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**
SEC Accession No. 0000949303-96-000084

FILER

COMPANY DOCTOR

CIK:**921612**| IRS No.: **721234136** | State of Incorp.:**DE** | Fiscal Year End: **0630**
Type: **10QSB** | Act: **34** | File No.: **001-14150** | Film No.: **96663884**
SIC: **8093** Specialty outpatient facilities, nec

Mailing Address
1200 EAST COPELAND STE 100
ARLINGTON TX 76011

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1200 EAST COPELAND STE 100
ARLINGTON TX 80203
8172770000

Form 10-QSB

U.S. Securities and Exchange Commission

Washington, D.C. 20549

Form 10-QSB

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

For the quarterly period ended September 30, 1996

OR

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from to

Commission File Number 1-14150

THE COMPANY DOCTOR
(Exact Name of Small Business Issuer as Specified in its Charter)

DELAWARE	72-1234136
(State or other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

5215 North O' Connor Blvd., Suite 1800, Irving, Texas 75039
(Address of Principal Executive Offices) (Zip Code)

Issuer's telephone number, including area code: (972) 401-8300

(Previous Address) (Previous Zip Code)

Check whether the Issuer (1) filed all reports required to be filed by Section 13 or 15 (d) of the Exchange Act, during the past 12 months and (2) has been subject to the filing requirements for the past 90 days. Yes X No .

State the number of shares outstanding of each of the Issuer's classes of common stock, as of the latest practicable date:

There were 5,018,008 shares of the Issuer's common stock, at par value of $.01 per share, outstanding as of September 30, 1996.

Consolidated Balance Sheet

<TABLE>
<CAPTION>

	September 30, 1996 Unaudited	June 30, 1995
Assets		
<S>	<C>	<C>
Current assets		
Cash and cash equivalents	$3,093,283	$5,636,433
Restricted cash	500,000	500,000
Short-term investments	999,341	1,250,357
Accounts receivable		
Trade, less allowance for doubtful accounts of $259,000 at September 30, 1996 and $105,000 at June 30, 1996	2,048,824	1,097,308
Related parties	72,754	113,117
Other	122,628	85,348
Prepaid expenses	521,233	97,767
Total current assets	7,358,063	8,780,330
Property and equipment	2,384,159	1,536,898
Less accumulated depreciation and amortization	(1,242,964)	(659,394)
	1,141,195	877,504
Other assets		
Intangibles, net	8,822,117	1,688,314
Other assets	785,308	563,406
Investments	1,610,225	1,630,453
Total other assets	11,217,650	3,882,173
	$19,716,908	$13,540,007
Liabilities and Stockholders - (Deficit) Equity		
Current liabilities		
Notes payable	$ 740,127	$ 1,271,357
Notes payable - due to sellers	3,222,967	987,010
Current maturities of capital lease obligations	48,712	52,501
Accounts payable and accrued expenses	992,722	338,077
Claims payable	1,649,964	1,743,107
Total current liabilities	6,654,492	4,392,052
Long-term liabilities		
Capital lease obligations, net of current maturities	72,518	79,644
Notes payable - due to sellers	305,556	-
Total liabilities	7,032,566	79,644

Stockholders' equity		
Preferred stock, $.01 par value, 5,000,000 shares authorized Series A convertible, no shares issued	-	-
Common stock, $.01 par value; 25,000,000 shares authorized; 5,018,008 and 4,676,494 shares issued and outstanding at September 30, 1996 and June 30, 1996, respectively	50,180	46,765
Additional paid-in-capital	13,551,377	10,255,346
Accumulated equity	(917,215)	(1,233,800)
Total stockholders' equity	12,664,342	9,068,311
Total liabilities and stockholders equity	$ 19,716,908	$13,540,007

</TABLE>

Consolidated Statements of Operations

<TABLE>
<CAPTION>

	For the Three Months Ended September 30,	
	1996	1995
	(Unaudited)	
<S>	<C>	<C>
Revenues	$ 2,788,998	$ 949,640
Cost of services provided	1,214,036	421,924
General and administrative expenses	1,369,689	448,093
Marketing expenses	62,072	24,650
Development and acquisition costs	87,885	-
	2,733,682	894,667
Income from operations	55,316	54,973
Other income (expense)		
Interest expense	(9,983)	(25,980)
Interest income	96,252	-
Total other income (expenses)	86,269	(25,980)
Net income before income taxes	141,585	28,993
Income tax benefit	175,000	-
Net income	$ 316,585	$ 28,993
Net income per common share	$ .06	$ .01
Weighted average common shares		

outstanding	5,545,647	2,209,616

</TABLE>

Consolidated Statements of Cash Flow

<TABLE>
<CAPTION>

<S>	For the Three Months Ended September 30, 1996 <C>	1995 (Unaudited) <C>
Cash flows from operating activities		
Net income	$ 316,585	$ 28,993
Adjustments to reconcile net income to net cash (used in) provided by operating activities		
Depreciation and amortization	160,466	34,453
Deferred tax asset	(175,000)	-
Change in assets and liabilities		
Accounts receivable	(244,071)	(79,092)
Prepaid expenses	(418,075)	(6,423)
Other assets	(370,340)	(23,350)
Checks written in excess of bank balance	-	(18,265)
Accounts payable and accrued expenses	406,929	119,727
Claims payable	(93,143)	-
	(733,234)	28,050
Net cash (used in) provided by operating activities	(416,649)	57,043
Cash flows from investing activities		
Purchases of property and equipment	(181,384)	(5,957)
Cash acquired from medical practices	337,484	-
Purchase of investments	271,244	-
Purchase of intangibles	216,907	-
Net cash (used in) provided investing activities	644,251	(5,957)
Cash flows from financing activities		
Proceeds from line-of-credit and note payable	46,537	14,250
Proceeds from exercised warrants and stock options	17,380	-
Payments on notes payable and due to seller	(2,823,754)	-
Deferred offerings costs paid	-	(42,490)

Payments on equipment leases	(10,915)	(19,560)
Net cash provided by (used in) financing activities	(2,770,752)	(47,800)
Cash (decrease) increase	(2,543,150)	3,286
Cash at beginning of period	5,636,433	-
Cash at end of period	$ 3,093,283	$ 3,286

</TABLE>

Supplemental disclosures of interest paid:

Interest paid on borrowings for the three months ended September 30, 1995 and September 30, 1996 was $25,980 and $9,983, respectively.

Continued from previous page.

Supplemental disclosure of noncash investing and financing activities:

In the quarter ended September 30, 1996, the Company acquired three medical practices, and reported each on a Form 8-K. The purchase prices combined were allocated as follows:

<TABLE>
<CAPTION>

<S>	<C>
Assets acquired	
Cash	$337,484
Accounts receivable	704,362
Property and equipment	138,731
Prepaid expense and other	6,116
	1,186,693
Liabilities assumed	
Accounts payable and accrued expenses	247,716
Net assets acquired	938,977
Fair value of common stock issued	3,282,066
Due to sellers - accounts and notes payable - current	4,481,944
Due to sellers - notes payable - long-term	305,556
	$ 7,130,589

</TABLE>

Note 1 - Summary of Accounting Policies

The summary of the Issuer's significant accounting policies are incorporated by reference to the Company's annual report on Form 10-

KSB of June 30, 1996.

The accompanying unaudited condensed financial statements reflect all adjustments which, in the opinion of management, are necessary for a fair presentation of the results of operations, financial position and cash flows. The results of the interim period are not necessarily indicative of the results for the full year.

Reclassifications

Certain amounts in the September 30, 1995 consolidated financial statements have been reclassified to conform with the September 30, 1996 presentation.

