

SECURITIES AND EXCHANGE COMMISSION

FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

Filing Date: **1996-11-14** | Period of Report: **1996-09-30**
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FILER

TURBOCHEF INC

CIK: **916545** | IRS No.: **481100390** | State of Incorpor.: **DE** | Fiscal Year End: **0930**
Type: **10QSB** | Act: **34** | File No.: **000-23478** | Film No.: **96663579**
SIC: **3580** Refrigeration & service industry machinery

Business Address
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128
DALLAS TX 75243
2122445553*

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

FORM 10-QSB

(Mark One)

X QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
----- EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1996

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 0-23478

TURBOCHEF, INC.

(Exact name of small business issuer as specified in its charter)

Delaware

48-1100390

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification Number)

10500 Metric Drive, Suite 128
Dallas, Texas 75243

(Address of principal executive offices)

(214) 341-9471

(Issuer's telephone number including area code)

Check whether the issuer (1) filed all reports required to be filed by Section
13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or
for such shorter period that the registrant was required to file such reports),
and (2) has been subject to such filing requirements for the past ninety days.

Yes X No

--- ---

State the number of shares outstanding of each of the issuer's classes of common
equity as of the latest practicable date: November 1, 1996 13,745,578

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TURBOCHEF, INC.
FORM 10-QSB

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Part I - Item 1 FINANCIAL STATEMENTS

TURBOCHEF, INC.

Balance Sheets

<TABLE>
<CAPTION>

	September 30, ----- 1996 ----- (Unaudited)	December 31, ----- 1995 ----- (Note)
Assets -----	<C>	<C>
Current assets:		
Cash and cash equivalents	\$ 1,944,516	\$ 642,883
Accounts receivable	216,852	572,299
Inventories	688,596	539,083
Prepaid expenses	204,410	98,782
Marketable securities	7,366,506	-
	-----	-----
Total current assets	10,420,880	1,853,047
Property and equipment:		
Leasehold Improvements	58,616	37,818
Furniture and fixtures	105,926	56,360
Equipment	349,651	305,718
	-----	-----
	514,193	399,896
Less accumulated depreciation	(206,984)	(154,330)
	-----	-----
Net property and equipment	307,209	245,566
Deferred offering costs	-	48,529
Other assets	107,439	70,728
	-----	-----
	\$10,835,528	\$ 2,217,870
	=====	=====

Liabilities and Stockholders' Equity

Current liabilities:		
Notes payable to stockholders	\$ -	\$ 285,000
Accounts payable	447,309	404,293
Accrued expenses	53,376	35,314

Sales deposits	76,000	45,250
	-----	-----
Total current liabilities	576,685	769,857
Stockholders' equity:		
Common stock, \$.01 par value. Authorized 20,000,000 shares. Issued 13,745,578 and 12,867,078	137,456	128,671
Additional paid-in capital	21,493,138	10,992,534
Accumulated deficit	(11,208,509)	(9,673,192)
Note receivable	(163,242)	-
	-----	-----
Total stockholders' equity	10,258,843	1,448,013
	-----	-----
	\$10,835,528	\$ 2,217,870
	=====	=====

</TABLE>

Note: The balance sheet at December 31, 1995 was derived from audited financial statements but does not include all disclosures required by generally accepted accounting principles.

See accompanying notes to financial statements.

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TURBOCHEF, INC.

Statements of Operations
(UNAUDITED)

<TABLE>
<CAPTION>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1996	1995	1996	1995
	----	----	----	----
<S>	<C>	<C>	<C>	<C>
Revenues:				
Net sales	\$ 264,236	\$ 294,830	\$ 2,254,285	\$ 502,783
Other revenue	-	5,000	8,120	65,000
	-----	-----	-----	-----
	264,236	299,830	2,262,405	567,783
Costs and expenses:				
Cost of goods sold	202,286	245,587	1,692,001	407,419
Research and development expenses	156,183	80,716	451,177	302,269
Selling, general and administrative expenses	774,012	373,963	1,795,934	1,106,464
Interest (income) expense, net	(129,866)	(3,594)	(141,390)	19,200
	-----	-----	-----	-----
Total costs and expenses	1,002,615	696,672	3,797,722	1,835,352
	-----	-----	-----	-----
Net loss	\$ (738,379)	\$ (396,842)	\$ (1,535,317)	\$ (1,267,569)
	=====	=====	=====	=====
Loss per common share	\$ (0.05)	\$ (0.03)	\$ (0.12)	\$ (0.10)
	=====	=====	=====	=====
Weighted average number of common shares and common share equivalents outstanding	13,732,708	12,747,078	13,199,071	12,349,636
	=====	=====	=====	=====

</TABLE>

See accompanying notes to financial statements.

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TURBOCHEF, INC.

Statement of Stockholders' Equity

<TABLE>
<CAPTION>

	Shares of Common Stock	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Note Receivable	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1995	12,867,078	\$128,671	\$10,992,534	\$ (9,673,192)	\$ -	\$ 1,448,013
Exercise of stock options	76,500	765	180,285	-	(163,242)	17,808
Net proceeds from public offering						
June 1996 (\$15.00 per share)	800,000	8,000	10,292,509	-	-	10,300,509
Sale of warrants June 1996	-	-	80	-	-	80
Stock issued as compensation to a member of the Board of Directors	2,000	20	27,730	-	-	27,750
Net loss	-	-	-	(1,535,317)	-	(1,535,317)
Balance, September 30, 1996	13,745,578	\$137,456	\$21,493,138	\$ (11,208,509)	\$ (163,242)	\$10,258,843

</TABLE>

See accompanying notes to financial statements.

TURBOCHEF, INC.

Statements of Cash Flows
(UNAUDITED)

<TABLE>
<CAPTION>

	Nine Months Ended September 30,	
	1996	1995
<S>	<C>	<C>
Cash flows from operating activities:		
Net loss	\$ (1,535,317)	\$ (1,267,569)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	59,223	55,620
Non cash director compensation	6,937	-
Interest added to principal		21,070
Decrease (increase) in accounts receivable	355,447	(121,572)
(Increase) decrease in inventories	(149,513)	152,060
Increase in prepaid expenses	(84,815)	(6,561)
Decrease (increase) in other assets	15	(189)
Increase in accounts payable	43,016	130,780
Increase (decrease) in accrued expenses	18,062	(11,564)
Increase in sales deposits	30,750	49,500
Net cash used in operating activities	(1,256,195)	(998,425)
Cash flows from investing activities:		
Purchase of marketable securities	(7,366,506)	-
Purchase of equipment	(114,297)	(20,192)
Additions to intangibles	(43,295)	-
Net cash used in investing activities	(7,524,098)	(20,192)
Cash flows from financing activities:		
Proceeds from note payable	-	140,000
Proceeds from notes payable to stockholders	285,000	-
Repayment of notes payable to stockholders	(570,000)	(21,232)
Exercise of stock options	17,808	200,000
Issuance of common stock	-	800,000
Proceeds from public offering	12,000,000	-
Proceeds from sale of warrants	80	-
Offering costs	(1,650,962)	(48,509)
Net cash provided by financing activities	10,081,926	1,070,259

Net increase in cash and cash equivalents	1,301,633	51,642
Cash and cash equivalents at beginning of period	642,883	617,495
	-----	-----
Cash and cash equivalents at end of period	\$ 1,944,516	\$ 669,137
	=====	=====

</TABLE>

See accompanying notes to financial statements.

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TURBOCHEF, INC.
Notes to Financial Statements
(UNAUDITED)

September 30, 1996

1. The financial statements of TurboChef, Inc. (the "Company") included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) and have not been examined by independent public accountants. In the opinion of management, all adjustments (which consisted only of normal recurring accruals) necessary to present fairly the financial position and results of operations have been made. Pursuant to SEC rules and regulations, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted from these statements unless significant changes have taken place since the end of the most recent fiscal year. The December 31, 1995 balance sheet was derived from audited financial statements but does not include all disclosures required by generally accepted accounting principles. Investments in marketable securities at September 30, 1996 are entirely classified as held-to-maturity under Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities, and are stated at amortized cost as the Company has the positive intent and ability to hold such securities until maturity. The Company believes that other disclosures contained herein, when read in conjunction with the financial statements and notes included in the Company's Annual Report for the fiscal year ended December 31, 1995 on Form 10-KSB, are adequate to make the information presented not misleading. It is suggested, therefore, that these statements be read in conjunction with the statements and notes included in the aforementioned Form 10-KSB. The results of operations for the nine months ended September 30, 1996 are not necessarily indicative of the results to be expected for the full year.
2. Loss per share is determined based on the weighted average number of common and dilutive common equivalent shares outstanding during each period. Stock options were antidilutive during each period.

