB No. 43 Chapter 4, "Inventory Pricing," was issued in November 2004. The amendments made by SFAS No. 151 provide clarity relating to abnormal amounts of idle facility expense, freight, handling costs, and wasted materials (spoilage), which should be recognized as current-period charges and require the allocation of fixed production overheads to inventory based on the normal capacity of the production facilities. The guidance is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The adoption of this standard is expected to have no effect

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on the Company's financial condition or results of operations.

SFAS No. 154, "Accounting Changes and Error Corrections - replacement of APB Opinion No. 20 and FASB Statement No. 3," (SFAS No. 154) was issued in May 2005. SFAS No. 154 changes the accounting for and reporting of a change in accounting principle by requiring retrospective application to prior periods' financial statements of changes in accounting principle unless impracticable. SFAS No. 154 is effective for accounting changes made in fiscal years beginning after December 15, 2005. We do not expect the adoption of SFAS No. 154 to have a material impact on our results of operations, financial position or cash flows.

ITEM 8. FINANCIAL STATEMENTS

Presented beginning at page F-1 of this Form 10-K.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures within 90 days of the filing date of this Report, and, based on their evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are effective. There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

Disclosure controls and procedures are the Company's controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that the Company files or submits under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

ITEM 9B. OTHER INFORMATION

On August 23, 2005, Peter F. Hurst, Jr. resigned as our Director.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Incorporated herein by reference to United American Healthcare Corporation definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the year covered by this Form 10-K with respect to its Annual Meeting of Shareholders to be held on November 4, 2005.

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ITEM 11. EXECUTIVE COMPENSATION

Incorporated herein by reference to United American Healthcare Corporation definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the year covered by this Form 10-K with respect to its Annual Meeting of Shareholders to be held on November 4, 2005.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Incorporated herein by reference to United American Healthcare Corporation definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the year covered by this Form 10-K with respect to its Annual Meeting of Shareholders to be held on November 4, 2005.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Incorporated herein by reference to United American Healthcare Corporation definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the year covered by this Form 10-K with respect to its Annual Meeting of Shareholders to be held on November 4, 2005.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Incorporated herein by reference to United American Healthcare Corporation definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the year covered by this Form 10-K with respect to its Annual Meeting of Shareholders to be held on November 4, 2005 is the information set forth in such proxy statement under the headings "Audit Fees" and "Audit Committees Pre-Approval Policies and Procedures."

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

a) (1) & (2) The financial statements listed in the accompanying Index to Consolidated Financial Statements at page F-1 are filed as part of this Form 10-K report

(3) The Exhibit Index lists the exhibits required by Item 601 of Regulation S-K to be filed as a part of this Form 10-K report. The Exhibit Index identifies those documents which are exhibits filed herewith or incorporated by reference to (i) the Company's Form S-1 Registration Statement under the Securities Act of 1933, as amended, declared effective on April 23, 1991 (Commission File No. 33-36760); (ii) the Company's Form 10-K reports for its fiscal years ended June 30, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2001, and 2002; (iii) the Company's 10-K/A report filed October 14, 1996; (iv) the Company's Form 10-Q reports for its quarters

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ended March 31, 1996, September 30, 1996, December 31, 1996, March 31, 1997, March 31, 1998, December 31, 1998, December 31, 2001, September 30, 2002, December 31, 2002, and March 31, 2005; (v) the Company's Form 8-K reports filed with the Commission August 8, 1991, April 23, 1993, May 24, 1993, January 29, 1996, April 19, 1996, October 30, 1997, January 20, 1998, January 14, 2000, March 5, 2003, April 15, 2003, November 22, 2004, January 11, 2005, February 7, 2005, April 21, 2005, and April 28, 2005; or (vi) the Company's Form 8-K/A reports filed with the Commission July 21, 1993, November 12, 1997, March 10, 2003, and April 22, 2005. The Exhibit Index is hereby incorporated by reference into this Item 15.

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Reports on Form 8-K

- 1) The Company filed a Current Report on Form 8-K on November 22, 2004, reporting that on November 19, 2004, the partners of Follmer Rudzewicz PLC notified the Company that they were joining UHY LLP, a newly-formed New York limited liability partnership, effective as of August 1, 2004. UHY LLP is a legal entity that is separate from Follmer Rudzewicz PLC, and thus, on November 22, 2004, the Company engaged UHY LLP as the Company's new independent public accountant to audit the Company's financial statements, effective immediately.
- 2) The Company filed a Current Report on Form 8-K on December 15, 2004, reporting the extension of the ASO reimbursement system for UAHC-TN through December 31, 2005.
- 3) The Company filed a Current Report on Form 8-K on January 11, 2005, reporting the establishment of the United American Healthcare Corporation Supplemental Executive Retirement Plan (SERP)
- 4) The Company filed a Current Report on Form 8-K on February 7, 2005, reporting the filing of a lawsuit against the Company and others by the Provider Creditors Committee of OmniCare-MI.
- 5) The Company filed a Current Report on Form 8-K on March 22, 2005, reporting the change of address and name change of UAHC-TN and the filing of a lawsuit against the Company and its subsidiaries by a former employee of UAHC-TN, Felecia Corbin-Johnson.
- 6) The Company filed a Current Report on Form 8-K on April 15, 2005, reporting the departure of Osbie Howard, as a director and principal officer, his severance agreement, the appointment of Stephanie Dowell as a principal officer, and the Company's press release which announced such departure and appointment and that the Company had notified officials of the Tennessee Department of Finance and Administration of a prior business relationship with Tennessee State Senator John Ford.

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- 7) The Company filed a Current Report on Form 8-K on April 21, 2005, reporting on a Notice of Administrative Supervision to UAHC-TN from the Commissioner of the State of Tennessee's Department of Commerce and Insurance and the Company's related press release.
- 8) The Company filed a Current Report on Form 8-KA at 6:00am on April 22, 2005, as Amendment No. 1 to the Form 8-K described in 7) above, to file a copy of the Notice of Administrative Supervision as an exhibit.
- 9) The Company filed a Current Report on Form 8-K/A at 6:00am on April 22, 2005, as Amendment No. 2 to the Form 8-K described in 7) above, to supply an inadvertently omitted word.

SIGNATURES

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

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Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

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UNITED AMERICAN HEALTHCARE CORPORATION (REGISTRANT)

SIGNATURE -----	CAPACITY -----
/s/ WILLIAM C. BROOKS ----- William C. Brooks	Chairman, President and CEO (Principal Executive Officer)
/s/ STEPHEN D. HARRIS ----- Stephen D. Harris	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
/s/ STEPHANIE M. DOWELL ----- Stephanie M. Dowell	President and CEO, UAHC-TN
/s/ EMMETT S. MOTEN, JR. ----- Emmett S. Moten, Jr.	Secretary and Director
/s/ RICHARD M. BROWN, D.O. ----- Richard M. Brown, D.O.	Director
/s/ DARREL W. FRANCIS ----- Darrel W. Francis	Director
/s/ TOM A. GOSS ----- Tom A. Goss	Director
/s/ RONALD E. HALL, SR. ----- Ronald E. Hall, Sr.	Director

Date: August 25, 2005

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Consolidated Statements of Shareholders' Equity and Comprehensive Income for
each of the years in the three-year period ended June 30, 2005.....

Consolidated Statements of Cash Flows for each of the years in the three-year period
ended June 30, 2005.....

Notes to Consolidated Financial Statements.....

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
United American Healthcare Corporation:

We have audited the accompanying consolidated balance sheet of United American Healthcare Corporation and Subsidiaries as of June 30, 2005, and the related consolidated statement of operations, shareholders' equity and comprehensive income, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United American Healthcare Corporation and Subsidiaries as of June 30, 2005, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ UHY LLP

Southfield, Michigan
August 11, 2005

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
United American Healthcare Corporation:

We have audited the accompanying consolidated balance sheet of United American Healthcare Corporation and Subsidiaries as of June 30, 2004, and the related consolidated statements of operations, shareholders' equity and comprehensive income, and cash flows for each of the two years in the period ended June 30, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United American Healthcare Corporation and Subsidiaries as of June 30, 2004, and the results of their operations and their cash flows for each of the two years in the period ended June 30, 2004, in conformity with accounting principles generally accepted in the United States of America.

/s/ Follmer Rudzewicz PLC

Southfield, Michigan
August 5, 2004

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UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS (IN THOUSANDS, EXCEPT SHARE DATA)

	JUNE 30,
	2005

ASSETS	
Current assets	
Cash and cash equivalents	\$ 9,843
Marketable securities	3,730
Accounts receivable - State of Tennessee	1,360
Other receivables	583
Prepaid expenses and other	172
Deferred income taxes	1,950

Total current assets	17,638
Assets held for sale	-
Property and equipment, net	179
Goodwill	3,452
Marketable securities	2,380
Other assets	586

	\$ 24,235
	=====
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities	
Current portion of debt	\$ -
Medical claims payable	172
Accounts payable and accrued expenses	1,096
Accrued compensation and related benefits	711

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Accrued rent	235
Other current liabilities	1,538

Total current liabilities	3,752

Total liabilities	3,752
Shareholders' equity	
Preferred stock, 5,000,000 shares authorized; none issued	-
Common stock, no par, 15,000,000 shares authorized; 7,450,235 and 7,418,519 shares issued and outstanding at June 30, 2005 and 2004, respectively	12,476
Retained earnings	8,047
Accumulated other comprehensive (loss), net of deferred federal income taxes	(40)

Total shareholders' equity	20,483

	\$ 24,235
	=====

See accompanying notes to the consolidated financial statements.

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UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS (IN THOUSANDS, EXCEPT PER SHARE DATA)

	YEAR ENDED JUNE 30,		
	2005	2004	2003
	-----	-----	-----
REVENUES			
Fixed administrative fees	\$20,916	\$20,391	\$14,7
Medical premiums	23	532	7,8
Interest and other income	1,140	1,161	1,9
	-----	-----	-----
Total revenues	22,079	22,084	24,5
EXPENSES			
Medical services	23	532	4
Marketing, general and administrative	15,742	14,483	15,6
Depreciation and amortization	177	227	2
Interest expense	8	66	1
	-----	-----	-----
Total expenses	15,950	15,308	16,5
	-----	-----	-----
Earnings from continuing operations before income taxes	6,129	6,776	7,9
Income tax expense (benefit)	655	(1,095)	6
	-----	-----	-----
Earnings from continuing operations	5,474	7,871	7,3
DISCONTINUED OPERATIONS			
Loss from discontinued operations	(129)	(700)	(2,1
	-----	-----	-----

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Net earnings	\$ 5,345	7,171	\$ 5,2
	=====	=====	=====
NET EARNINGS PER COMMON SHARE - BASIC			
Earnings from continuing operations	0.74	1.09	1.
Loss from discontinued operations	(0.02)	(0.10)	(0.
	-----	-----	-----
Net earnings per common share	\$ 0.72	0.99	\$ 0.
	=====	=====	=====
Weighted average shares outstanding	7,425	7,207	6,9
	=====	=====	=====
NET EARNINGS PER COMMON SHARE - DILUTED			
Earnings from continuing operations	0.71	1.08	1.
Loss from discontinued operations	(0.02)	(0.10)	(0.
	-----	-----	-----
Net earnings per common share	\$ 0.69	0.98	\$ 0.
	=====	=====	=====
Weighted average shares outstanding	7,674	7,266	6,9
	=====	=====	=====

See accompanying notes to the consolidated financial statements.

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UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME (IN THOUSANDS)

	COMMON STOCK SHARES	AMOUNT	RETAINED EARNINGS (ACCUMULATED DEFICIT)	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	SH
	-----	-----	-----	-----	-----
BALANCE AT JUNE 30, 2002	6,911	\$11,407	\$ (9,675)	\$ 15	
Issuance of common stock	148	163		-	
Comprehensive income:					
Net earnings	-	-	5,206	-	
Unrealized gain on marketable securities	-	-	-	24	
	-----	-----	-----	-----	
Total comprehensive income	-	-	5,206	24	
	-----	-----	-----	-----	
BALANCE AT JUNE 30, 2003	7,059	\$11,570	\$ (4,469)	\$ 39	
	-----	-----	-----	-----	
Issuance of common stock	360	656			
Comprehensive income:					
Net earnings	-	-	7,171	-	
Unrealized loss on marketable securities	-	-	-	(82)	
	-----	-----	-----	-----	
Total comprehensive income	-	-	7,171	(82)	
	-----	-----	-----	-----	
BALANCE AT JUNE 30, 2004	7,419	\$12,226	\$ 2,702	\$ (43)	

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	-----	-----	-----	-----
Issuance of common stock	31	250		
Comprehensive income:				
Net earnings			5,345	
Unrealized gain on marketable securities				3
Total comprehensive income (loss)	-----	-----	-----	-----
			5,345	3
BALANCE AT JUNE 30, 2005	-----	-----	-----	-----
	7,450	12,476	8,047	(40)
	=====	=====	=====	=====

See accompanying notes to the consolidated financial statements.

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UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED JUNE 30,	
	2005	2004
	-----	-----
OPERATING ACTIVITIES		
Net earnings	\$ 5,345	\$ 7,171
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Bad debt expense	-	-
Loss on disposal of assets	6	700
Loss (gain) on liquidation of investment	3	(82)
Depreciation and amortization	177	227
Deferred income taxes	(11)	(1,369)
Stock awards	219	385
Changes in assets and liabilities		
Accounts receivable- State of Tennessee	(130)	(17)
Other receivables	623	289
Refundable federal income taxes	-	-
Prepaid expenses and other	(25)	20
Other assets	-	-
Medical claims payable	(234)	(185)
Accounts payable and accrued expenses	(44)	(1,376)
Accrued rent	(602)	(315)
Accrued compensation and related benefits	129	63
Other current liabilities	154	(46)
Net cash provided by (used in) operating activities	5,610	5,465
INVESTING ACTIVITIES		
Purchase of marketable securities	(2,779)	(171)
Proceeds from the sale of marketable securities	-	-
Purchase of property and equipment	61	(72)
Net cash provided by (used in) investing activities	(2,718)	(243)
FINANCING ACTIVITIES		

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Payments made on debt	(847)	(1,419)
Issuance of common stock	31	271
	-----	-----
Net cash used in financing activities	(816)	(1,148)
	-----	-----
Net increase in cash and cash equivalents	2,076	4,074
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,767	3,693
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 9,843	7,767
	=====	=====

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UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED (IN THOUSANDS)

	YEAR ENDED JUNE 30	
	2005	2004
	-----	-----
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	\$ 8	\$ 63
	=====	=====
Income taxes paid	\$ 82	\$ -
	=====	=====
Non-cash financing activity - Promissory note and goodwill recorded upon purchase of minority interest	-	500
	=====	=====

See accompanying notes to the consolidated financial statements.

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UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2005, 2004 AND 2003

NOTE 1 - DESCRIPTION OF BUSINESS

United American Healthcare Corporation, together with its wholly owned subsidiaries (collectively, the "Company"), is a provider of health care services, including consulting services to managed care organizations and the provision of health care services in Tennessee and previously (until November 1, 2002) Michigan.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. PRINCIPLES OF CONSOLIDATION. The consolidated financial statements include the accounts of United American Healthcare Corporation, and its wholly owned operational subsidiary: United American of Tennessee, Inc. ("UA-TN") and Subsidiary. UAHC Health Plan of Tennessee, Inc. (formerly called OmniCare Health Plan, Inc.) ("UAHC-TN") is a wholly owned subsidiary of UA-TN. All significant intercompany transactions and balances have been eliminated in

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consolidation.

- b. USE OF ESTIMATES. The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates as more information becomes available and any such difference could be significant. The most significant estimates that are susceptible to change in the near term relate to the determination of medical claims payable.
- c. CASH AND CASH EQUIVALENTS. The Company considers all highly liquid instruments purchased with original maturities of three months or less to be cash equivalents.
- d. FAIR VALUE OF FINANCIAL INSTRUMENTS. The carrying value of cash and cash equivalents, receivables, marketable securities and debt approximate fair values of these instruments at June 30, 2005 and 2004.

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UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2005, 2004 AND 2003

- e. MARKETABLE SECURITIES. Investments in marketable securities are primarily comprised of U.S. Treasury notes, debt issues of municipalities and foreign countries and common stocks all carried at fair value, based upon published quotations of the underlying securities, and six month certificates of deposit carried at cost plus interest earned, which approximates fair value. Marketable securities placed in escrow to meet statutory funding requirements, although considered available for sale, are not reasonably expected to be used in the normal operating cycle of the Company and are classified as non-current. All other securities available for sale are classified as current.

Premiums and discounts are amortized or accreted, respectively, over the life of the related debt security as adjustment to yield using the yield-to-maturity method. Interest and dividend income is recognized when earned. Realized gains and losses on investments in marketable securities are included in investment income and are derived using the specific identification method for determining the cost of the securities sold; unrealized gains and losses on marketable securities are reported as a separate component of shareholders' equity, net of the provision for deferred federal income taxes.

- f. PROPERTY AND EQUIPMENT. Property and equipment are stated at cost. Expenditures and improvements, which add significantly to the productive capacity or extend the useful life of an asset, are capitalized. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives of the major classes of property and equipment are as follows: furniture and fixtures - 5 to 13 years; equipment - 5 years; and computer software - 2 to 5 years. Leasehold improvements are included in furniture and fixtures and are

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amortized on a straight-line basis over the shorter of the lease term or the estimated useful life, which ranges from 5 to 13 years. The Company uses accelerated methods for income tax purposes.

- g. GOODWILL. Goodwill resulting from business acquisitions is carried at cost. Effective July 1, 2001, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 eliminates the amortization of goodwill, but requires that the carrying amount of goodwill be tested for impairment at least annually at the reporting unit level, as defined, and will only be reduced if it is found to be impaired or is associated with assets sold or otherwise disposed of.

Management has assessed the remaining carrying amount of previously recorded goodwill of \$3.5 million and determined that such amount is not impaired in accordance with SFAS No. 142. Accordingly, goodwill impairment was not recorded for the years ended June 30, 2005, 2004 and 2003.

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UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2005, 2004 AND 2003

- h. LONG-LIVED ASSETS. Following the criteria set forth in SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," long-lived assets and certain identifiable intangibles are reviewed by the Company for events or changes in circumstances which would indicate that the carrying value may not be recoverable. In making this determination, the Company considers a number of factors, including estimated future undiscounted cash flows associated with long-lived assets, current and historical operating and cash flow results and other economic factors. When any such impairment exists, the related assets are written down to fair value. Based upon its most recent analysis, the Company believes that long-lived assets are recorded at their net recoverable values.
- i. MEDICAL CLAIMS PAYABLE. The Company provides for medical claims incurred but not reported and the cost of adjudicating claims based primarily on past experience, together with current factors, using accepted actuarial methods. Although considerable variability is inherent in such estimates, management believes that these reserves are adequate.
- j. REVENUE RECOGNITION. Medical premiums revenues are recognized in the month in which members are entitled to receive health care services. Medical premiums collected in advance are recorded as deferred revenues. Management fee revenues are recognized in the period the related services are performed. Per generally accepted accounting principles ("GAAP"), the Company's revenue recognition policy has been adjusted to reflect TennCare's administrative services only ("ASO") arrangement in which UAHC-TN assumes no risk for medical claims. See Note 13 for further discussion.
- k. MEDICAL SERVICES EXPENSE RECOGNITION. The Company contracts with various health care providers for the provision of certain medical services to its members and generally compensates those providers on a capitated and fee for service basis. The estimates for medical claims payable are regularly reviewed and adjusted as necessary, with such adjustments generally reflected in current operations.

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1. STOP LOSS INSURANCE. Stop loss insurance premiums are reported as medical services expense, while the related insurance recoveries are reported as deductions from medical services expense.
- m. INCOME TAXES. Deferred income tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that involves the deferred tax assets and liabilities in the amount expected to be realized. Valuation allowances are established when necessary to reduce the deferred tax assets and liabilities in the

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UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2005, 2004 AND 2003

amount expected to be realized. The deferred income tax provision or benefit generally reflects the net change in deferred income tax assets and liabilities during the year. The current income tax provision reflects the tax consequences of revenues and expenses currently taxable or deductible for the period.

- n. EARNINGS PER SHARE. Basic net earnings per share excluding dilution has been computed by dividing net earnings by the weighted-average number of common shares outstanding for the period. Diluted earnings per share is computed the same as basic except that the denominator also includes shares issuable upon assumed exercise of stock options.

For the fiscal years ended June 30, 2005, June 30, 2004 and June 30, 2003 the Company had outstanding stock options of 249,212, 59,488 and 9,241, respectively, having a dilutive effect on earnings per share.

- o. SEGMENT INFORMATION. The Company reports financial and descriptive information about its reportable operating segments. Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. Financial information is reported on the basis that it is used internally for evaluating segment performance and deciding how to allocate resources to segments.

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UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2005, 2004 AND 2003

NOTE 3 - ACQUISITIONS

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UAHC HEALTH PLAN OF TENNESSEE, INC. (UAHC-TN)

In February 1994, the Company and its wholly owned subsidiary, UA-TN, entered into a long-term agreement to manage UAHC-TN (then called OmniCare Health Plan, Inc.) and, effective July 1994, acquired a 50% equity interest in UAHC-TN for \$1.3 million in cash. Effective January 31, 1996, the Company purchased an additional 25% of the voting common stock and 100% of the preferred stock of UAHC-TN. This increased the Company's ownership in the voting common stock of UAHC-TN to 75%. The purchase price for the additional common stock and preferred stock of UAHC-TN was \$0.1 million and \$10.9 million, respectively, of which \$8.7 million was the conversion of UAHC-TN debt to the Company into equity and \$2.3 million was paid in cash. In July 1998 and September 2000, the Company made additional cash contributions of \$0.75 million and \$0.9 million, respectively, to UAHC-TN, in exchange for additional preferred stock of UAHC-TN.

This acquisition was accounted for under the purchase method of accounting. The excess of the purchase price over the fair value of the net assets acquired of \$7.4 million has been recorded as goodwill, and was amortized over ten years on a straight-line basis until July 1, 2001. See Note 2g for further discussion. Results of operations are included in the accompanying financial statements effective with the date of purchase of the majority common stock ownership interest. In fiscal 1999, goodwill was reduced by \$0.5 million as a result of the utilization of UAHC-TN's net operating loss carryforwards ("NOL" or "NOLs") generated prior to January 31, 1996. The remaining NOLs related to UAHC-TN were generated subsequent to January 31, 1996.

On May 25, 2004, and effective as of January 1, 2004, the Company's wholly owned subsidiary, United American of Tennessee, Inc. ("UA-TN"), which already owned 75% of the outstanding stock of UAHC-TN, purchased the remaining 25% of the outstanding common stock of UAHC-TN. UAHC-TN thereby became a wholly owned subsidiary of UA-TN and a wholly owned second-tier subsidiary of the Company. The 25% minority interest was purchased under a longstanding option agreement for \$0.5 evidenced by a Company promissory note that was paid by December 31, 2004. This acquisition was accounted for under the purchase method of accounting. The excess of the purchase price over the fair value of the net assets acquired of \$0.5 million has been recorded as goodwill.

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UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2005, 2004 AND 2003

NOTE 4 - MARKETABLE SECURITIES

A summary of estimated fair value, which approximates amortized cost, of marketable securities as of June 30, 2005 and 2004 is as follows (in thousands):

	2005 -----	2004 -----
Available for sale - Current:		
Certificates of deposit	\$ 3,730	\$ 1,000
Equity and other securities		-
	-----	-----
		1,000
Available for sale - Noncurrent:		
U.S. government obligations	2,380	2,331

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-----	-----
\$ 6,110	\$ 3,331
=====	=====

Certain of the Company's operations are obligated by state regulations to maintain a specified level of escrowed funds to assure the provision of healthcare services to enrollees. To fulfill these statutory requirements, the Company maintains funds in highly liquid escrowed investments, which amounted to \$2.4 million and \$2.3 million at June 30, 2005 and 2004, respectively.

