

FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

For the quarterly period ended March 31, 1996.

or

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

For the transition period from _____ to _____

Commission file number 0-7201.

POE & BROWN, INC.

(Exact name of Registrant as specified in its charter)

Florida 59-0864469
(State or other jurisdiction of (I.R.S. Employer Identification
incorporation or organization) Number)

220 S. Ridgewood Ave., Daytona Beach, FL 32114
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (904)252-9601

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

The number of shares of the Registrant's common stock, \$.10 par
value, outstanding as of May 6, 1996, was 8,682,359.

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POE & BROWN, INC.

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For The Quarter Ended March 31, 1996

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ITEM 1: FINANCIAL STATEMENTS

POE & BROWN, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
(In thousands, except per share data)

	For the three months ended March 31, 1996	
	1996	1995
REVENUES		
Commissions and fees	\$ 29,750	\$26,439
Investment income	841	864
Other income	135	40
Total revenues	<u>30,726</u>	<u>27,343</u>
EXPENSES		
Employee compensation and benefits	15,468	13,901
Other operating expenses	6,604	6,064
Interest and amortization	1,367	1,199
Total expenses	<u>23,439</u>	<u>21,164</u>
Income before income taxes	7,287	6,179
Income taxes	2,842	1,927
NET INCOME	<u>\$ 4,445</u>	<u>\$ 4,252</u>
Net income per share	<u>\$.51</u>	<u>\$.49</u>
Dividends declared per share	<u>\$.12</u>	<u>\$.12</u>
Weighted average number of shares outstanding	8,714	8,692

See notes to condensed consolidated financial statements.

POE & BROWN, INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (In thousands, except per share amounts)

	(Unaudited) March 31, 1996	(Audited) December 31, 1995
ASSETS		
Cash and cash equivalents	\$ 37,377	\$ 28,350
Short-term investments	1,414	1,308
Premiums, commissions and fees receivable, less allowance for doubtful accounts of \$100 in 1996 and 1995	54,339	56,553
Other current assets	6,706	6,336
Total current assets	<u>99,836</u>	<u>92,547</u>
Fixed assets, net	10,949	10,412
Intangible assets, net	44,647	36,613
Investments	9,000	8,473
Other assets	3,558	3,076
Total assets	<u>\$167,990</u> =====	<u>\$151,121</u> =====
LIABILITIES		
Premiums payable to insurance companies	\$ 70,919	\$ 64,588
Premium deposits and credits due customers	6,754	6,070
Accounts payable and accrued expenses	10,747	9,417
Current portion of long-term debt	4,190	1,768
Total current liabilities	<u>92,610</u>	<u>81,843</u>
Long-term debt	9,067	7,023
Deferred income taxes	1,703	1,502
Other liabilities	6,462	6,341
Total liabilities	<u>109,842</u>	<u>96,709</u>
SHAREHOLDERS' EQUITY		
Common stock, par value \$.10 per share: authorized 18,000 shares; issued 8,682 shares at 1996 and 1995	868	868
Additional paid-in capital	2,625	2,614
Retained earnings	49,498	46,094
Net unrealized appreciation of available- for-sale securities, net of tax effect of \$3,229 in 1996 and \$3,027 in 1995	5,157	4,836
Total shareholders' equity	<u>58,148</u>	<u>54,412</u>
Total liabilities and shareholders' equity	<u>\$167,990</u>	<u>\$151,121</u>

See notes to condensed consolidated financial statements.

POE & BROWN, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
 (In thousands)

	For the three months ended March 31,	
	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$4,445	\$4,252
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,841	1,610
Provision for doubtful accounts	—	15
Deferred income taxes	—	(1,420)
Net gains on sales of investments, fixed assets and customer accounts	(123)	—
Premiums, commissions and fees receivable, decrease	2,214	1,503
Other assets, (increase) decrease	(1,012)	2,112
Premiums payable to insurance companies, increase	6,331	1,043
Premium deposit and credits due customers, increase(decrease)	684	(1,291)
Accounts payable and accrued expenses, increase	1,330	1,177
Other liabilities, increase (decrease)	121	(298)
NET CASH PROVIDED BY OPERATING ACTIVITIES	15,831	8,703
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to fixed assets	(1,092)	(895)
Payments for businesses acquired, net of cash acquired	(4,657)	(1,377)
Proceeds from sales of fixed assets and customer accounts	131	—
Purchases of investments	(297)	(69)
Proceeds from sales of investments	194	274
NET CASH USED IN INVESTING ACTIVITIES	(5,721)	(2,067)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on long-term debt	(52)	(710)
Proceeds from long-term debt	—	1,141
Exercise of stock options and issuances of stock	11	107
Cash dividends paid	(1,042)	(1,018)
NET CASH USED IN FINANCING ACTIVITIES	(1,083)	(480)
Net increase in cash and cash equivalents	9,027	6,156
Cash and cash equivalents at beginning of period	28,350	23,185
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$37,377	\$29,341

See notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS(Unaudited)

Note 1 - Basis of Financial Reporting

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. For further information, refer to the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1995.