Giving effect to the March 15, 1995 conversion of a note payable to stockholder and related accrued interest of \$1,144,730 into 457,892 shares of common stock would not have materially affected loss per share for the nine month period ended September 30, 1995.
3. In June 1996 the Company consummated an underwritten public offering ("the June 1996 Offering") of 800,000 shares of its common stock resulting in aggregate proceeds of approximately \$10,301,000, net of the underwriter's discount and other offering costs.
4. On December 29, 1995, the Company effected a two-for-one stock split. The stock split has been reflected in all periods reported upon in the financial statements and, accordingly, all applicable dollar, share and per share amounts have been restated to reflect the stock split.
5. On March 15, 1995, pursuant to an agreement between the majority stockholder and the Company, outstanding indebtedness and accrued interest aggregating \$1,144,730 to such stockholder was exchanged for 457,892 shares of common stock of the Company. In addition, the stockholder received an option to purchase 600,000 shares of the common stock of the Company at \$2.50 per share. The option price was greater than the market price of the Company's common stock on the date of the grant. The options have a five year term and became exercisable on March 15, 1996.
6. In November 1994, the Company and Acadia International Limited, a corporation incorporated under the laws of the British Virgin Islands ("Acadia"), entered into an agreement to jointly develop a new consumer-operated TurboChef oven

(the Model E-1 TurboChef oven) for use in retail locations (the "Acadia Agreement"). Pursuant to the Acadia Agreement, Acadia committed to invest up to \$1,200,000 in the Model E-1 project, over a period of 16 months, for which it was ultimately to receive between a 20% and 30% (depending on various circumstances) ownership

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interest in AcadiaChef, Inc. ("AcadiaChef"), the entity formed in connection with this joint venture to commercialize the proposed Model E-1 oven. Each of the Company and Acadia had the option, however, of terminating the Acadia Agreement prior to such time, whereupon Acadia's investment would be returned to it pursuant to certain agreed upon terms, as outlined below, and its interest in AcadiaChef and the E-1 project would be eliminated. As of March 31, 1995, the Company had completed an initial prototype of the Model E-1 TurboChef oven and Acadia had invested a total of \$350,000 in the project pursuant to the terms of the Acadia Agreement. The Company elected at such time to terminate its arrangement with Acadia. Pursuant to the terms of the Acadia Agreement, upon such termination, Acadia had the option of (i) having its investment returned to it, plus interest accrued thereon at the rate of 10% per annum, in cash and receiving an option to purchase 350,000 shares of Common Stock at \$1.50 per share (the market price of the Common Stock on the date of the Acadia Agreement), or (ii) having its investment returned to it, without interest, in the form of Common Stock, i.e. converting the principal amount of its investment into 233,334 shares of Common Stock, based on a conversion rate of \$1.50 per share, and receiving an option to purchase 525,000 shares of Common Stock at \$2.50 per share. Instead, the Company was able to reach an agreement with Acadia in June 1995, with an effective date of March 31, 1995, whereby Acadia converted its \$350,000 investment, foregoing the accrued interest thereon, into an aggregate of 233,334 shares of Common Stock and received the Acadia Option to purchase 262,500 shares of Common Stock at \$2.50 per share.

7. On March 15, 1995, Jeffrey B. Bogatin, the Chairman of the Board and a principal stockholder of the Company, exchanged outstanding indebtedness and accrued interest thereon, in the aggregate amount of \$1,144,730, for 457,892 shares of Common Stock (a conversion rate of \$2.50 per share) and, in connection with such exchange, also received an option to purchase 600,000 shares of Common Stock at \$2.50 per share. The established conversion and option exercise prices were approximately 74% above the market price of the Company's Common Stock on the date of the transaction.
8. In June 1995, Mr. Bogatin, together with Philip R. McKee, a principal stockholder and the President and Chief Executive Officer of the Company, made contributions to the capital of the Company in the aggregate amount of \$1,000,000. Mr. Bogatin exercised options to purchase 80,000 shares of Common Stock at \$2.50 per share, for total proceeds to the Company of \$200,000, and Mr. McKee purchased 118,518 shares of restricted Common Stock from the Company at \$6.75 per share, for total proceeds to the Company of \$800,000.
9. During December 1995, Mr. Bogatin made an additional \$300,000 contribution to the capital of the Company by exercising options to purchase 120,000 shares of Common Stock at \$2.50 per share, and Mr. McKee advanced to the Company the sum of \$285,000. The note issued to Mr. McKee evidencing such borrowing bore interest at the rate of 6.5% per annum and was repaid in full (an aggregate of \$288,139, including accrued interest) on February 28, 1996.
10. On March 30, 1996, Mr. Bogatin and Mr. McKee loaned the Company the sums of \$200,000 and \$85,000, respectively. These loans were evidenced by promissory notes bearing interest at the rate of 6.5% per annum. Each of these notes was payable upon demand. These loans were made to satisfy certain eligibility requirements in order for the Company's Common Stock to continue to be listed on the NASDAQ SmallCap Market ("NASDAQ"). These notes were repaid in full (an aggregate of \$288,796, including accrued interest) prior to the consummation of the June 1996 Offering.

Part I - Item 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

General

Although the Company was organized in April 1991, it was not until March 1994 that it began the initial commercial introduction of the Model D-1 TurboChef oven, its first commercial product, and not until June 1995 that it entered into a purchase contract with Whitbread PLC ("Whitbread"), its first major contract, and commenced shipment of its Model D-2 TurboChef

oven. Prior to such time, the Company was engaged primarily in research and development, limited production operations and test marketing of prototype ovens. As a result, to date, the Company has generated limited revenues and incurred substantial operating losses since its inception. The

Company anticipates that it will continue to incur significant operating expenses in the future, including in connection with the Company's ongoing development activities relating to new product applications for its proprietary foodservice technologies, the training and set-up of additional third-party manufacturing sources and the continued implementation of the Company's marketing plans. The Company's future profitability will thus depend upon, among other things, corresponding increases in revenues from operations to offset these expenditures.

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of the Company's results of operations and financial condition. The discussion should be read in conjunction with the financial statements and notes thereto contained elsewhere in this report.

Results of Operations:

Three Months Ended September 30, 1996 Compared to Three Months Ended September 30, 1995

Revenues for the three months ended September 30, 1996 were \$264,236, a decrease of \$35,594, when compared to revenues of \$299,830 for the three months ended September 30, 1995. This decrease is primarily attributable to lower oven unit sales to Whitbread during 1996, offset by higher per unit selling prices and greater consumable parts sales to support the previously installed Whitbread ovens. The 1995 revenues include \$5,000 from a customer of the Company for licensing of the Company's proprietary dough-setting process.

Cost of sales for the three months ended September 30, 1996 was \$202,286, a decrease of \$43,301 when compared to \$245,587 for cost of sales for the three months ended September 30, 1995. This decrease is a result of a decrease in oven unit sales and lower per unit oven costs, offset by greater parts sales.

Gross profit on sales for the three months ended September 30, 1996 increased \$7,707 to \$61,950 when compared to gross profit on sales of \$49,243 during the three months ended September 30, 1995. The increase is primarily a result of higher per unit selling prices, lower per unit oven costs and greater parts sales, offset by lower oven unit sales.

Gross margin for the three months ended September 30, 1996 was 23% of sales compared to 17% for the three months ended September 30, 1995. The percentage increase is attributable primarily to the higher oven unit selling price on small quantity purchases, a reduced per unit manufacturing cost as a result of increased production volume and cost reduction programs implemented during the fourth quarter of 1995, as compared to lower per unit pricing during the same period in 1995.

Research and development expenses for the quarter ended September 30, 1996 increased \$75,467, to \$156,183 from research and development expenses of \$80,716 for the quarter ended September 30, 1995. This increase is primarily attributable to increased staffing and outside engineering costs and higher parts costs associated with development of the prototype of the residential version of the TurboChef oven and other new products.

Selling, general and administrative expenses for the quarter ended September 30, 1996 increased \$400,049, to \$774,012 from comparable expenses of \$373,963 for the same period in 1995. This increase is attributable to staff additions, additional travel associated with the Company's international customers, field upgrade parts costs and the costs associated with terminating one contract manufacturer and establishing two new contract manufacturers.

Net interest income for the three months ended September 30, 1996 was \$129,866, an increase of \$126,272 from net interest income of \$3,594 for the three months ended September 30, 1995. The increase is primarily attributable to the income received on the investment of the net proceeds from the June 1996 Offering.

As a result, for the three months ended September 30, 1996, the Company incurred a net loss of \$738,379 compared to a net loss of \$396,842 for the same period in 1995.

Nine Months Ended September 30, 1996 Compared to Nine Months Ended September

30, 1995

Revenues for the nine months ended September 30, 1996 were \$2,262,405, an increase of \$1,694,622, when compared to revenues of \$567,783 for the nine months ended September 30, 1995. This increase is primarily attributable to greater oven unit sales to Whitbread during 1996. During the first eight months of 1995, ovens were only sold to small accounts and on a test basis to chain accounts. The 1995 revenues include \$60,000 received from a customer of the Company for adopting and/or modifying the TurboChef oven to meet the customer's unique requirements.

Cost of sales for the nine months ended September 30, 1996 was \$1,692,001, an increase of \$1,284,582 when compared to \$407,419 for cost of sales for the nine months ended September 30, 1995. This increase is consistent with greater oven unit sales.

Gross profit on sales for the nine months ended September 30, 1996 increased \$466,920 to \$562,284 when compared to gross profit on sales of \$95,364 during the nine months ended September 30, 1995. The increase is a result of the increase in oven unit sales, primarily to Whitbread.

Gross margin for the nine months ended September 30, 1996 was 25% of sales compared to 19% for the nine months ended September 30, 1995. The percentage increase is primarily attributable to a reduced per unit manufacturing cost as a result of increased production volume and cost reduction programs implemented during the fourth quarter of 1995. The margin increase is partially offset by the reduced oven unit selling price offered to Whitbread for a significant quantity of ovens, as compared to the higher oven unit selling on small quantity purchases during the prior year period.

Research and development expenses for the nine months ended September 30, 1996 increased \$148,908, to \$451,177 from research and development expenses of \$302,269 for the nine months ended September 30, 1995. This increase is primarily attributable to increased staffing and outside engineering costs and higher parts costs associated with development of the prototype of the residential version of the TurboChef oven and other new products.

Selling, general and administrative expenses for the nine months ended September 30, 1996 increased \$689,470, to \$1,795,934 from comparable expenses of \$1,106,464 for the same period in 1995. This increase is attributable to staff additions, additional travel associated with the Company's international customers, the establishment of a service warranty reserve as a result of increasing oven sales, the addition of a marketing and sales consultant, field upgrade parts costs and the costs associated with terminating one contract manufacturer and establishing two new contract manufacturers.

Net interest income for the nine months ended September 30, 1996 was \$141,390, an increase of \$160,590 from net interest expense of \$19,200 for the nine months ended September 30, 1995. The increase is primarily attributable to the income received on the investment of the net proceeds from the June 1996 Offering and reduced average borrowing levels, as a result of approximately \$1,100,000 of outstanding indebtedness and accrued interest to the majority stockholder of the Company being exchanged for 457,892 shares of Common Stock in March 1995.

As a result, for the nine months ended September 30, 1996, the Company incurred a net loss of \$1,535,317 compared to a net loss of \$1,267,569 for the same period in 1995.

Liquidity and Capital Resources

The Company's capital requirements in connection with its product and technology development and marketing efforts have been and will continue to be significant. In addition, capital is required to operate and expand the Company's operations. Since its inception, the Company has been substantially dependent on loans and capital contributions from its principal stockholders, private placements of its securities, the proceeds from the initial public

offering of common stock in April 1994 ("the April 1994 IPO") and the June 1996 Offering to fund its activities.

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At September 30, 1996, the Company had working capital of \$9,844,195 as compared to working capital of \$1,083,190 at December 31, 1995. The \$8,761,005 working capital increase from December 31, 1995 resulted primarily from the net proceeds received from the June 1996 Offering of \$10,251,980 offset by the operating loss of \$1,535,317 incurred by the Company during the nine months ended September 30, 1996. For the nine months ended September 30, 1996, accounts receivable turnover improved to 9.1 from 6.2 during the nine months ended September 30, 1995 as a result of the Company adopting more favorable payment terms with Whitbread. Pursuant to the terms of the Whitbread Contract, amounts are due within seven days of the invoice date, which is the date of shipment.

Cash used in operating activities was \$1,256,195 for the nine months ended September 30, 1996 as compared to cash used in operating activities of \$998,425 for the nine months ended September 30, 1995 for an increase of \$257,770. The increase is a result of a \$267,748 increase in operating losses, an increase in inventories of \$301,573, an increase in prepaid expenses of \$78,254, offset by a \$477,019 decrease in accounts receivable. Cash used in investing activities for the nine months ended September 30, 1996 was \$7,524,098 as a result of the \$7,366,506 purchase of marketable securities with a portion of the net proceeds of the June 1996 Offering along with equipment purchases and patent costs. Cash provided by financing activities was \$10,081,926 for the nine months ended September 30, 1996, which represents primarily the net proceeds from the June 1996 Offering of \$10,349,038 and the proceeds from notes payable to stockholders of \$285,000, offset by the repayment of notes payable to stockholders of \$570,000. At September 30, 1996, the Company had cash and cash equivalents of \$1,944,516, compared to cash and cash equivalents of \$642,883 at December 31, 1995.

In April 1994, the Company consummated the April 1994 IPO, pursuant to which the Company sold 2,600,000 shares of Common Stock for aggregate net proceeds to the Company (after deducting underwriting discounts and commissions and other expenses of the offering) of \$5,237,007, of which approximately \$1,360,000 was utilized for the repayment of debt.

In November 1994, the Company and Acadia International Limited, a corporation incorporated under the laws of the British Virgin Islands ("Acadia"), entered into an agreement to jointly develop a new consumer-operated TurboChef oven (the Model E-1 TurboChef oven) for use in retail locations (the "Acadia Agreement"). Pursuant to the Acadia Agreement, Acadia committed to invest up to \$1,200,000 in the Model E-1 project, over a period of 16 months, for which it was ultimately to receive between a 20% and 30% (depending on various circumstances) ownership interest in AcadiaChef, Inc. ("AcadiaChef"), the entity formed in connection with this joint venture to commercialize the proposed Model E-1 oven. Each of the Company and Acadia had the option, however, of terminating the Acadia Agreement prior to such time, whereupon Acadia's investment would be returned to it pursuant to certain agreed upon terms, as outlined below, and its interest in AcadiaChef and the E-1 project would be eliminated. As of March 31, 1995, the Company had completed an initial prototype of the Model E-1 TurboChef oven and Acadia had invested a total of \$350,000 in the project pursuant to the terms of the Acadia Agreement. The Company elected at such time to terminate its arrangement with Acadia. Pursuant to the terms of the Acadia Agreement, upon such termination, Acadia had the option of (i) having its investment returned to it, plus interest accrued thereon at the rate of 10% per annum, in cash and receiving an option to purchase 350,000 shares of Common stock at \$1.50 per share (the market price of the Common Stock on the date of the Acadia Agreement), or (ii) having its investment returned to it, without interest, in the form of Common Stock, i.e. converting the principal amount of its investment into 233,334 shares of Common Stock, based on a conversion rate of \$1.50 per share, and receiving an option to purchase 525,000 shares of Common Stock at \$2.50 per share. Instead, the Company was able to reach an agreement with Acadia in June 1995, with an effective date of March 31, 1995, whereby Acadia converted its \$350,000 investment, foregoing the accrued interest thereon, into an aggregate of 233,334 shares of Common Stock and received the Acadia Option to purchase 262,500 shares of Common Stock at \$2.50 per share.

On March 15, 1995, Jeffrey B. Bogatin, the Chairman of the Board and a principal stockholder of the Company, exchanged outstanding indebtedness and accrued interest thereon, in the aggregate amount of \$1,144,730, for 457,892 shares of Common Stock (a conversion rate of \$2.50 per share) and, in

connection with such exchange, also received an option to purchase

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600,000 shares of Common Stock at \$2.50 per share. The established conversion and option exercise prices were approximately 74% above the market price of the Company's Common Stock on the date of the transaction.

In June 1995, Mr. Bogatin, together with Philip R. McKee, a principal stockholder and the President and Chief Executive Officer of the Company, made contributions to the capital of the Company in the aggregate amount of \$1,000,000. Mr. Bogatin exercised options to purchase 80,000 shares of Common Stock at \$2.50 per share, for total proceeds to the Company of \$200,000, and Mr. McKee purchased 118,518 shares of restricted Common Stock from the Company at \$6.75 per share, for total proceeds to the Company of \$800,000.

During December 1995, Mr. Bogatin made an additional \$300,000 contribution to the capital of the Company by exercising options to purchase 120,000 shares of Common Stock at \$2.50 per share, and Mr. McKee advanced to the Company the sum of \$285,000. The note issued to Mr. McKee evidencing such borrowing bore interest at the rate of 6.5% per annum and was repaid in full (an aggregate of \$288,139, including accrued interest) on February 28, 1996.

On March 30, 1996, Mr. Bogatin and Mr. McKee loaned the Company the sums of \$200,000 and \$85,000, respectively. These loans were evidenced by promissory notes bearing interest at the rate of 6.5% per annum. Each of these notes was payable on demand. These loans were made to satisfy certain eligibility requirements in order for the Company's Common Stock to continue to be listed on NASDAQ. These notes were repaid in full (an aggregate of \$288,796, including accrued interest) prior to the consummation of the June 1996 Offering.

In June 1996 the Company consummated an underwritten public offering of 800,000 shares of its common stock resulting in aggregate proceeds of approximately \$10,301,000, net of the underwriter's discount and other offering costs.

The Company plans to utilize the proceeds from the June 1996 Offering to expand its operations, including, among other things, to continue its product development activities and marketing efforts and to set-up additional third-party production operations for the manufacture of the Company's ovens. The Company anticipates, based on its currently proposed plans and assumptions relating to its operations (including assumptions regarding the progress of its research and development efforts and its ability to reduce oven production costs) that its current cash and cash equivalent balances and anticipated revenues from operations, will be sufficient to fund its operations and satisfy its contemplated capital requirements for at least the next two years. In the event that the Company's plans change, or its assumptions change or prove to be incorrect, or cash balances and anticipated revenues otherwise prove to be insufficient, the Company would be required to revise its plan of operations (which revision would include a significant reduction in operating costs) and/or seek additional financing prior to the end of such period. Other than a commitment from Messrs. Bogatin and McKee to provide financial support (if and as required) to enable the Company to meet its obligations through June 1997, the Company has no current arrangements with respect to, or sources of, additional financing. There can thus be no assurance that additional financing will be available to the Company, if and when needed, on commercially reasonable terms, or at all.

Although the Company intends to use a substantial portion of the proceeds of the June 1996 Offering to implement the next phase of its business strategy in an effort to expand its current level of operations and grow the Company's business, the Company's future performance will be subject to a number of business factors, including those beyond the Company's control, such as economic downturns and evolving industry needs and preferences, as well as to the level of the Company's competition and the ability of the Company to successfully market its products and effectively monitor and control its costs. There can thus be no assurance that the Company will be able to successfully implement the next phase of its business strategy, that its rate of revenue growth will continue in the future or that it will ever be able to achieve profitable operations.

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Item 1 - Legal Proceedings

None

Item 2 - Change in Securities

None

Item 3 - Defaults Upon Senior Securities

None

Item 4 - Submission of Matters to a Vote of Security Holders

None

Item 5 - Other Information

None

Item 6 - Exhibits and Reports on Form 8-K

(a)	Exhibit Number -----	Description of Document -----
	11	Statement re: Computation of Per Share Earnings (not required because the relevant computations can be clearly determined from material contained in the financial statements included herein).

(b) No reports on Form 8-K were filed during the quarterly period ended September 30, 1996.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TURBOCHEF, INC.

November 14, 1996 /s/ Philip R. McKee

 Philip R. McKee
 President, Chief Executive Officer
 (Principal Executive Officer)

November 14, 1996 /s/ Dennis J. Jameson

 Dennis J. Jameson
 Executive Vice President, Chief Financial Officer
 (Principal Financial Officer)

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