

CORVEL CORP
Form 10-K/A
July 06, 2007

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K/A
(Amendment No. 1)**

**FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTIONS 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**
For the fiscal year ended March 31, 2007
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 0-19291
CorVel Corporation
(Exact name of registrant as specified in its charter)

Delaware
*(State or other jurisdiction of
incorporation or organization)*

33-0282651
*(I.R.S. Employer
Identification Number)*

**2010 Main Street, Suite 600,
Irvine, California**
(Address of principal executive offices)

92614
(Zip Code)

**Registrant's telephone number, including area code:
(949) 851-1473**

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

**Title of each class:
Common Stock**

**Name of each exchange on which registered:
The NASDAQ Global Select Market, LLC**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act Yes No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the Registrant's most recently completed second fiscal quarter:

As of September 30, 2006, the aggregate market value of the Registrant's voting and non-voting common equity held by non-affiliates of the Registrant was approximately \$199,000,000 based on the closing price per share of \$23.39 for the Registrant's common stock as reported on the Nasdaq Global Select Market on such date multiplied by 8,486,575 shares (total outstanding shares of 13,991,345 less 5,504,770 shares held by affiliates) of the Registrant's common stock which were outstanding on such date. For the purposes of the foregoing calculation only, all of the Registrant's directors, executive officers and persons known to the Registrant to hold ten percent or greater of the Registrant's outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes. This information has been adjusted to reflect the three-for-two stock split in the form of a 50% stock dividend distributed on December 8, 2006 to shareholders of record at November 20, 2006.

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date: As of May 15, 2007, there were 13,967,000 shares of the Registrant's common stock, par value \$0.0001 per share, outstanding.

TABLE OF CONTENTS

PART IV

Item 15. Exhibits and Financial Statement Schedules.

SIGNATURES

EXHIBIT 10.15

EXHIBIT 23.1

EXHIBIT 23.2

EXHIBIT 31.1

EXHIBIT 31.2

EXHIBIT 32.1

EXHIBIT 32.2

Table of Contents

DOCUMENTS INCORPORATED BY REFERENCE

Information required by Items 10 through 14 of Part III of this Form 10-K to the extent not set forth herein, is incorporated herein by reference to portions of the Registrant's definitive proxy statement for the Registrant's 2007 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year ended March 31, 2007. Except with respect to the information specifically incorporated by reference in this Form 10-K, the Registrant's definitive proxy statement is not deemed to be filed as a part of this Form 10-K.

Table of Contents

EXPLANATORY NOTE

CorVel Corporation (the Company) is filing this Amendment No. 1 on Form 10-K/A to its Annual Report on Form 10-K for the fiscal year ended March 31, 2007, as originally filed with the Securities and Exchange Commission on June 14, 2007 (the Original Form 10-K), solely to revise the exhibit list and no other information contained in Item 15 of Part IV of the Original Form 10-K and the Exhibit Index, to revise Exhibits Nos. 23.1 and 23.2 and to file certain other documents indicated on such exhibit list.

In addition, pursuant to Rule 12b-15 under the Securities Exchange Act of 1934, this Amendment No. 1 includes currently dated certifications from the Company's Chief Executive Officer and Chief Financial Officer as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002.

This Amendment No. 1 speaks only as of the original filing date of the Original Form 10-K and reflects only the changes discussed above. This Amendment No. 1 does not reflect events occurring after the filing of the Original Form 10-K or modify or update those disclosures affected by subsequent events. Except for the changes to the exhibit list and certain of the exhibits, no other modifications, amendments, revisions or updates have been made to any other items, disclosures, information or financial statements contained in the Original Form 10-K.

Table of Contents**PART IV****Item 15. Exhibits and Financial Statement Schedules.****(a)(1) Financial Statements:**

The Company's financial statements appear in a separate section of this Annual Report on Form 10-K beginning on the pages referenced below:

| | Page |
|--|-------------|
| Reports of Independent Registered Public Accounting Firms | 48 |
| Consolidated Statements of Income for the Years Ended March 31, 2005, 2006, and 2007 | 51 |
| Consolidated Balance Sheets as of March 31, 2006 and 2007 | 52 |
| Consolidated Statements of Stockholders' Equity for the Years Ended March 31, 2005, 2006, and 2007 | 53 |
| Consolidated Statements of Cash Flows for the Years Ended March 31, 2005, 2006, and 2007 | 54 |
| Notes to Consolidated Financial Statements | 55 |

(2) Financial Statement Schedule:

The Company's consolidated financial statements, as listed under Item 15(a) (1), appear in a separate section of this Annual Report on Form 10-K beginning on page 48. The Company's financial statement schedule is as follows:

Schedule II Valuation and Qualifying Accounts

| | Balance at Beginning of Year | Additions Charged to Costs and Expenses | Deductions | Balance at End of Year |
|---|---|--|-------------------|---------------------------------------|
| Allowance for doubtful accounts: | | | | |
| Year Ended March 31, 2007: | \$ 3,487,000 | \$ 2,462,000 | \$ (2,439,000) | \$ 3,510,000 |
| Year Ended March 31, 2006: | 3,487,000 | 3,713,000 | (3,713,000) | 3,487,000 |
| Year Ended March 31, 2005: | 3,470,000 | 2,355,000 | (2,338,000) | 3,487,000 |
| | 4 | | | |

Table of Contents**(3) Exhibits:****EXHIBITS**

| Exhibit No. | Title | Method of Filing |
|--------------------|---|--|
| 2.1 | Asset Purchase Agreement dated December 15, 2006 by and among the Company's subsidiary, CorVel Enterprise Comp, