SURGICARE INC/DE
Form 10QSB
August 19, 2003

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 June 30, 2003

[ ] Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934 For the transition period from _________ to ________

SURGICARE, INC.
(NAME OF SMALL BUSINESS ISSUER IN ITS CHARTER)

DELAWARE	58-1597246
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

12727 KIMBERLEY LANE, SUITE 200, HOUSTON, TEXAS	77024
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

ISSUER'S TELEPHONE NUMBER: (713) 973-6675

Check whether the Registrant: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

As of August 9, 2003, 24,883,175 shares of Common Stock, $0.005 par value per share, were outstanding.

PART I

FINANCIAL INFORMATION

ITEM 1. Financial Statements.

The information required hereunder is included in this report as set forth in the "Index to Financial Statements"

INDEX TO FINANCIAL STATEMENTS

Consolidated Balance Sheets as of June 30, 2003 and December 31, 2002

Consolidated Statements of Operations for the three months ending June 30, 2003 and 2002

Consolidated Statements of Operations for the six months ending June 30, 2003 and 2002

Consolidated Statements of Cash Flows for the six months ending June, 2003 and 2002

Notes to Consolidated Financial Statements

SURGICARE, INC.
CONSOLIDATED BALANCE SHEETS

ASSETS	June 30, 200 (unaudited
Current Assets	
Cash and cash equivalents	$ 263,901
Accounts Receivable:	
Trade (less allowance for contractual adjustments and doubtful accounts of $4,706,000 and $6,496,000 at June 30, 2003 and December 31, 2002, respectively)	834,004
Other receivables	403,032
Note receivable	223,178
Inventory	366,483
Prepaid expenses	133,437
Other current assets	105,081
Total Current Assets	2,329,116
Property and Equipment	
Office furniture and equipment	395,797
Medical and surgical equipment	3,735,672
Leasehold improvements	941,440
Computer equipment	382,263

Transportation equipment	19,015
	5,474,187
Less: Accumulated depreciation and amortization	2,846,017
Total Property and Equipment	2,628,170
Goodwill	8,045,735
Real Estate	4,579,385
Investment in Limited Partnerships	368,679
Prepaid Limited Partner Distributions	403,748
Loan fees (net of amortization of $175,067 at June 30, 2003 and $108,321 at December 31, 2002)	126,970
TOTAL ASSETS	$ 18,481,803

SURGICARE, INC.
CONSOLIDATED BALANCE SHEETS (continued)

LIABILITIES	June 30, 2003 (unaudited)
Current Liabilities	
Current maturities of long-term debt	$ 5,983,536
Revolving lines of credit	1,315,898
Current portion of capital leases	293,843
Accounts payable	2,718,598
Accrued expenses	768,686
Payable to a related party	
Total Current Liabilities	11,080,561
Long-Term Debt	427,813
Total Liabilities	11,508,374
SHAREHOLDERS' EQUITY	
Preferred Stock, Series A, par value $.001, 1,650,000 authorized, 1,225,100 issued and outstanding (Redemption and liquidation value $6,125,500).	1,225
Preferred Stock, Series AA, par value $.001, 1,200,000 authorized, 900,000 issued and outstanding	900
Common Stock, par value $.005, 50,000,000 shares authorized; 24,883,175 and 21,327,131 issued June 30, 2003 and	

December 31, 2002, respectively.	124,416
Additional Paid-In Capital	16,189,292
Accumulated Deficit	(9,295,836)
Less: Treasury Stock-at cost, 91,400 and 75,000 shares at June 30, 2003 and December 31, 2002, respectively	(38,318)
Shareholders receivable	(8,250)
Total Shareholders' Equity	6,973,429
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 18,481,803

See notes to consolidated financial statements.

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SURGICARE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	For the
	2003
Revenues, net	$ 1,939
Direct Surgical expenses:	
Surgical costs	399
Clinical salaries & benefits	455
Other	213
Total Direct Surgical Expenses	1,068
General and Administrative Expenses:	
Salaries and benefits	383
Management and affiliation fees	27
Rent	235
Depreciation and amortization	225
Professional fees	299
Taxes	30
Provision for doubtful accounts	291
Other	275
Total General & Administrative Expenses	1,768
Total Expenses	2,836
Operating Loss	(897,
Other Income (Expense):	
Gain on sale of partnership interest	319
Miscellaneous income	8
Equity in Earnings of Limited Partnerships	80
Interest Expense	(468,
Total Other Income (Expense)	(61,

Minority Interest in (Earnings) Loss of Partnership		49
Loss Before Income Tax Expenses		(909,
Federal Income Tax Benefit		
Net Loss	$	(909,
Earnings (Loss) per share - Basic	$	(
Earnings (Loss) per share - Diluted	$	(
Weighted Average Shares Outstanding:		
Basic		24,877
Diluted		24,877

See notes to consolidated financial statements.

SURGICARE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

		For
		2003
Revenues, net	$	4,219
Direct Surgical expenses:		
Surgical costs		871
Clinical salaries & benefits		927
Other		506
Total Direct Surgical Expenses		2,304
General and Administrative Expenses:		
Salaries and benefits		770
Management and affiliation fees		58
Rent		468
Depreciation and amortization		444
Professional fees		514
Taxes		59
Provision for doubtful accounts		300
Other		549
Total General & Administrative Expenses		3,165
Total Expenses		5,470
Operating Loss		(1,251,

Other Income (Expense):		
Gain on sale of partnership interest		319
Loss on sale of assets		(
Miscellaneous income		20
Equity in Earnings of Limited Partnerships		167
Interest Expense		(909,
Total Other Income (Expense)		(401,
Minority Interest in (Earnings) Loss of Partnership		52
Loss Before Income Tax Expenses		(1,601,
Federal Income Tax Expense (Benefit)		(13,
Net Loss	$	(1,587,
Earnings (Loss) per share - Basic	$	(
Earnings (Loss) per share - Diluted	$	(
Weighted Average Shares Outstanding:		
Basic		24,232
Diluted		24,232

See notes to consolidated financial statements.

SURGICARE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

		For the Six Month June 30,
		2003
Cash Flows From Operating Activities:		
Net loss	$	(1,587,640)
Adjustments to reconcile net earnings to net cash provided by operations:		
Equity in earnings of limited partnerships		(167,939)
Minority interest in earnings (loss) of partnerships		(52,018)
Depreciation and amortization		444,102
Amortization of debt discount		74,920
Provision for doubtful accounts		300,692
Non-cash consulting expense		
Gain on sale of interest in limited partnership		(319,086)
(Increase) Decrease in:		
Accounts receivable		186,050
Notes receivable		
Inventory		31,289

Prepaid expenses		(64,057)
Other current assets		23,250
Federal income tax		
Increase (Decrease) in:		
Accounts payable		274,311
Accrued expenses		296,041
Net Cash Provided by (Used in) Operating Activities		(560,085)
Cash Flows From Investing Activities:		
Capital expenditures		(25,795)
Proceeds from sale of interest in limited partnership		425,000
Investment in limited partnership		
Distributions from partnerships		
Net Cash Provide by (Used in) Investing Activities		399,205
Cash Flows From Financing Activities:		
Borrowings on lines of credit		2,796,768
Payments on lines of credit		(3,146,527)
Borrowings on debt		
Payments on debt		(502,099)
Principal payments on capital lease		(50,892)
Proceeds from issuance of common stock		1,069,897
Proceeds from exercise of warrants		1,375
Distributions to limited partners		
Purchase of treasury stock		(6,068)
Net Cash Provided by Financing Activities		162,454
Net Increase in Cash and Cash Equivalents		1,574
Cash and Cash Equivalents - Beginning of Period		262,327
Cash and Cash Equivalents - End of Period	$	263,901

SURGICARE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(unaudited)

	For the Six Month June 30,	
	2003	
Supplemental Cash Flow Information:		
Cash paid during the year for:		
Interest	$	667,828
Non-cash investing and financing activities:		

Issuance of common shares for:	
Investment	
Accounts payable	70,000
Equipment acquired under capital lease Obligations	154,821

See notes to consolidated financial statements.

SURGICARE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 - General

SurgiCare, Inc. ("SurgiCare", the "Company", "we", "us", or "our"), through its wholly owned subsidiaries, owns a majority interest in limited partnerships or corporations that operate three surgery centers. The Company also owns a minority interest as general partner in two limited partnerships that each operates a surgery center. The consolidated statements include the accounts of the Company and its subsidiaries and its majority owned limited partnerships. Consolidation of the majority owned partnerships is necessary as the Company owns 51% or more of the financial interest and, as general partner, is responsible for the day-to-day management of the partnerships.

These financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP") for interim financial reporting and in accordance with Securities and Exchange Commission ("SEC") Rule 10-01 of Regulation S-X. In the opinion of management, the accompanying unaudited condensed, consolidated financial statements include all adjustments consisting of only normal recurring adjustments necessary for a fair presentation of the Company's financial position and the results of operations and cash flows for the interim periods presented. The results of operations for any interim period are not necessarily indicative of results for the full year.

The accompanying consolidated financial statements should be read in conjunction with the financial statements and related notes included in SurgiCare's 2002 Annual Report on Form 10-KSB.

Note 2- Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates.

The determination of contractual allowances constitutes a significant estimate. In determining the amount of contractual allowances, management

considers such factors as historical trends of billing and cash collections, established fee schedules, accounts receivable agings and contractual relationships with third-party payors. Contractual adjustments and accounts deemed uncollectible are applied against the allowance account.

Note 3 - Revenue Recognition

Revenues at the Company's surgery centers consist of billing for the use of the centers' facilities ("facility fee") directly to the patient or third-party payor. The facility fee excludes any amounts billed for physicians' services, which are billed separately by the physician to the patient or third-party payor.

Revenue is recognized on the date the procedures are performed, and accounts receivable are recorded at that time. Revenues are reported at the estimated realizable amounts from patients and third-party payors (net of contractual allowances). If such third-party payors were to change their reimbursement policies, the effect on revenue could be significant. Earnings are charged with a provision for contractual adjustments and doubtful accounts.

Note 4 - Goodwill

Goodwill represents the excess of cost over the fair value of net assets of companies acquired in business combinations accounted for using the purchase method. Goodwill acquired in business combinations prior to June 30, 2001 had been amortized using the straight-line method over an estimated useful life of 20 years. In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. SFAS No. 142 requires that goodwill no longer be amortized but instead be reviewed periodically for possible impairment. The Company has adopted SFAS No. 142 effective January 1, 2002 and will no longer amortize goodwill.

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Under SFAS 142, the Company must have completed its initial assessment of goodwill for possible impairment no later than December 31, 2002. The Company completed the first phase of this impairment test and, based on an independent valuation performed by a third party, believes that there was no impairment of goodwill as of January 1, 2002.

Due to the significant losses incurred during 2002, and the decline in the quoted market price of the common shares, the Company believed that a second impairment test as of December 31, 2002 was necessary. Using the same methodology (mainly the market method) as employed in the transitional valuation, the Company concluded that no impairment had occurred as of December 31, 2002.

Note 5 - Recent Accounting Pronouncements

SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," issued in August 2001, supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and the accounting and reporting provisions of Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." This statement retains certain requirements of SFAS No. 121 relating to the recognition and measurement of impairment of long-lived assets to be held and used. Additionally, this statement results in one accounting model, based on the framework established in SFAS No. 121, for

long-lived assets to be disposed of by sale and also addresses certain implementation issues related to SFAS No. 121, including the removal of goodwill from its scope due to the issuance of SFAS No. 142. The Company adopted this pronouncement on January 1, 2002, which had no impact on its consolidated financial statements.

SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," issued in June 2002, rescinds Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." This statement requires that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at its fair value in the period that the liability is incurred. The provisions of this Statement shall be effective for exit or disposal activities initiated after December 31, 2002, with early application encouraged. Management has determined that the adoption of SFAS No. 146 will not have a material impact on the Company's financial position and results of operations.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others, an interpretation of FASB Statements No. 5, 57 and 107 and a rescission of FASB Interpretation No. 34." This Interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees issued. The Interpretation also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The initial recognition and measurement provisions of the Interpretation are applicable to guarantees issued or modified after December 31, 2002. The Company has entered into certain guarantees as described in Note 11.

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In January 2003, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation--Transition and Disclosures." This statement provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement also amends the disclosure requirements of SFAS No. 123 to require more prominent and frequent disclosures in the financials statements about the effects of stock-based compensation. The transitional guidance and annual disclosure provisions of this Statement were effective for the December 31, 2002 financial statements. The interim reporting disclosure requirements became effective for this quarterly report. Because the Company continues to account for employee stock-based compensation under APB opinion No. 25, the transitional guidance of SFAS No. 148 has no effect on the financial statements at this time. However, the accompanying financial statements presented have incorporated the enhanced disclosure requirements of SFAS No. 148.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Instruments with Characteristics of Both Liabilities and Equity," which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 requires that an issuer classify a financial instrument that is within its scope, which may have previously been reported as equity, as a liability (or an asset in some circumstances). This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003 for public companies. The Company does not believe that the adoption of SFAS 150 will have a significant impact on its financial statements.

Note 6 - Acquisitions / Dispositions

On May 31, 2002, the Company acquired a 51% interest in the Tuscarawas

Ambulatory Surgery Center ("Tuscarawas Center") located in Dover, Ohio for an aggregate of $725,000 cash and warrants to purchase 200,000 shares of the Company common stock at an exercise price of $.01 per share expiring May 31, 2007. The warrants were valued at $590,000. The Company has also entered into a Management Agreement with the Tuscarawas Center to act as exclusive manager of the Tuscarawas Center in exchange for 5% of the Tuscarawas Center's net monthly collected revenue.

In June 2003, the Company sold its 10% interest in Physician's Endoscopy Center, Ltd for $425,000 and recognized a gain on the sale of $319,086. As part of the sale agreement, the Company was released of any liability of the center and removed as a guarantor on the center's bank note payable.

Note 7 - Debt

Loan agreements relating to the majority of the Company's credit lines, notes payable and capital leases contain requirements for maintenance of defined minimum financial ratios. The Company is not in compliance with all such provisions as of June 30, 2003. Further, the Company is delinquent in payments on the majority of its outstanding debt. All notes and capital leases in default have been shown as current in these financial statements. The Company has obtained a letter of forbearance through August 29, 2003, in connection with its senior lender, DVI Business Credit Corp.

The Company has financed its growth primarily though the issuance of equity, secured and/or convertible debt. As of June 30, 2003, the Company does not have any credit facilities available with financial institutions or other third parties to provide for working capital shortages. Although the Company believes it will generate cash flow from operations in future quarters, due to its debt load, it is not able to fund its current operations solely from its cash flow.

The Company believes that additional sales of debt and/or equity securities will be required to continue operations. The Company is continuing to pursue additional financing of debt and/or equity, but does not currently have firm commitments for the additional sales of debt or equity securities. Any such sales will be made on a best efforts basis. The Company can provide no assurance that it will be successful in any future financing effort to obtain the necessary working capital to support its operations, or fund acquisitions for its anticipated growth. In the event that any future financing efforts are not successful, the Company will be forced to liquidate assets and/or curtail operations.

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Note 8 - Earnings Per Share

Basic earnings per share are calculated on the basis of the weighted average number of shares outstanding. Diluted earnings per share, in addition to the weighted average determined for basic loss per share, include common stock equivalents, which would arise from the exercise of stock options and warrants using the treasury stock method, and assumes the conversion of the Company's preferred stock for the period outstanding, since their issuance.

	For the Three Months Ended June 30,	For the Six Months En June 30,

	2003	2002	2003	
Basic Loss Per Share:				
Net Loss	$(909,153)	$(1,557,196)	$(1,587,640)	$(
Weighted average shares outstanding	24,877,900	14,693,450	24,232,458	
Dilutive stock options and warrants	(a)	(a)	(a)	
Conversion of preferred shares	(b)	(b)	(b)	
Conversion of debt	(c)	(c)	(c)	
Weighted average common shares outstanding for diluted net loss per share	24,877,900	14,693,450	24,232,458	
Net loss per share - Basic	$(.04)	$(.11)	$(.07)	
Net loss per share - Diluted	$(.04)	$(.11)	$(.07)	

The following potentially dilutive shares are not included because their effect would be anti-dilutive due to the net loss for the period:

a. 10,942,807 and 1,703,741 options and warrants outstanding at June 30, 2003 and June 30, 2002, respectively.

b. 900,000 and 1,200,000 shares of Series AA Preferred Stock convertible into $4,500,000 and $6,000,000 of common shares at June 30 2003 and June 30, 2002, respectively. 1,225,000 and 1,316,100 shares of Series A Preferred stock convertible into 1,225,000 and 1,316,100 common shares at June 30, 2003 and June 30, 2002, respectively.

c. $1,000,000 of debentures convertible into common stock at a price equal to $1.50 per share at June 30, 2003.

Note 9 - Litigation

In September 2002, SurgiCare was named as a defendant in a suit entitled Charles Cohen vs. SurgiCare, Inc. and David Blumfield, in the 234th Judicial District Court of Harris County, Texas. Mr. Cohen sued SurgiCare for breach of contract and both defendants for defamation. Mr. Cohen claims that SurgiCare breached his employment agreement when it terminated his employment (although he remains a Director of SurgiCare as of the date of this filing) and that Mr. Blumfield and SurgiCare made defamatory statements about him. Mr. Cohen has made claims for $562,000 for breach of the employment agreement plus additional damages for the defamation claim. David Blumfield has since been dropped as a defendant in this suit. SurgiCare intends to vigorously defend this suit.

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In February 2003, SurgiCare was named as a defendant in a suit entitled S.E. Altman, individually, and d/b/a Altman & Associates vs. SurgiCare, Inc., in the County Court at Law No. 1, Harris County, Texas. Altman has sued SurgiCare for

breach of contract based on a finders fee contract in which Altman claims SurgiCare has not performed. Altman has made claims in the amount of $202,000 plus attorney's fees. American International Industries has indemnified SurgiCare from any losses and expenses related to this lawsuit. SurgiCare intends to vigorously defend this suit.

In March 2003, SurgiCare Memorial Village, L.P. and Town & Country SurgiCare, Inc. were named as defendants in a suit entitled MarCap Corporation vs. Health First Surgery Center-Memorial, Ltd.; HFMC, L.C.; SurgiCare Memorial Village, L.P.; and Town & Country SurgiCare, Inc. MarCap has sued for default under a promissory note and refusing to remit payment on a promissory note in the amount of $215,329.36. SurgiCare has paid $53,832.34 of this balance and is attempting to arrange for a payment plan to pay the remaining balance.

In April 2003, SurgiCare was named as a defendant in a suit entitled International Diversified Corporation, Limited vs. SurgiCare, Inc. International Diversified Corporation (IDC) has sued for breach of contract in which IDC invested $1,000,000 into SurgiCare. IDC has sued for the rescission of the contract and the return of $1,000,000 or the deliverance of 2,439,024 shares. SurgiCare intends to vigorously defend this suit.

In April 2003, SurgiCare was named as a defendant in a suit entitled Jackson Walker, LLP vs. SurgiCare, Inc. Jackson Walker is claiming damages of $52,247.18 in unpaid invoices for services rendered. SurgiCare is currently attempting to settle the account.

On July 7, 2003, SurgiCare, Inc. was named as a party in the arbitration entitled Brewer & Pritchard, P.C. vs. SurgiCare, Inc. before the American Arbitration Association. Brewer & Pritchard have claimed breach of contract and demanded payment of $131,294.88 in billed and unbilled legal fees plus third party expenses, interest at the highest legal rate, costs, legal fees and damages from breach of contract. SurgiCare has denied the material allegations in Brewer & Pritchard's demand and intends on vigorously defending this demand.

Note 10 - Employee Stock-Based Compensation

The Company accounts for its employee stock options and warrants under the Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. No stock-based employee compensation cost is reflected in net loss, as all employee options and warrants granted had an exercise price equal to the market value of the underlying common stock on the date of grant.

The Company also grants options and warrants to non-employees for goods and services and in conjunction with certain agreements. These grants are accounted for under FASB Statement No. 123, "Accounting for Stock-Based Compensation" based on the grant date fair values.

The following table illustrates the effect on net loss and loss per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123 to stock-based employee compensation.

	Three Months Ended	Six Mo

	June 30, 2003	June 30, 2002	June 30, 2003
Net loss - as reported	$ (909,153)	$ (1,557,196)	$ (1,587,640
Deduct: Total stock-based employee compensation (expense determined under the fair value based method for all awards), net of tax effect	(52,725)	(80,399)	(105,450
Pro forma net loss	$ (961,878)	$ (1,637,595)	(1,693,090
Loss per share:			
Basic net loss per share - as reported	$(.04)	$(.11)	$(.07
Basic net loss per share - pro forma	$(.04)	$(.11)	$(.07
Diluted net loss per share - as reported	$(.04)	$(.11)	$(.07
Diluted net loss per share - pro forma	$(.04)	$(.11)	$(.07

The above pro forma effects on net loss and net loss per share are not likely to be representative of the effects on reported net earnings (loss) for future years because options vest over several years and additional awards could be made each year.

Note 11 - Guarantees

The Company is guarantor on a working capital line of credit for San Jacinto Surgery Center, L.P. ("San Jacinto"), in which the Company owns a 10% general partnership interest through a wholly-owned subsidiary. As of June 30, 2003, the line of credit facility had a balance of $576,000 and is recorded on San Jacinto's balance sheet, which is not consolidated with the Company's financial statements. As of the date of this filing, the line has matured and management is currently working on an extension.

Note 12 - Subsequent Event

On August 13, 2003, DVI, Inc. (NYSE: DVI) issued a press release announcing that it will seek protection under the United States bankruptcy laws. DVI, Inc. is a senior lender to the Company and its primary source of cash flow. The future effect on the Company's cash flow is not known at this time.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Forward-Looking Statements

The information contained herein contains certain forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended, which are intended to be covered by the safe harbors created thereby. Investors are cautioned that all forward looking statements involve risks and uncertainty, including, without limitation, our ability to continue our expansion strategy, changes in federal or state healthcare laws and regulations or third party payor practices, our historical and current compliance with existing or future healthcare laws and regulations and third party payor requirements, changes in costs of supplies, labor and employee benefits, as well as general market conditions, competition and pricing. Although we believe that the assumptions underlying the forward looking statements contained herein 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 view 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 management or any other person that our objectives and plans will be achieved. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results over time.

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Critical Accounting Policies

In December 2001, the SEC requested that reporting companies discuss their most "critical accounting policies" in management's discussion and analysis of financial condition and results of operations. The SEC indicated that a "critical accounting policy" is one that is important to the portrayal of a company's financial condition and operating results and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

We have identified the policies below as critical to our business operations and the understanding of our results of operations. The impact and any associated risks related to these policies on our business operations is discussed throughout Management's Discussion and Analysis of Financial Condition and Results of Operations where such policies affect our reported and expected financial results. For a detailed discussion on the application of this and other accounting policies, see Notes 1 and 2 in the Notes to the Consolidated Financial Statements of our Annual Report on Form 10-KSB. Our preparation of this Form 10-QSB and our Annual Report on Form 10-KSB requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of our financial statements. Therefore, actual results may differ from those estimates.

Revenue Recognition - Revenue is recognized on the date the procedures are performed, and accounts receivable are recorded at that time. Revenues are reported at the estimated realizable amounts from patients and third-party payers. If such third-party payers were to change their reimbursement policies, the effect on revenue could be significant. Earnings are charged with a provision for contractual adjustments and doubtful accounts based on such factors as historical trends of billing and cash collections, established fee schedules, accounts receivable agings and contractual relationships with third-party payors. Contractual adjustments and accounts deemed uncollectible are applied against the allowance account.

Investment in Limited Partnerships - The investments in limited partnerships are accounted for by the equity method. Under the equity method, the investment is initially recorded at cost and is subsequently increased to reflect the Company's share of the income of the investee and reduced to reflect the share of the losses of the investee or distributions from the investee.

Goodwill - Goodwill arises from the acquisition of assets at an amount in excess of their fair market value. In July 2001, the FASB issued SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 requires business combinations initiated after June 30, 2001 to be accounted for using the purchase method of accounting, and broadens the criteria for recording intangible assets separately from goodwill. Recorded goodwill and intangibles are evaluated against these criteria and may result in certain intangibles being transferred to goodwill or, alternatively, amounts initially recorded as goodwill may be separately identified and recognized apart from goodwill. Under SFAS No. 142, a non-amortization approach, goodwill and certain intangibles with indefinite lives are not amortized into results of operations,

but instead reviewed periodically for impairment and written down and charged to results of operations only in the periods in which the recorded value of goodwill and certain intangibles with indefinite lives is more than its fair value. The provisions of each statement which apply to goodwill and intangible assets acquired prior to June 30, 2001, was adopted by the Company on January 1, 2002. At the review dates of January 1, 2002 and December 31, 2002, the Company concluded that no impairment had occurred.

Overview

SurgiCare's principal business strategies are to (a) increase physician utilization of existing facilities, (b) increase both the revenue and profits from current cases and procedures being performed in existing facilities (c) achieve growth and expand revenues by pursuing strategic acquisitions of existing, and the development of new, physician owned ambulatory surgical centers, and (d) expand into related healthcare facilities, including imaging, surgical hospitals and practice management.

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Surgical supply costs are the single largest cost component of any ambulatory surgical center. Therefore, SurgiCare's goal is to minimize the cost of surgical supplies. Through participation in national buying groups, SurgiCare has been able to negotiate discounts on most of the commonly used surgical supplies. SurgiCare has also implemented a "Just in Time" approach to inventory. This allows the center to minimize the amount of supplies that it is required to keep in inventory.

SurgiCare is in the process of identifying ambulatory surgical centers, imaging centers, surgical hospitals and practice management companies as potential acquisition targets and has, in some cases, conducted preliminary discussions with representatives of these organizations. Although there are no commitments, understandings, or agreements with any other potential acquisition targets, talks are ongoing for the acquisition of additional entities. All of such discussions have been tentative in nature and there can be no assurance that we will acquire any center with whom discussions have been conducted.

Financial Condition and Results of Operations

The following table sets forth for the periods indicated the percentages of revenues represented by income statement items.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Revenues, net	100.0%	100.0%	100.0%	100.00
Expenses:				
Direct Cost of Services	55.1%	32.6%	54.6%	29.0
General & Administrative Expenses	91.2%	141.9%	75.0%	92.3
Total Operating Expenses	146.3%	174.5%	129.7%	121.3
Operating Income (Loss)	-46.3%	-74.5%	-29.7%	-21.3

Other Income (Loss)	-3.2%	-4.3%	-9.5%	-5.0
Minority Interest in Earnings (losses) of Partnerships	2.6%	11.2%	1.2%	
Earnings (Loss) Before Federal Income Tax Expense	-46.9%	-67.5%	-38.0%	-26.3
Federal Income Tax Expense (Benefit)	-	-26.3%	.3%	-10.3
Net Earnings (Loss)	-46.9%	-41.2%	-37.6%	-16.0

Results of Operations

THREE MONTHS ENDED JUNE 30, 2003 vs. THREE MONTHS ENDED JUNE 30, 2002

Net Revenue. On a consolidated basis, case volume increased 7.0% to 1,731 in the three months ended June 30, 2003 from 1,618 in the 2002 comparable period. On a same-center basis (which includes unconsolidated centers and pre-acquisition cases), total utilization increased 23.9% to 4,082 cases in the three months ended June 30, 2003 from 3,294 in the 2002 comparable period. New centers accounted for $621,350 in revenue in the three months ended June 30, 2003. However, revenue declined 48.7% to $1,939,008 in the three months ended June 30, 2003, from $3,776,546 in the comparable 2002 period. On a per-case basis, revenue decreased to $1,120 in the three months ended June 30, 2003 from $2,334 in the 2002 comparable period. The decrease was due primarily to a reduction in our estimates for reimbursement from third-party payors. The reduction in reimbursement resulted in the higher insurance contractual allowances, which negatively affected revenue. Such adjustments were necessary based on our assessment of recent reimbursement activity. The average contractual allowance in the second quarter of 2003 was 70% of gross revenue compared to 63% in the comparable prior year period. Secondarily, the revenue decrease is attributable to the shift in types of cases performed. With the acquisition of the Tuscarawas Center, increased ophthalmology and gastroenterology cases were performed, which generally have gross billing rates below $1,000 compared to a company average of greater than $3,000 per case.

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Direct Surgical Expenses. Total direct surgical costs increased to 55.1% of revenue in the three months ended June 30, 2003 from 32.6% in the 2002 comparable period. Direct surgical costs per case decreased 8.0% to $617 in the three months ended June 30, 2003 compared to $760 in the same period in 2002. The increase as a percentage of revenue is primarily due to the decrease in revenue dollars resulting from the Company increasing its estimates of insurance contractual allowances discussed above. The decreased cost per case is due the acquisition of the Tuscarawas Center, which performs lower cost procedures.

General and Administrative Expenses. General and administrative costs decreased $3,590,054, or 67.0% to $1,768,241 in the three months ended June 30, 2003 from $5,358,295 in the 2002 comparable period. The decrease is primarily due to charge of $3.7 million to bad debt expense taken in the 2002 period related to a change in the Company's policies regarding doubtful accounts.

Total Operating Expenses. Total operating expenses decreased $3,751,826, or 56.9% to $2,836,872 in the three months ended June 30, 2003 from $6,588,697 in the 2002 comparable period. As a percent of revenue, total expenses decreased to 146.3% of revenue in the three months ended June 30, 2003 from 174.5% in the 2002 comparable period. The decreased costs, expressed both

in dollars and as a percentage of revenue, are related to the factors discussed above.

Other Income (Expense). Total Other Expense decreased $101,663, or 62.4% to $61,273 in the three months ended June 30, 2003 from $162,936 in the 2002 comparable period. The decrease was primarily due to a gain of $319,086 recognized on the sale of the Company's 10% interest in Physician's Endoscopy Center. Such gain was partially offset by an increase in interest expense of $237,794, or 102.9% between the two comparable three-month periods resulting from additional borrowings to complete an acquisition, to attempt to acquire Aspen Healthcare, and to finance the Company's working capital.

Minority Interest in Losses of Partnerships. In the three months ended June 30, 2003, the minority interest in losses of partnerships decreased to $49,984 from $424,250 in the 2002 comparable period due to significant charges to bad debt expense in the 2002 period, which created the losses.

Federal Income Tax. For the three months ended June 30, 2003, the Company did not record a tax benefit on its pre-tax loss of $909,153 due to a valuation allowance recorded against the Company's deferred tax assets. In the three months ended June 30, 2002, the Company recorded income tax benefit of $993,641 or 39.0% of its pre-tax loss.

Net Loss. Due to the factors discussed above, the net loss in the three months ended June 30, 2003 decreased to a loss of $909,153 compared to a loss of $1,557,196 in the 2002 comparable period.

SIX MONTHS ENDED JUNE 30, 2003 vs. SIX MONTHS ENDED JUNE 30, 2002

Net Revenue. On a consolidated basis, case volume increased 22.2% to 3,517 in the six months ended June 30, 2003 from 2,879 in the 2002 comparable period. On a same-center basis (which includes unconsolidated centers and pre-acquisition cases), total utilization increased 34.8% to 8,146 cases in the six months ended June 30, 2003 from 6,043 in the 2002 comparable period. New centers accounted for $1,251,994 in revenue in the six months ended March 31, 2003. However, revenue declined 40.1% to $4,219,129 in the six months ended June 30, 2003, from $7,040,536 in the comparable 2002 period. On a per-case basis, revenue decreased to $1,200 in the six months ended June 30, 2003 from $2,445 in the 2002 comparable period. The decrease was due primarily to a reduction in our estimates for reimbursement from third-party payors. The reduction in reimbursement resulted in the higher insurance contractual allowances, which negatively affected revenue. Such adjustments were necessary based on our assessment of recent reimbursement activity. The average contractual allowance in the first six months of 2003 was 68% of gross revenue compared to 59% in the comparable prior year period. Secondarily, the revenue decrease is attributable to the shift in types of cases performed. With the acquisition of the Tuscarawas Center, increased ophthalmology and gastroenterology cases were performed, which generally have gross billing rates below $1,000 compared to an average of greater than $3,000 per case.

Direct Surgical Expenses. Total direct surgical costs increased to 54.6% of revenue in the six months ended June 30, 2003 from 29.0% in the 2002 comparable period. Direct surgical costs per case decreased 7.4% to $655 in the six months ended June 30, 2003 compared to $708 in the same period in 2002. The increase as a percentage of revenue is primarily due to the decrease in revenue dollars resulting from the Company increasing its estimates of insurance contractual allowances discussed above. The decreased cost per case is due the

acquisition of the Tuscarawas Center, which performs lower cost procedures.

General and Administrative Expenses. General and administrative costs decreased $3,333,964, or 51.3% to $3,165,445 in the six months ended June 30, 2003 from $6,499,409 in the 2002 comparable period. The decrease is primarily due to charge of $3.7 million to bad debt expense taken in the 2002 period related to a change in the Company's policies regarding doubtful accounts.

Total Operating Expenses. Total operating expenses decreased $3,067,711, or 35.9% to $5,470,406 in the six months ended June 30, 2003 from $8,538,117 in the 2002 comparable period. As a percent of revenue, total expenses increased to 129.7% of revenue in the six months ended June 30, 2003 from 121.3% in the 2002 comparable period. Such expense fluctuations, expressed both in dollars and as a percentage of revenue, are related to the factors discussed above.

Other Income (Expense). Total Other Expense increased $52,176, or 14.9% to $401,942 in the six months ended June 30, 2003 from $349,766 in the 2002 comparable period. The increase was primarily due to an increase in interest expense of $453,823, or 99.7% between the two comparable six-month periods resulting from additional borrowings to complete an acquisition, to attempt to acquire Aspen Healthcare, and to finance the Company's working capital. The increase was partially offset by a gain of $319,086 recognized on the sale of the Company's 10% interest in Physician's Endoscopy Center in June 2003.

Minority Interest in (Earnings)Losses of Partnerships. In the six months ended June 30, 2003, the minority interest in (earnings) losses of partnerships was $52,018 compared to $(1,382) in the 2002 comparable period. The losses incurred by the partnerships are directly attributable to the increase in the majority-owned partnerships' contractual allowances in the 2003 period, partially offset by significant bad debt write-offs during the second quarter of 2002.

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Federal Income Tax. For the six months ended June 30, 2003, the Company recorded a tax benefit of $13,561, or 0.9% of its pre-tax loss of $1,601,201. The percentage is less than the normally expected rate due to a valuation allowance recorded against the Company's deferred tax assets. In the six months ended June 30, 2002, the Company recorded an income tax benefit of $719,574, or 38.9% of its pre-tax loss.

Net Loss. Due to the factors discussed above, the net loss in the six months ended June 30, 2003 increased to $1,587,640 compared $1,129,155 in the 2002 comparable period.

Liquidity and Capital Resources

Net cash used in operating activities was $560,085 for the six months ended June 30, 2003 compared to $182,396 cash provided by operating activities in the comparative 2002 period. The primary reason for the increase in cash used in operations was the increase in the Company's cash net losses in the six months ended June 30, 2003.

Net cash provided by investing activities was $399,205 in the six months ended June 30, 2003 compared to net cash used in investing activities of $758,276 in the comparable 2002 period. In 2003, the Company sold its ownership interest in Physician's Endoscopy Center for $425,000 cash, while in 2002, the Company purchased a 51% ownership interest in the Tuscarawas Center, which included $640,846 cash.

Net cash provided by financing activities decreased to $162,454 for the six months ended June 30, 2003 from $880,239 in the 2002 comparable period. In the 2003 period, cash raised through the sale of common stock was predominantly used to pay down debt. In 2002, the Company used portions of the cash raised through debt and issuance of common stock to fund an acquisition and other capital expenditures.

As of June 30, 2003, the Company had cash and cash equivalents of $263,901 and negative working capital of $8,751,445. SurgiCare has a total of $5,638,044 in long-term debt and an additional $1,315,898 in revolving lines of credit currently in default. SurgiCare has defaulted on certain provisions of its Loan and Security Agreement with its senior lender, DVI Business Credit Corporation (DVI). However, DVI has agreed to forbear from taking any action to foreclose on any collateral or place the Company into receivership until August 29, 2003. We are in the process of refinancing these agreements as well as its other debt arrangements, but can provide no assurance that we will be successful in our efforts.

The Company has financed its growth primarily though the issuance of equity, secured and/or convertible debt. As of June 30, 2003, the Company does not have any credit facilities available with financial institutions or other third parties to provide for working capital shortages. Although the Company believes it will generate cash flow from operations in future quarters, due to its debt load, it is not able to fund its current operations solely from its cash flow.

In March 2003, the Company completed a $1,212,490 private placement of 3,418,544 shares of common stock to existing physician shareholders, local Houston physicians, and select Houston individuals. The shares are restricted under Rule 144. In addition, the investors received a warrant for every two shares of common stock purchased. The warrants are exercisable for one year and are priced at $0.35. The Company received proceeds (net of expenses) of $1,070,105 in cash and $70,000 in reduction in notes/accounts payable. The cash proceeds of the financing were used to pay down debt and for working capital purposes.

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The Company believes that additional sales of debt and/or equity securities will be required to continue operations. The Company is continuing to pursue additional financing of debt and/or equity, but does not currently have firm commitments for the additional sales of debt or equity securities. Any such sales will be made on a best efforts basis. The Company can provide no assurance that it will be successful in any future financing effort to obtain the necessary working capital to support its operations, or fund acquisitions for its anticipated growth. In the event that any future financing efforts are not successful, the Company will be forced to liquidate assets and/or curtail operations.

Item 3. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of June 30, 2003, an evaluation was performed under the supervision and with the participation of our management, including our CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our management, including the CEO and CFO,

concluded that our disclosure controls and procedures were effective as of June 30, 2003.

Changes in Internal Controls

There have been no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation.

PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings.

In September 2002, SurgiCare was named as a defendant in a suit entitled Charles Cohen vs. SurgiCare, Inc. and David Blumfield, in the 234th Judicial District Court of Harris County, Texas. Mr. Cohen sued SurgiCare for breach of contract and both defendants for defamation. Mr. Cohen claims that SurgiCare breached his employment agreement when it terminated his employment (although he remains a Director of SurgiCare as of the date of this filing) and that Mr. Blumfield and SurgiCare made defamatory statements about him. Mr. Cohen has made claims for $562,000 for breach of the employment agreement plus additional damages for the defamation claim. David Blumfield has since been dropped as a defendant in this suit. SurgiCare intends to vigorously defend this suit.

In February 2003, SurgiCare was named as a defendant in a suit entitled S.E. Altman, individually, and d/b/a Altman & Associates vs. SurgiCare, Inc., in the County Court at Law No. 1, Harris County, Texas. Altman has sued SurgiCare for breach of contract based on a finders fee contract in which Altman claims SurgiCare has not performed. Altman has made claims in the amount of $202,000 plus attorney's fees. American International Industries has indemnified SurgiCare from any losses and expenses related to this lawsuit. SurgiCare intends to vigorously defend this suit.

In March 2003, SurgiCare Memorial Village, L.P. and Town & Country SurgiCare, Inc. were named as defendants in a suit entitled MarCap Corporation vs. Health First Surgery Center-Memorial, Ltd.; HFMC, L.C.; SurgiCare Memorial Village, L.P.; and Town & Country SurgiCare, Inc. MarCap has sued for default under a promissory note and refusing to remit payment on a promissory note in the amount of $215,329.36. SurgiCare has paid $53,832.34 of this balance and is attempting to arrange for a payment plan to pay the remaining balance.

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In April 2003, SurgiCare was named as a defendant in a suit entitled International Diversified Corporation, Limited vs. SurgiCare, Inc. International Diversified Corporation (IDC) has sued for breach of contract in which IDC invested $1,000,000 into SurgiCare. IDC has sued for the rescission of the contract and the return of $1,000,000 or the deliverance of 2,439,024 shares. SurgiCare intends to vigorously defend this suit.

In April 2003, SurgiCare was named as a defendant in a suit entitled Jackson Walker, LLP vs. SurgiCare, Inc. Jackson Walker is claiming damages of $52,247.18 in unpaid invoices for services rendered. SurgiCare is currently attempting to settle the account.

On July 7, 2003, SurgiCare, Inc. was named as a party in the arbitration entitled Brewer & Pritchard, P.C. vs. SurgiCare, Inc. before the American Arbitration Association. Brewer & Pritchard have claimed breach of

contract and demanded payment of $131,294.88 in billed and unbilled legal fees plus third party expenses, interest at the highest legal rate, costs, legal fees and damages from breach of contract. SurgiCare has denied the material allegations in Brewer & Pritchard's demand and intends on vigorously defending this demand.

ITEM 2. Change in Securities.

In March 2003, the Company completed a $1,212,490 private placement of 3,418,544 shares of common stock to existing physician shareholders, local Houston physicians, and select Houston individuals. The shares are restricted under Rule 144. In addition, the investors received a warrant for every two shares of common stock purchased. The warrants are exercisable for one year and are priced at $0.35. The Company received proceeds (net of expenses) of $1,070,105 in cash and $70,000 in reduction in notes/accounts payable. The cash proceeds of the financing were used to pay down debt and for working capital purposes.

No underwriters were involved in any of the foregoing sales or issuance of securities. Such sales or issuance were made in reliance upon an exemption from the registration provisions of the Securities Act set forth in Section 4(2) thereof relative to sales by an issuer not involving any public offering, or the rules and regulations there under. Each recipient either received adequate information about SurgiCare or had access, through employment or other relationships, to such information, and SurgiCare determined that each recipient had such knowledge and experience in financial and business matters that they were able to evaluate the merits and risks of an investment in SurgiCare. All of the foregoing securities are deemed restricted securities for the purposes of the Securities Act.

ITEM 3. Default Upon Senior Securities.

SurgiCare has defaulted on certain provisions of its Loan and Security Agreement with DVI Business Credit Corporation (DVI). However, DVI has agreed to forbear from taking any action to foreclose on any collateral or place the Company into receivership until August 29, 2003.

SurgiCare has defaulted on its convertible Debenture Agreement for failure to file a registration statement for the resale of certain securities pursuant to the agreement.

ITEM 4. Submission of Matters to a Vote of Security Holder.

None

ITEM 5. Other Information.

None

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

(a) Exhibits

Exhibit No. Description

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Exhibit 31.1	Rule 13a-14(a)/15d-14(a) Certification
Exhibit 31.2	Rule 13a-14(a)/15d-14(a) Certification
Exhibit 32.1	18 U.S.C.ss.1350 Certification
Exhibit 32.2	18 U.S.C.ss.1350 Certification

(b) Reports on Form 8-K

During the quarter ended June 30, 2003, we filed the following reports on Form 8-K:

Dated April 1, 2003 to report issuance of a press release with fourth quarter and fiscal 2002 financial results.

Dated May 15, 2003 to report issuance of a press release with first quarter 2003 financial results.

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.

Date: August 14, 2003

REGISTRANT:

SurgiCare, Inc.

By: /s/ KEITH G. LEBLANC
Keith G. LeBlanc
Chief Executive Officer

By: /s/ PHIL SCOTT
Phil Scott
Chief Financial Officer

INDEX TO EXHIBITS

EXHIBIT

NUMBER	DESCRIPTION
3.1	*Amended and Restated Certificate of Incorporation of SurgiCare, Inc.
3.2	*Articles of Incorporation of Bellaire SurgiCare, Inc.
3.3	*By-Laws of Technical Coatings Incorporated (now SurgiCare, Inc.)
3.4	*By-Laws of Bellaire SurgiCare, Inc.
4.0	*Certificate of Designation, Powers, Preferences and Rights of Series A Redeemable, Preferred Stock, par value $.001 per share, of SurgiCare, Inc.
31.1	Rule 13a-14(a)/15d-14(a) Certification
31.2	Rule 13a-14(a)/15d-14(a) Certification
32.1	18 U.S.C.ss.1350 Certification
32.2	18 U.S.C.ss.1350 Certification

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Exhibit 31.1

I, Keith G. LeBlanc, Chief Executive Officer of SurgiCare, Inc. (the "Company"), certify that:

1. I have reviewed this quarterly report on Form 10-QSB of SurgiCare, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;

4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15) for the small business issuer and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the small business issuer's

disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of small business issuer's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: August 14, 2003

By: /s/ Keith G. LeBlanc

Keith G. LeBlanc, Chief Executive Officer

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Exhibit 31.2

I, Phillip C. Scott, Chief Financial Officer of SurgiCare, Inc. (the "Company"), certify that:

1. I have reviewed this quarterly report on Form 10-QSB of SurgiCare, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;

4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15) for the small business issuer and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within

those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of small business issuer's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: August 14, 2003

By: /s/ Phillip C. Scott

Phillip C. Scott, Chief Financial Officer

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Exhibit 32.1

Certification Pursuant to 18 U.S.C. ss. 1350

The undersigned, Keith G. LeBlanc, Chief Executive Officer of SurgiCare, Inc., a Delaware corporation (the "Company"), pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certifies that:

(1) the Company's Quarterly Report on Form 10-QSB for the period ended June 30, 2003 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2003

By: /s/ Keith G. LeBlanc

Keith G. LeBlanc, Chief Executive Officer

Exhibit 32.2

Certification Pursuant to 18 U.S.C. ss. 1350

The undersigned, Phillip C. Scott, Chief Financial Officer of SurgiCare, Inc., a Delaware corporation (the "Company"), pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certifies that:

(1) the Company's Quarterly Report on Form 10-QSB for the period ended June 30, 2003 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2003

By: /s/ Phillip C. Scott

Phillip C. Scott, Chief Financial Officer