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

On September 30, 1996, the Company had cash and cash equivalents of $3,093,283 and restricted cash of $500,000; in addition the Company had other current assets totaling $3,764,780 resulting in total current assets of $7,358,063. Current liabilities were $6,654,492 which resulted in a current ratio of 1.1 to 1. The Company also had investments of $1.610 million in "other assets", which consisted of U.S. treasury notes maturing in excess of one year from September 30, 1996, and therefore classified as long-term assets. However, these U.S. treasury notes could be sold and converted to cash at any time, and thus would effectively increase working capital to $2,313,796 and increase the current ratio to 1.35 to 1.

The Company closed its initial public offering (IPO) in February 1996. The Company sold a total of 1,840,000 Units, each Unit consisting of one share of Common Stock and one Warrant to purchase an additional share of Common Stock. The Units were sold at a price of $5.25 per Unit providing the Company with gross offering proceeds of $9.66 million. After payment of expenses associated with the offering, the Company received proceeds in excess of $7.5 million. Since the IPO, the Company, has used part of the net proceeds from the offering: 1) to finance the acquisition and capitalization of an insurance company subsidiary; 2) to acquire five complementary medical clinics; 3) to establish and begin managing a new start-up facility; 4) to expand sales and marketing programs; and 5) for other working capital purposes.

The transactions relating to the five medical practices now managed by the Company were each reported on Form 8-K. The transactions were effective 1) February 1996, in Lancaster, Texas (a Dallas suburb); 2) May 1996 in Baytown, Texas (a Houston suburb); 3) July 1996, in El Paso, Texas and Carrollton, Texas (a Dallas suburb); and 4) August 1996 in central Fort Worth, Texas.

The acquisition of the insurance company subsidiary occurred on June 30, 1996, as reported on Form 8-K on July 9, 1996. The cash payments due in four of the five medical practice transactions and the insurance subsidiary acquisition were paid in the current quarter.

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Forward-Looking Statements

The foregoing and subsequent discussion contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which are intended to be covered by the safe harbors created thereby. These forward-looking statements include the plans and objectives of management for future operations, including plans and objectives relating to the possible further capitalization of the insurance subsidiary, acquisitions of additional complementary medical practices and establishing and managing new facilities. The forward-looking statements included herein are based on current expectations that involve numerous risks and uncertainties. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Company. Although the Company believes that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Form 10-QSB will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by the Company or any other person that the objectives and plans of the Company will be achieved.

Results of Operations

Revenue

Revenues are derived primarily from the management of physician practices engaged in the diagnosis, treatment and management of work-related injuries and illnesses and from other occupational health care services such as employment-related physical examinations, drug and alcohol testing, functional capacity testing and other related programs. The Company's business exhibits some seasonality. From November through January, factors such as plant closings, vacations and holidays result in fewer occupational injuries and illnesses. Also, employers generally hire fewer employees in the calendar year's fourth quarter, thus reducing the number of pre-hiring physical examinations and drug and alcohol tests during this period. Patient visits also decline in summer months due to plant closings, vacations and fewer illnesses related to adverse weather. Accordingly, revenues and net income during the Company's first and second fiscal quarters of each year (quarters ended September and December), will tend to be somewhat lower than the remaining quarters of the fiscal year.

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Results of Operations (continued)

Revenue (continued)

Net revenues for the three months ended September 30, 1996 increased by $1,839,358 or 193.7% to $2,788,998 from the $949,640 revenue level achieved for the same three month period ended September 30, 1995. The growth is attributable to four factors: 1) the further development of the facilities managed by the Company ; 2) the Company's ability to capture additional market share; 3) the addition of the five medical practices, and 4) the start-up of a clinic in south Fort Worth, Texas in April 1996. The Garland and Arlington, Texas facilities opened in mid-1994, and those two facilities are now past the start-up stages when revenues were minimal, and both facilities are now fully operational. The addition of the five medical practices since February 1996 generated approximately $1,599,000 in the three months ended September 30, 1996, which compares to none for the September 30, 1995 quarter.

Cost of Services Provided

Cost of services provided for the current quarter ended September 30, 1996, of $1,214,036, as a percent of net revenues was 43.5% which was slightly lower than the 44.4% level of the same quarter one year ago.

General and Administrative

General and administrative expenses for the three months ended September 30, 1996, of $1,369,689, as a percent of revenue, was 49.1%, which was a small increase of 1.9% from the 47.2% for the same three month period a year ago. Actual dollars increased $921,596 over the prior year in conjunction with increased revenues and the increased costs associated with becoming a public company, indirect expenses related to the expansion activity since going public in February 1996, and some general and administrative expenses for the acquired insurance company subsidiary. The Company continues its cost-containment efforts in the management of fixed and variable costs.

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Marketing Expenses

Marketing expenses was $62,072 at September 30, 1996 compared to $24,650 at September 30, 1996 or 2.2% compared to 2.6% of revenues during the respective periods. The addition of medical practices in the quarter ended September 30, 1996 contributed to the rise in marketing expense dollars and that expense is expected to continue to rise in future periods as the Company expands in both its existing and new markets.

Development and Acquisition Costs

The Company had no development and acquisition costs in the September 1995 quarter, but had $87,885 of such costs in the three months ended September 30, 1996, or 3.2% of revenues. These costs were a result of the Company's expansion activities in two major areas: (1) pursuing and negotiating affiliations or acquisitions with physicians who have established occupational medicine practices or patient bases which can be served in an occupational medical setting; and (2) development costs for the acquired insurance company subsidiary, RMAC.

Other Income or Expense

Interest income for the quarter ended September 30, 1996 of $96,252 was 3.4% of revenue, as compared to none for the same quarter a year ago. Interest income was earned from funds invested from the proceeds of the IPO, and from the interest bearing investments in the acquired insurance company subsidiary, which acquisition was on June 30, 1996. Interest expense declined in the three months ended September 30, 1996 to $9,983 from the $25,980 for the three months ended September 30, 1995 due to the refinancing of capital leases.

Net Income

As a result of the factors described above, in particular, the combination of growth in revenues, additional medical practices, and containment of costs, the Company had $316,585 of net income after income tax benefits (of $175,000) in the three months ended September 30, 1996, or 11.4% of revenues, as compared to $28,993 net income, or 3.1% of revenues, in the three months ended September 30, 1995, an increase of $287,592. At June 30, 1996, the Company had approximately $1.149 million of net operating loss carryforwards (for income tax reporting purposes) which expire in the year 2008 through 2010. However, the use of net operating loss carryforward may be limited or reduced due to the change in ownership as a result of the February 1996 public offering, and, accordingly, the Company may be able to utilize only a portion of its net operating loss carryforwards. The impairment of the tax benefit as a result of the net operating loss carryforwards was reduced from $324,000 in the three months ended September 30, 1996 due to the addition of medical practices in that quarter, and the historical profitability of such practices, resulting in a $175,000 deferred tax benefit on the income statement.

PART II

Item 1 Legal proceedings - none
Item 2 Changes 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) Exhibits None

(b) Forms 8-K

Form 8-K July 9, 1996 Acquisition of Montfort Insurance Company
Form 8-K August 15, 1996 Acquisition of C.A. Riser M.D.
Form 8K August 21, 1996 Acquisition of The Doctors Inn, Incorporated
Form 8K August 28, 1996 Acquisition of Northside Family Medical Clinic
Form 8K September 20, 1996 Acquisition of Beltline North Occupational Health Clinic
Form 8K/A July 9, 1996 Financial statements and proforma for acquisition of Montfort Insurance Co.
Form 8K/A August 15, 1996 Finanical statements and the Pro Forma for acquisitions of C.A. Riser M.D.

THE COMPANY DOCTOR AND SUBSIDIARIES

SEPTEMBER 30, 1996

FORM 10-QSB

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE COMPANY DOCTOR
(Issuer)

Date: November 13, 1996 By: /s/ Fred G. Parrish

Fred G. Parrish
V.P., Chief Operating Officer,
Chief Financial Officer

Date: November 13, 1996 By: /s/ Donald F. Angle

Donald F. Angle, M.D.
Chairman, President, Chief Executive Officer,
Secretary

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