NOTE 5 - CONCENTRATION OF RISK

During the years ended June 30, 2005, 2004 and 2003, approximately 98.2%, 99.3% and 87%, respectively, of the Company's revenues were derived from a single customer, TennCare, a State of Tennessee program that provides medical benefits to Medicaid and Working Uninsured recipients. Prior to the administrative services only arrangement discussed in Note 13, TennCare withheld 5% of the Company's monthly capitation payment, which withheld amounts were distributed to the Company when certain informational filing requirements were met by the Company. There are no withholdings by TennCare under the administrative services only arrangement.

The Company had a long-term management agreement with OmniCare Health Plan, in Michigan ("OmniCare-MI"), which terminated on November 1, 2002. Pursuant to the management agreement, the Company provided management and consulting services to OmniCare-MI and was paid a percentage of revenues until August 1, 2001 and thereafter a cost-based fee. Management fee revenues from OmniCare-MI as a percentage of the Company's total revenues were 8% and 20% for the fiscal years ended June 30, 2003 and 2002, respectively. See Note 10 for further discussion of the OmniCare-MI management agreement.

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UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2005, 2004 AND 2003

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment at each June 30 consists of the following (in thousands):

	2005	2004
	-----	-----
Furniture and fixtures	\$ 831	\$ 878
Equipment	1,007	2,665
Computer software	130	202
	-----	-----
	1,968	3,745
Less accumulated depreciation and amortization	(1,789)	3,422
	-----	-----
	\$ 179	\$ 323
	=====	=====

NOTE 7 - LONG TERM DEBT

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The Company retired its term loan with Standard Federal Bank, N.A. on September 23, 2004. The Company's outstanding debt at each June 30 is as follows (in thousands):

	2005 -----	2004 -----
Term loan	\$ -	\$ 597
Promissory note	-	250
	-----	-----
Total debt	-	847
Less debt payable within one year	-	847
	-----	-----
Long-term debt, less current portion	\$ - =====	\$ - =====

NOTE 8 - MEDICAL CLAIMS PAYABLE

The Company has recorded a liability of \$0.2 million, \$0.4 million, and \$0.6 million at June 30, 2005, 2004, and 2003 respectively, for unpaid claims and medical claims incurred by enrollees. The ultimate settlement of medical claims may vary from the estimated amounts reported at June 30, 2005, 2004 and 2003.

The following table provides a reconciliation of the unpaid claims for the years ended June 30, 2005, 2004 and 2003 (in thousands):

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UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2005, 2004 AND 2003

	2005 -----	2004 -----	2003 -----
Balance at beginning of fiscal year	\$ 406	\$ 591	\$ 24,495
Incurred losses related to current year	-	-	-
Incurred losses related to prior year	23	532	434
Reserve reversal related to prior year	-	-	-
	-----	-----	-----
Total losses incurred	23	532	434
Paid claims related to current year	-	-	-
Paid claims related to prior year	257	717	24,338
	-----	-----	-----
Total paid claims	257	717	24,338
	-----	-----	-----
Balance at end of fiscal year	\$ 172 =====	\$ 406 =====	\$ 591 =====

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UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2005, 2004 AND 2003

NOTE 9 - INCOME TAXES

The components of income tax expense (benefit) for each year ended June 30 are as follows (in thousands):

	2005	2004	2003
	-----	-----	-----
Continuing operations:			
Current expense	\$ 666	\$ 275	\$ 127
Deferred expense (credit)	3,630	408	1,592
Change in valuation allowance	(3,641)	(1,778)	(1,072)
	-----	-----	-----
	\$ 655	\$ (1,095)	\$ 647
	=====	=====	=====

A reconciliation of the provision for income taxes for each year ended June 30 follows (in thousands): 2005 2004 2003

Income tax expense (benefit) at the statutory tax rate	\$ 1,911	\$ 2,073	\$ 1,990
State and city income tax	479	313	177
Fixed asset write-offs	2,251	-	-
Tax-exempt interest on municipal bonds	-	-	-
Utilization of NOL carryforward	(1,479)	(1,462)	-
Valuation allowance	(3,641)	(1,778)	(1,072)
Other, net	1,134	(241)	(448)
	-----	-----	-----
	\$ 655	\$ (1,095)	\$ 647
	=====	=====	=====

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversals of deferred taxes, projected future taxable income, and tax planning strategies in making this assessment.

Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowance at June 30, 2005. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

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As of June 30, 2005, the NOLs for federal income tax purposes expire from 2011 to 2021. Components of the Company's deferred tax assets and liabilities at each June 30 are (in thousands):

	2005	2004
	-----	-----
Deferred tax assets		
Accrued rent	\$ 80	\$ 150
Bad debt expense	1,360	1,360
Deferred compensation	139	149
Net operating loss carryforward of consolidated losses	3,770	4,863
Net operating loss carryforward of purchased subsidiary	-	598
Alternative minimum tax credit carryforward	561	392
Property and equipment	(4)	2,247
Unrealized loss on marketable securities	-	(11)
	-----	-----
Total gross deferred tax assets	5,906	9,748
Valuation allowance	(3,956)	(7,809)
	-----	-----
Total gross deferred tax liabilities	-	-
	-----	-----
Net deferred tax asset	\$ 1,950	\$ 1,939
	=====	=====

NOTE 10 - RELATED PARTY TRANSACTIONS

The Company had a long-term management agreement with OmniCare-MI from 1985 until November 1, 2002. OmniCare-MI was related to the Company via certain common officers and directors until July 31, 2001. During the period of such relationship, the agreement provided that: it would expire in December 2010; it was subject to review every five years and could be terminated without cause by OmniCare-MI at the time of the review or by either party with cause; the Company was required to pay certain administrative expenses associated with its activity on behalf of OmniCare-MI; and all costs associated with the management of OmniCare-MI were expensed as incurred.

A court order issued on July 31, 2001 placed OmniCare-MI in rehabilitation. Pursuant to the court order, the Company continued to perform the management agreement without interruption and no Company officers or directors were any longer OmniCare-MI officers or directors. The Company and OmniCare-MI amended the agreement effective as of August 1, 2001, reducing the Company's management fee percentage from a fixed percentage (14%) of premiums earned by OmniCare-MI to a cost-based fee beginning in August 2001, subject to adjustment to appropriately reflect the Company's costs of performing the contract, and continuing unchanged the agreement's other basic terms. The management agreement terminated November 1, 2002.

The Company then arranged in October 2002 for a sublease to OmniCare-MI of all of the Company's leased former office premises in Detroit, Michigan, commencing November 1, 2002 and expiring at the end of the lease in May 2005. This arrangement cost the Company approximately \$40,000 per month through November 2005. Due to the subsequent liquidation of OmniCare-MI, effective October 1, 2004, the Company renegotiated sublease terms with

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2005, 2004 AND 2003

Michigan HMO (formerly doing business as OmniCare Health Plan), which continued to occupy and pay rent for reduced space in such premises. Michigan HMO's occupancy of and rent obligation for the subleased premises ceased on February 28, 2005, sooner than the primary lease end in May 2005. The Company recorded a liability in the first quarter of fiscal year 2005 as it relates to the sublease obligation.

NOTE 11 - BENEFIT AND OPTION PLANS

The Company offers a 401(k) retirement and savings plan that covers substantially all of its employees. Effective and since April 1, 2001, the Company has matched 50% of an employee's contribution up to 4% of the employee's salary. Prior to April 1, 2001, the Company matched 1% of compensation. Expenses related to the 401(k) plan were \$61,491, \$65,862 and \$45,653 for the years ended June 30, 2005, 2004 and 2003, respectively.

The Company has reserved 200,000 common shares for its Employee Stock Purchase Plan ("ESPP"), which became effective October 1996, and enables all eligible employees of the Company to subscribe for shares of common stock on an annual offering date at a purchase price which is the lesser of 85% of the fair market value of the shares on the first day or the last day of the annual period. Employee contributions for each of the years ended June 30, 2005 and 2004 were \$0 and \$7,812, respectively.