Results of operations for the three-month period ended March 31, 1996 are not necessarily indicative of the results that may be expected for the year ending December 31, 1996.

Note 2 - Net Income Per Share

Net income per share is based upon the weighted average number of shares outstanding, adjusted for the dilutive effect of stock options, which is the same on both a primary and a fully-diluted basis.

Note 3 - Merger and Acquisitions

On March 1, 1995, the Company issued 146,300 shares of its common stock in exchange for all of the partnership interest in Insurance West, a Phoenix, Arizona general insurance agency. The merger has been accounted for as a pooling-of-interests and, accordingly, the Company's consolidated financial statements have been restated for all periods prior to the merger to include the results of operations, financial position, and cash flows of Insurance West. The separate company operating results of Insurance West for periods prior to the merger are not material to the Company's consolidated operating results.

During the first quarter of 1995, the Company acquired substantially all of the assets of King Insurance Agency, Inc. of Naples, Florida. During the first quarter of 1996, the Company acquired a majority interest in Florida Intracoastal Underwriters, Ltd., of Miami Lakes, Florida. These acquisitions have been accounted for using the purchase method of accounting. Pro forma results of operations for the three-month periods ended March 1995 and 1996 resulting from these acquisitions were not materially different from the results of operations as reported. Their results of operations have been combined with those of the Company since their respective acquisition dates.

Note 4 - Long-Term Debt

The Company continues to maintain its credit agreement with a major insurance company under which \$6 million (the maximum amount available for borrowings) was outstanding at March 31, 1996, at an interest rate equal to the prime lending rate plus one percent. The available amount will decrease by \$1 million each August, as described in Note 7 to the consolidated financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 1995.

In November 1994, the Company entered into a revolving credit facility with a national banking institution which provides for available borrowings of up to \$10 million. As of March 31, 1996, there were no borrowings against this line of credit.

Note 5 - Income Taxes

In 1992, the Internal Revenue Service(Service)completed examinations of the Company's federal income tax returns for the tax years 1988, 1989, and 1990. As a result of its examinations, the Service issued Reports of Proposed Adjustments asserting income tax deficiencies which, by including interest and state income taxes for the periods examined and the Company's estimates of similar adjustments for subsequent periods through December 31, 1993, would total \$6,100,000. The disputed items related primarily to the deductibility of amortization of purchased customer accounts of approximately \$5,107,000 and non-compete agreements of approximately \$993,000. In addition, the Service's report included a dispute regarding the time at which the Company's payments made pursuant to certain indemnity agreements would be deductible for tax reporting purposes. During 1994, the Company reached a settlement agreement with the Service with respect to certain of the disputed amortization items and the indemnity agreement payment issue. In March 1995, the Company reached a settlement agreement with the Service with respect to the remaining disputed items. Based upon this settlement and after taking into consideration the reductions in the Company's general tax reserves resulting from current and expected payments under the settlement agreement, the Company recorded a \$451,000 reduction in the general tax reserve in the first quarter of 1995 with a corresponding reduction to its current income tax provision.

Note 6 - Contingencies

The Company is not a party to any legal proceedings other than various claims and lawsuits arising in the normal course of business. Management of the Company does not believe that any such claims or lawsuits will have a material effect on the Company's financial condition or results of operations.

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

Results of Operations

Net Income. Net income for the first quarter of 1996 was \$4,445,000, or \$.51 per share, compared with net income in the first quarter of 1995 of \$4,252,000, or \$.49 per share. The 1995 earnings per share includes a favorable tax reserve adjustment of \$.05 per share resulting from the reduction in general tax reserves stemming from the March 1995 settlement of the Company's remaining IRS examination issues. Excluding this non-recurring item, the first quarter earnings per share increased from \$.44 to \$.51, a 16% increase.

Commissions and Fees. Commissions and fees for the first quarter of 1996 increased \$3,311,000, or 13% from the same period in 1995. Approximately \$1,944,000 of this increase represents revenues from acquired agencies with the remainder due to new business production.

Investment Income. Investment income for the first quarter of 1996 decreased \$23,000 from the same period in 1995 primarily due to changes in interest rate returns.

Other Income. Other income primarily includes gains and losses from the sale of customer accounts and other assets. Other income for the three-month period ended March 31, 1996 increased \$95,000 over the same period in 1995.

Employee Compensation and Benefits. Employee compensation and benefits increased 11% during the first quarter of 1996 over the same period in 1995. This increase primarily relates to a net increase in commissions and fees and merit pay increases. Employee compensation and benefits as a percentage of total revenue decreased from 51% in the first quarter of 1995 to 50% in the first quarter of 1996.

Other Operating Expenses. Other operating expenses for the first quarter of 1996 increased \$540,000, or 9%, over the same period in 1995 primary due to increases in occupancy costs. Other operating expenses as a percentage of total revenue decreased from 22% in the first quarter of 1995 to 21% in the first quarter of 1996.

Interest and Amortization. Interest and amortization expense increased \$168,000 during the first quarter of 1996 primarily as a result of increased expenses due to acquisitions.

Income Taxes. The Company's effective tax rate increased from 31% in the first quarter of 1995 to 39% in the first quarter of 1996. The increase in the effective income tax rate is primarily the result of a \$451,000 reduction in the Company's income tax reserves during the first quarter of 1996 due to the favorable settlement in March 1995 of the remaining outstanding Internal Revenue Service examination assessments which the Company had originally protested. See Note 5 to the condensed consolidated financial statements for further information.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents of \$37,377,000 at March 31, 1996 increased by \$9,027,000 from \$28,350,000 at December 31, 1995. During the first quarter of 1996, \$15,831,000 of cash was provided primarily from operating activities. Of this amount, \$4,657,000 was used to acquire businesses, \$1,092,000 for additions to fixed assets, and the remainder primarily to pay dividends on the Company's common stock. The current ratio at March 31, 1996 was 1.08 compared to 1.13 as of December 31, 1995.

The Company has a revolving credit agreement with a major insurance company under which up to \$6 million presently may be borrowed at an interest rate equal to the prime lending rate plus one percent. The amount of available credit decreases by \$1 million each August through the year 2001, when it will expire. As of March 31, 1996, the maximum amount of borrowings was outstanding. In November 1994, the Company entered into a revolving credit facility with a national banking institution that provides for available borrowings of up to \$10 million. As of March 31, 1996, there were no borrowings against this line of credit. The Company believes that its existing cash, cash equivalents, short-term investments portfolio, funds generated from operations, and available credit facility borrowings are sufficient to satisfy its normal financial needs.

POE & BROWN, INC.

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

The Company is involved in various pending or threatened proceedings by or against the Company or one or more of its subsidiaries which involve routine litigation relating to insurance risks placed by the Company and other contractual matters. The Company's management does not believe that any of such pending or threatened proceedings will have a material adverse effect on the Company's financial position or results of operations.

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits - Exhibit 3a - Articles of Incorporation (incorporated by reference to Exhibit 3a to Form 10-K for the year ended December 31, 1994)

Exhibit 3b - Amended and Restated Bylaws (incorporated by reference to Exhibit 3b to Registration Statement No. 33-58090 on Form S-4)

Exhibit 11 - Statement re: Computation of Earnings Per Share

Exhibit 27 - Financial Data Schedule (for SEC use only)

(b) There were no reports filed on Form 8-K during the quarter ended March 31, 1996.

SIGNATURES

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

POE & BROWN, INC.

Date: May 10, 1996

/s/ James A. Orchard

James A. Orchard
Chief Financial
Officer (duly authorized officer,
principal financial officer
and principal accounting officer)

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DEC-31-1996		
MAR-31-1996		
	37,377	
	1,414	
	54,339	
	100	
	0	
99,836		22,524
	11,575	
	167,990	
92,610		0
	0	
	0	
	868	
167,990	5,157	
		0
	30,726	
		0
	22,072	
	0	
	0	
	243	
	7,287	
	2,842	
4,445		
	0	
	0	
		0
	4,445	
	.51	
	.51	

Exhibit 11 - Statement Re: Computation of Earnings Per Share
(Unaudited)

	Three Months Ended March 31, 1996	1995
Average shares outstanding	8,682	8,645
Net effect of dilutive stock options, based on the treasury stock method	<u>32</u>	<u>47</u>
Total shares used in computation	8,714	8,692
Net income	<u>\$4,445</u> =====	<u>4,252</u> =====
Net income per share	<u>\$.51</u> =====	<u>\$.49</u> =====