On August 6, 1998, the Company's Board of Directors adopted the 1998 Stock Option Plan ("1998 Plan"). The 1998 Plan was approved by the Company's shareholders on November 12, 1998. The Company reserved an aggregate of 500,000 common shares for issuance upon exercise of options under the 1998 Plan. On November 14, 2003 the Company's shareholders approved an increase in the number of common shares reserved for issuance pursuant to the exercise of options granted under the amended plan from 500,000 to 1,000,000 shares, and extended the termination date of the plan by 5 years to August 6, 2013. On November 5, 2004 the Company's shareholders approved an increase in the number of common shares reserved for issuance pursuant to the exercise of options granted under the amended plan from 1,000,000 to 1,500,000 shares. On September 9, 1998, December 15, 1998, February 3, 1999, November 10, 1999, May 3, 2001 November 30, 2001, May 8, 2003, December 4, 2003, April 29, 2004, November 5, 2004, December 2, 2004, November 5, 2004 and December 2, 2004, nonqualified options for a total of 325,000, 26,000, 5,000, 8,000, 50,000, 75,000, 25,000, 196,500, 280,000, 45,000, 153,000, 45,000, and 153,000 common shares, respectively, were granted under the amended and restated 1998 Plan. The exercise prices of the options range from \$0.63 to \$5.28.

Independent of any stock option plan, on May 11, 1998 the Company granted nonqualified stock options for 100,000 common shares to the Company's prior President and reserved that number of common shares for issuance upon exercise of such options. Such options expired on May 11, 2003 without being exercised. On March 1, 2003, the Company granted nonqualified stock options for 100,000 common shares (outside the 1998 Plan) to the Company's President and CEO and reserved that number of common shares for issuance upon exercise of such options.

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Such options expire March 1, 2008 and became fully exercisable beginning March 1, 2005 at a price of \$1.10 per share.

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UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2005, 2004 AND 2003

Information regarding the stock options for fiscal 2005, 2004 and 2003 follows (shares in thousands):

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	AVERAGE REMAINING CONTRACTUAL LIFE	NUMBER OF SHARES EXERCISABLE	W EXE
Options outstanding at June 30, 2003	451	\$ 2.03	7.2 years	295	
Granted	477	3.37	9.6 years	120	
Exercisable	-	-	-	32	
Exercised	(143)	1.56	-	(143)	
Expired	-	-	-	-	
Forfeited	(5)	1.72	-	-	
Options outstanding at June 30, 2004	780	\$ 2.94	8.0 years	304	
Granted	198	4.73	9.4 years	44	
Exercisable	-	-	-	313	
Exercised	(16)	2.04	-	(16)	
Expired	-	-	-	-	
Forfeited	(60)	1.30	-	(17)	
Options outstanding at June 30, 2005	902	\$ 3.30	7.32 years	628	

Options for 214,500 common shares were available for grant under the amended and restated 1998 Plan at the end of fiscal 2005.

SFAS No. 123, "Accounting for Stock-Based Compensation," prescribes a method of accounting for stock-based compensation that recognizes compensation cost based on the fair value of options at grant date. In lieu of applying this fair value based method, a company may elect to disclose only the pro forma effects of such application. The Company has adopted the disclosure-only provisions of SFAS No. 123. In December 2002, SFAS No. 148, "Stock-Based Compensation," was issued, which requires that the Company illustrate the effect on net income and earnings per share if it had applied the fair value principles included in SFAS No. 123 for both annual and interim financial statements. Accordingly, if the Company had elected to recognize compensation cost based on the fair value of the options at grant date, the Company's earnings and earnings per share from continuing operations, assuming dilution, for fiscal year

UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2005, 2004 AND 2003

2005, 2004 and 2003 would have been the pro forma amounts indicated below (in thousands, except per share amounts):

	2005	2004	2003
	-----	-----	-----
Net earnings as reported	\$ 5,345	\$ 7,171	\$ 5,206
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	588	1,047	74
Pro forma net earnings	\$ 4,757	\$ 6,124	\$ 5,132
Earnings (loss) per share:			
As reported - Basic	\$ 0.72	\$ 0.99	\$ 0.75
As reported - Diluted	0.70	0.98	0.75
Pro forma - Basic	\$ 0.64	\$ 0.84	\$ 0.74
Pro forma - Diluted	0.62	0.84	0.74
	-----	-----	-----

The fair value of options at date of grant was estimated using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in fiscal 2005: dividend yield of 0%; expected volatility of 55.43%; risk free interest rate of 4.35%; and expected life of 10.0 years. The effects of applying SFAS No. 123 in the above pro forma disclosures are not necessarily indicative of future amounts, because additional stock option awards could be made in future years.

NOTE 12 - LEASES

The Company leases its facilities and certain furniture and equipment under operating leases expiring at various dates through December 2010. Terms of the facility leases generally provide that the Company pay its pro rata share of all operating expenses, including insurance, property taxes and maintenance.

Rent expense for the years ended June 30, 2005, 2004 and 2003 totaled \$0.9 million, \$0.6 million and \$1.9 million, respectively. Based on the current commitments, the Company estimates rent expense of \$0.4 million for fiscal years through 2110.

The Company's de facto sublease to OmniCare-MI of all of the Company's leased former office premises in Detroit, Michigan, commencing November 1, 2002 and expiring at the end of the lease in May 2005, cost the Company approximately \$40,000 per month through the remainder of the lease. The Company recognized a charge of \$1.2 million recorded in the second quarter of fiscal 2003, which was offset by a \$0.6 million write-down of a deferred rent liability associated with the original lease and is included in discontinued operations. Due to the subsequent liquidation of OmniCare-MI, effective October 1, 2004, the Company renegotiated sublease terms with Michigan HMO (formerly doing business as OmniCare Health Plan), which

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UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2005, 2004 AND 2003

continued to occupy and pay rent for reduced space in such premises. Michigan HMO's occupancy of and rent obligation for the subleased premises ceased on February 28, 2005, sooner than the primary lease end in May 2005. The Company recorded a liability in the first quarter of fiscal year 2005 as it relates to the sublease obligation.

NOTE 13 - CONTRACTUAL RISK AGREEMENT

Beginning July 1, 2002, TennCare, a State of Tennessee program that provides medical benefits to Medicaid and working uninsured recipients, implemented an 18-month stabilization program, which entailed changes to TennCare's contracts with managed care organizations ("MCOs"), including the Company's subsidiary, UAHC-TN. During that period, MCOs were generally compensated for administrative services only (commonly called "ASO"), earned fixed administrative fees, were not at risk for medical costs in excess of targets established based on various factors, were subject to increased oversight, and could incur financial penalties for not achieving certain performance requirements. Through successive contractual amendments, TennCare extended the ASO reimbursement system applicable to UAHC-TN, first through June 30, 2004, then through December 31, 2004, and then through June 30, 2005. Through an amendment with an effective date of July 1, 2005, TennCare extended its contract with UAHC-TN through June 30, 2006 and has implemented a modified risk arrangement with all its contracted MCOs, including UAHC-TN, which are at risk for losing up to 10% of administrative fee revenue and may receive up to 15% incentive bonus revenue based on performance relative to benchmarks.

In September 2002, UAHC-TN and the State of Tennessee, doing business as TennCare, amended the Contractor Risk Agreement between them. Pursuant to the amendment, the State of Tennessee agreed to pay UAHC-TN up to \$7.5 million as necessary to meet its statutory net worth requirement as of June 30, 2002. Pursuant to a further agreement with UAHC-TN in October 2002, the State of Tennessee agreed to pay additional funds to UAHC-TN if future certified actuarial data confirm they are needed by UAHC-TN to meet its statutory net worth requirement as of June 30, 2002.

UAHC-TN received a permitted practice letter from the State of Tennessee to include such \$7.5 million receivable in its statutory net worth at June 30, 2002. Under generally accepted accounting principles, the \$7.5 million receivable and additional funds were not recorded in fiscal 2002 financial statements but have been recorded in subsequent fiscal years as fiscal 2002 claims are processed. For the fiscal year ended June 30, 2005, an additional \$0.02 million of such medical claims were processed, and the same amount was recognized as revenue by UAHC-TN pursuant to the State's TennCare amendment and further agreement discussed above in this Note 13.

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UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2005, 2004 AND 2003

NOTE 14 - DISCONTINUED OPERATIONS

The Company's longstanding management agreement with OmniCare-MI, ended effective November 1, 2002. Because of its resulting workforce reduction, the

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Company made plans to sublease all of its then principal office premises in Detroit, Michigan, to OmniCare-MI, retroactive to November 1, 2002, and expiring at the lease end in May 2005, and to sell to OmniCare-MI furniture, a telephone system and certain computer hardware and software that the Company chose to leave there. OmniCare-MI commenced its occupancy of the premises on November 1, 2002 and the Company remained in a portion of the premises until it moved its principal offices to new leased premises in Detroit on February 3, 2003. Management expected to complete the signing of the sublease and the sale of assets by the third quarter of fiscal 2004; however, due to the subsequent sale of OmniCare-MI members to Coventry of Michigan approved on May 10, 2004 and effective October 1, 2004, the sale of assets did not occur, and the Company recorded a loss from discontinued operations of \$0.7 million in fiscal year 2004. Due to the subsequent liquidation of OmniCare-MI, effective October 1, 2004, the Company renegotiated sublease terms with Michigan HMO (formerly doing business as OmniCare Health Plan in Michigan), which continued to occupy and pay rent for reduced space in such premises. Michigan HMO's occupancy of and rent obligation for the subleased premises ceased on February 28, 2005, sooner than the primary lease end in May 2005. The Company recorded a liability in the first quarter of fiscal year 2005 as it relates to the sublease obligation.

In connection with the November 1, 2002 termination of its OmniCare-MI management agreement, the Company recorded a \$1.8 million loss from discontinued operations in the second quarter of fiscal 2003. Such loss was due in part to: (i) a \$0.6 million write-down of assets held for sale in excess of the anticipated selling price for the expected sale of assets described above; (ii) the above-described sublease, with a cost to the Company of approximately \$0.04 million per month through the remainder of the lease, ending in May 2005, resulting in a loss of \$1.2 million recorded in the second quarter of fiscal 2003, which was offset by a \$0.6 million write-down of a deferred rent liability associated with the original lease; and (iii) a bad debt charge of \$0.3 million recorded because management determined the collectability of that amount of receivables from OmniCare-MI was doubtful. The recorded charges discussed above were offset by management fees from OmniCare-MI of \$0.8 million.

Summarized selected financial information for the discontinued operations is as follows:

	2005	2004	
	-----	-----	
Management fees	\$ -	\$ -	\$ -
	-----	-----	-----
Loss from discontinued operations net of zero income taxes	\$ (129)	\$ (700)	\$ -
	=====	=====	=====

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UNITED AMERICAN HEALTHCARE CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2005, 2004 AND 2003

NOTE 15 - SUBSEQUENT EVENTS

The Company and the Department of Finance and Administration of the State of Tennessee, Bureau of TennCare ("TennCare") are parties to two escrow agreements under which the Company has funded, on August 5, 2005, two escrow accounts held by TennCare at the State Treasury. One, in the amount of \$2,300,000, is security for repayment to TennCare of any overpayments to UAHG-TN that may be determined

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by a pending audit of all UAHC-TN process claims since 2002; and the other, in the amount of \$420,500, is security for any money damages that may be awarded to TennCare in the event of any future litigation between the parties in connection with certain pending investigations by state and federal authorities. The escrow accounts bear interest at a rate no lower than the prevailing commercial interest rates for savings accounts at financial institutions in Nashville, Tennessee. The escrow accounts will terminate August 5, 2007 or sooner in certain events, except if litigation is pursued by either party, in which event the escrow accounts will continue until the end of such litigation. All amounts (including interest earnings) credited to the escrow accounts will belong to the Company, except to the extent, if any, they are paid to TennCare to satisfy amounts determined to be owed to TennCare as provided in the escrow agreements. Both escrow agreements recite that TennCare does not at this time assert there has been any breach of UAHC-TN's TennCare contract and that the Company has funded the escrow accounts as a show of goodwill and good faith in working with TennCare.

NOTE 16- UNAUDITED SELECTED QUARTERLY FINANCIAL DATA

The following table presents selected quarterly financial data for the years ended June 30, 2005 and 2004 (in thousands, except per share data):

	THREE MONTHS ENDED				TOTAL
	SEPT. 30,	DEC. 31,	MARCH 31,	JUNE 30,	
	-----	-----	-----	-----	-----
2005					
Total revenues	\$ 5,408	\$ 5,399	\$ 5,573	\$ 5,699	\$22,079
Net earnings	1,466	1,930	1,516	433	5,345
Net earnings per common share assuming dilution	\$ 0.19	\$ 0.26	\$ 0.19	\$ 0.05	\$ 0.69
2004					
Total revenues	\$ 5,728	\$ 5,479	\$ 5,547	\$ 5,330	\$22,084
Net earnings	912	1,329	1,397	3,533	7,171
Net earnings per common share assuming dilution	\$ 0.13	\$ 0.19	\$ 0.19	\$ 0.48	\$ 0.98

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NOTE 17 - SEGMENT FINANCIAL INFORMATION

Summarized financial information for the Company's principal operations is as follows (in thousands):

	MANAGEMENT COMPANIES (1)	HMOs & MANAGED PLANS (2)	CORPORATE & ELIMINATIONS	CONSOLIDATED COMPANY
	-----	-----	-----	-----
2005				
Revenues - external customers	\$ -	\$ 20,939	\$ -	\$ 20,939
Revenues - intersegment	18,763	-	(18,763)	-
Interest and other income	285	856	-	1,141

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Total revenues	\$ 19,048	\$ 21,795	\$ (18,763)	\$ 22
Interest expense	\$ 8	-	-	-
Earnings from continuing operations	3,422	2,052	-	5
Loss from discontinued operations	(129)	-	-	-
Segment assets	57,700	14,489	(47,955)	24
Purchase of equipment	-	-	-	-
Depreciation and amortization	177	-	-	-
2004				
Revenues - external customers	\$ -	\$ 20,923	\$ -	\$ 20
Revenues - intersegment	18,352	-	(18,352)	-
Interest and other income	163	998	-	1
Total revenues	\$ 18,515	\$ 21,921	\$ (18,352)	\$ 22
Interest expense	\$ 66	\$ -	\$ -	\$ -
Earnings from continuing operations	4,967	2,904	-	7
Loss from discontinued operations	(700)	-	-	-
Segment assets	44,633	12,175	(36,727)	20
Purchase of equipment	72	-	-	-
Depreciation and amortization	227	-	-	-
2003				
Revenues - external customers	\$ -	\$ 22,591	\$ -	\$ 22
Revenues - intersegment	13,291	-	(13,291)	-
Interest and other income	231	1,708	-	1
Total revenues	\$ 13,522	\$ 24,299	\$ (13,291)	\$ 24
Interest expense	\$ 140	\$ -	\$ -	\$ -
Earnings (loss) from continuing operations	(2,211)	9,544	-	7
Loss from discontinued operations	(2,127)	-	-	(2)
Segment assets	30,416	9,987	(25,289)	15
Purchase of equipment	68	-	-	-
Depreciation and amortization	296	344	-	-

(1) Management Companies: United American Healthcare Corporation, United American of Tennessee, Inc.

HMO and Managed Plan: UAHC Health Plan of Tennessee, Inc.

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NOTE 17 - RECENTLY ENACTED PRONOUNCEMENTS

The following are new accounting standards and interpretations that may be applicable in the future to the Company:

SFAS No. 123(R), "Share-Based Payment", which is a replacement to SFAS No. 123 "Accounting for Stock Based Compensation" and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees", was issued in December 2004. The revisions are intended to provide investors and other users of financial statements with more complete and neutral financial information by requiring that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. SFAS No. 123(R) covers a wide range of share-based compensation arrangements including share options,

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restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. SFAS No. 123, as originally issued in 1995, established a preferable fair-value-based method of accounting for share-based payment transactions with employees. However, that Statement permitted entities the option of continuing to apply the guidance in APB Opinion No. 25, as long as the footnotes to financial statements disclosed what net income would have been had the preferable fair-value-based method been used. Publicly traded entities (other than those filing as small business issuers) will be required to apply SFAS No. 123(R) as of the first annual reporting period that begins after June 15, 2005. The Company is currently evaluating the financial statement impact of the adoption of SFAS No. 123(R).

SFAS No. 151, "Inventory Costs," which amends ARB No. 43 Chapter 4, "Inventory Pricing," was issued in November 2004. The amendments made by SFAS No. 151 provide clarity relating to abnormal amounts of idle facility expense, freight, handling costs, and wasted materials (spoilage), which should be recognized as current-period charges and require the allocation of fixed production overheads to inventory based on the normal capacity of the production facilities. The guidance is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The adoption of this standard is expected to have no effect on the Company's financial condition or results of operations.

SFAS No. 154, "Accounting Changes and Error Corrections - replacement of APB Opinion No. 20 and FASB Statement No. 3," (SFAS No. 154) was issued in May 2005. SFAS No. 154 changes the accounting for and reporting of a change in accounting principle by requiring retrospective application to prior periods' financial statements of changes in accounting principle unless impracticable. SFAS No. 154 is effective for accounting changes made in fiscal years beginning after December 15, 2005. We do not expect the adoption of SFAS No. 154 to have a material impact on our results of operations, financial position or cash flows.

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EXHIBIT INDEX

EXHIBIT NUMBER -----	DESCRIPTION OF DOCUMENT -----	INCORPORATED HEREIN BY REFERENCE TO -----
3.1	Restated Articles of Incorporation of Registrant	Exhibit 3.1 to the Registrant's Form S-1 Registration Statement under the Securities Act of 1933, as amended, declared effective on April 23, 199" ("1991 S-1")
3.1(a)	Certificate of Amendment to the Articles of Incorporation of Registrant	Exhibit 3.1(a) to 1991 S-1
3.2	Amended and Restated Bylaws of Registrant	Exhibit 3.2 to the Registrant's 1993 Form 10-K
4.1	Incentive and Non-Incentive Stock Option Plan of Registrant effective March 25, 1991, as amended	Exhibit 4.1 to the Registrant's 1995 Form 10-K
4.2	Form of Common Share Certificate	Exhibit 4.2 to the Registrant's 1995 Form 10-K

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10.1	Employees' Retirement Plan for Registrant dated May 1, 1985, with First Amendment thereto and Summary Plan Description therefore	Exhibit 10.1 to 1991 S-1
10.2	Management Agreement between Michigan Health Maintenance Organization Plans, Inc. and Registrant dated March 15, 1985, as amended June 12, 1985	Exhibit 10.2 to 1991 S-1
10.3	Management Agreement between U.A. Health Care Corporation and Personal Physician Care, Inc. dated March 18, 1987	Exhibit 10.3 to 1991 S-1
10.4	Amendment dated February 16, 1993 to Management Agreement between United American Healthcare Corporation and Personal Physician Care, Inc. dated	Exhibit 10.5 to the Registrant's 1995 Form 10-K
EXHIBIT NUMBER -----	DESCRIPTION OF DOCUMENT -----	INCORPORATED HEREIN BY REFERENCE TO -----
	March 18, 1987	
10.5	Amendment dated June 16, 1994 to Management Agreement between U.A. Health Care Corporation and Personal Physician Care, Inc. dated March 18, 1987	Exhibit 10.4 to the Registrant's 1994 Form 10-K
10.6	Management Agreement between OmniCare Health Plan, Inc. and United American of Tennessee, Inc. dated February 2, 1994	Exhibit 10.5 to Registrant's 1994 Form 10-K
10.7	Management Agreement between UltraMedix Health Care Systems, Inc. and United American of Florida, Inc. dated February 1, 1994	Exhibit 10.6 to Registrant's 1994 Form 10-K
10.8	Amendment dated September 4, 1995 to Management Agreement between UltraMedix Healthcare Systems, Inc. and United American of Florida, Inc. dated February 1, 1995	Exhibit 10.9 to the Registrant's 1995 Form 10-K
10.9	Amendment dated September 20, 1995 to Management Agreement between UltraMedix Health Care Systems, Inc. and United American of Florida, Inc. dated February 1, 1995	Exhibit 10.10 to Registrant's 1995 Form 10-K
10.10	Lease Agreement between 1155	Form 8-K filed August 8, 1991

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Brewery Park Limited Partnership
and Registrant dated July 24, 1991,
effective May 1, 1992

10.11	Amendment dated December 8, 1993 to Lease agreement between 1155 Brewery Park Limited Partnership and Registrant dated July 24, 1991	Exhibit 10.8 to the Registrant's 1994 Form 10-K
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EXHIBIT NUMBER -----	DESCRIPTION OF DOCUMENT -----	INCORPORATED HEREIN BY REFERENCE TO -----
10.12	Amendment dated April 15, 1993 to Lease Agreement between 1155 Brewery Park Limited Partnership and Registrant dated July 24, 1991	Exhibit 10.13 to Registrant's 1995 Form 10-K
10.13	Lease Agreement between Baltimore Center Associates Limited Partnership and Corporate Healthcare Financing, Inc. dated August 24, 1988, as amended April 12, 1993, effective the later of May 1, 1993 or the date premises are ready for occupancy	Exhibit 10.7 to the Registrant's 1993 Form 10-K
10.14	Amendment dated May 11, 1994 (effective June 30, 1994) to Lease agreement between Baltimore Center Associates Limited Partnership and Corporate Healthcare Financing, Inc	Exhibit 10.11 to the Registrant's 1994 Form 10-K
10.15	Lease Agreement between CLW Realty Asset Group, Inc., as agent for The Prudential Insurance Company of America and United American of Florida dated May 31, 1994, effective June 1, 1994	Exhibit 10.2 to Registrant's 1994 Form 10
10.16	Lease Agreement between Fleming Companies, Inc. and United American of Tennessee dated June 30, 1994, effective the date premises are ready for occupancy	Exhibit 10.3 to Registrant's 1994 Form 10

EXHIBIT NUMBER -----	DESCRIPTION OF DOCUMENT -----	INCORPORATED HEREIN BY REFERENCE TO -----
10.17	Lease Agreement between International Business Machines	Exhibit 10.19 to Registrant's 1995 Form 10-K

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	Corporation and Registrant dated August 29, 1994	
10.18	Amended and Restated Line of Credit Facility Agreement between Michigan National Bank and Registrant dated March 14, 1995	Exhibit 10.20 to Registrant's 1995 Form 10-K
10.19	Promissory notes between Michigan National Bank and Registrant dated August 26, 1993	Exhibit 10.9 to the Registrant's 1993 Form 10-K
10.20	Asset Purchase Agreement between CHF, Inc., Healthcare Plan Management, Inc., CHF-HPM Limited Partnership, Louis J. Nicholas and Keith B. Sullivan and Registrant dated May 7, 1993	Form 8-K filed May 24, 1993 and Form 8-K filed July 21, 1993
10.21	Loan and Security Agreement between UltraMedix Health Care Systems, Inc. and United American of Florida dated February 1, 1994	Exhibit 10.18 to Registrant's 1994 Form 10-K
10.22	Amendment dated June 13, 1995 to the Loan and Security Agreement between UltraMedix Care Systems, Inc. and United American of Florida, Inc. dated February 1, 1994	Exhibit 10.26 to Registrant's 1995 Form 10-K
10.23	Form of Stock Transfer Services Agreement between Huntington National Bank and Registrant	Exhibit 10.19 to Registrant's 1994 Form 10-K
10.24	Employment Agreement between Julius V. Combs, M.D. and Registrant dated March 15, 1991	Exhibit 10.15 to 1991 S-1

EXHIBIT NUMBER -----	DESCRIPTION OF DOCUMENT -----	INCORPORATED HEREIN BY REFERENCE TO -----
10.25	Employment Agreement between Ronald R. Dobbins and Registrant dated March 15, 1991	Exhibit 10.16 to 1991 S-1
10.26	Employment Agreement between Louis J. Nicholas and Corporate Healthcare Financing, Inc. dated May 7, 1993	Exhibit 10.22 to Registrant's 1994 Form 10-K
10.27	First Amendment to Contingent Note Promissory Note between CHF-HPM Limited Partnership and the Registrant	Form 10-Q for the Quarter Ended March 31, 1996, filed May 14, 1996
10.28	Acquisition of majority interest in	Form 8-K filed April 19, 1996

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OmniCare Health Plan, Inc. of
Tennessee and UltraMedix Healthcare
Systems, Inc.

10.29	Injured Workers' Insurance Fund Contract No. IWIF 9-96 Managed Care Contract with Statutory Benefits Management Corporation dated June 19, 1996	Form 10-K/A filed October 14, 1996, as amended
10.30	Ernst & Young LLP Report of Independent Auditors as of June 30, 1996	Exhibit 10.30 to Registrant's 1998 Form 10-K
10.31	Renaissance Center Office Lease between Renaissance Center Venture and Registrant	Form 10-Q for the Quarter Ended September 30, 1996, filed November 13, 1996
10.32	Purchase Agreement between Statutory Benefits Management Corporation and Spectera, Inc.	Form 10-Q for the Quarter Ended December 31, 1996, filed February 10, 1997
10.33	Agreement of Purchase and Sale of Stock, between CHF Acquisition, Inc. and the Registrant dated September 12, 1997	Form 10-K filed October 14, 1997

EXHIBIT NUMBER -----	DESCRIPTION OF DOCUMENT -----	INCORPORATED HEREIN BY REFERENCE TO -----
10.34	Ernst & Young LLP Report of Independent Auditors as of June 30, 1997	Form 10-K filed October 14, 1997
10.35	Amended and Restated Business Loan Agreement between Michigan National Bank and Registrant dated March 12, 1998 (effective as of February 1, 1998)	Form 10-Q for the Quarter Ended March 31, 1998, filed May 15, 1998
10.36	Business Loan Agreement Addendum between Michigan National Bank and Registrant dated March 12, 1998 (effective as of February 1, 1998)	Form 10-Q for the Quarter Ended March 31, 1998, filed May 15, 1998
10.37	Promissory Note from Registrant to Michigan National Bank dated March 12, 1998 (effective as of February 1, 1998)	Form 10-Q for the Quarter Ended March 31, 1998, filed May 15, 1998
10.38	Employment Agreement between Gregory H. Moses, Jr. and Registrant dated May 11, 1998	Exhibit 10.38 to Registrant's 1998 Form 10-K
10.39	Amendment dated as of June 30, 1998 to Lease Agreement between 1155	Exhibit 10.39 to Registrant's 1998 Form 10-K

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Brewery Park Limited Partnership
and Registrant dated June 24, 1991

10.40	Termination of Lease between Renaissance Holdings, Inc. (successor to Renaissance Center Venture) and Registrant dated June 24, 1998	Exhibit 10.40 to Registrant's 1998 Form 10-K
10.41	United American Healthcare Corporation 1998 Stock Option Plan	Exhibit 10.41 to Registrant's 1998 Form 10-K
10.42	Stock Purchase Agreement among Registrant, CHFA, Inc. and Corporate Healthcare Financing, Inc. dated August 31, 1998	Exhibit 10.42 to Registrant's 1998 Form 10-K
10.43	Secured Promissory Note from CHFA, Inc. to Registrant dated August 31, 1998	Exhibit 10.43 to Registrant's 1998 Form 10-K
10.44	Unsecured Promissory Note from CHFA, Inc. to Registrant dated August 31, 1998	Exhibit 10.44 to Registrant's 1998 Form 10-K
10.45	Guaranty Agreement of Louis J. Nicholas dated August 31, 1998	Exhibit 10.45 to Registrant's 1998 Form 10-K
10.46	Pledge Agreement between CHFA, Inc. and Registrant dated August 31, 1998	Exhibit 10.46 to Registrant's 1998 Form 10-K
10.47	Amendment of Business Loan Agreement between Registrant and Michigan National Bank dated September 1, 1998	Exhibit 10.47 to Registrant's 1998 Form 10-K
10.48	Promissory Note of Registrant to Michigan National Bank dated September 1, 1998	Exhibit 10.48 to Registrant's 1998 Form 10-K
10.49	Pledge Agreement from Registrant to Michigan National Bank dated September 1, 1998	Exhibit 10.49 to Registrant's 1998 Form 10-K
10.50	Promissory Note from Registrant to UAH Securities Litigation Fund dated December 11, 1998	Form 10-Q for the Quarter Ended December 31, 1998, filed February 16, 1999
10.51	Amendment of Promissory Note and	Exhibit 10.51 to Registrant's 1999

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	Business Loan Agreement from Michigan National Bank dated May 6, 1999	Form 10-K
10.52	Provider Contract between Urban Hospital Care Plus and Registrant dated April 1, 1999	Exhibit 10.52 to Registrant's 1999 Form 10-K
10.53	Assignment and Assumption of Subleases and Security Deposits between International Business Machines Corporation and Registrant dated September 9, 1999	Exhibit 10.53 to Registrant's 1999 Form 10-K
10.54	Business Loan Agreement between Registrant and Michigan National Bank dated September 25, 2000	Exhibit 10.54 to Registrant's 2001 Form 10-K
10.55	Promissory Note of Registrant to Michigan National Bank dated September 25, 2000	Exhibit 10.55 to Registrant's 2001 Form 10-K
10.56	Security Agreement between Registrant and Michigan National Bank dated September 25, 2000	Exhibit 10.56 to Registrant's 2001 Form 10-K
10.57	Amendment of Business Loan Agreement with Standard Federal Bank N.A., dated November 29, 2001 and effective September 30, 2001.	Form 10-Q for the Quarter Ended December 31, 2001, filed February 14, 2002
10.58	Amended and Restated Promissory Note to Standard Federal Bank N.A., dated November 29, 2001 and effective September 30, 2001.	Form 10-Q for the Quarter Ended December 31, 2001, filed February 14, 2002
10.59	Amendment to Management Agreement with OmniCare Health Plan dated December 14, 2001 and effective August 1, 2001.	Form 10-Q for the Quarter Ended December 31, 2001, filed February 14, 2002
10.60	Amendment of Business Loan Agreement with Standard Federal Bank N.A., dated October 11, 2002	Exhibit 10.60 to Registrant's 2002 Form 10-K
10.61	Amendment of Business Loan Agreement with Standard Federal Bank N.A., dated October 11, 2002 and effective September 30, 2002	Form 10-Q for the Quarter Ended September 30, 2002, filed November 13, 2003
10.62	Letter amendment of Business Loan Agreement with Standard Federal Bank N.A., dated February 5, 2003	Form 10-Q for the Quarter Ended December 31, 2002, filed May 13, 2003
10.63	United American Healthcare Corporation Supplemental Executive	Form 8-K filed January 11, 2005

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Retirement Plan

10.64	Severance Agreement dated as of April 15, 2005 between United American of Tennessee, Inc and Osbie L. Howard	Form 10-Q filed April 28, 2005
16.1	Concurring Letter regarding change in Certifying Accountants dated October 30, 1997, from Grant Thornton LLP	Form 8-K filed October 30, 1997
16.2	Concurring Letter regarding change in Certifying Accountants dated November 12, 1997, from Grant Thornton LLP	Form 8-K/A filed November 12, 1997
16.3	Concurring Letter regarding change in Certifying Accountants dated November 12, 1997, from Ernst & Young LLP	Form 8-K/A filed November 12, 1997
16.4	Concurring Letter regarding change in Certifying Accountants dated January 16, 1998, from Arthur Andersen LLP	Form 8-K filed January 20, 1998
16.5	Letter of KPMG LLP dated March 5, 2003 to the Securities and Exchange Commission.	Form 8-KA filed March 10, 2003
16.6	Letter dated November 22, 2004, from Follmer Rudzewicz PLC to the Securities and Exchange Commission	Form 8-K filed November 22, 2004
21	Subsidiaries of the Registrant	
31.1	Certification of Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002	
31.2	Certification of Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002	
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350	
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350	
99.1	Press Release dated January 12, 1998	Form 8-K filed January 20, 1998

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99.2	Press Release dated January 6, 2000	Form 8-K filed January 14, 2000
99.3	Press release dated April 15, 2005.	Form 8-K filed April 15, 2005
99.3	Press release dated April 21, 2005.	Form 8-K filed April 21, 2005
99.4	Notice of Administrative Supervision issued by the Commissioner of the State of Tennessee Department of Commerce and Insurance, dated April 20, 2005.	Form 8-K/A filed April 21, 2005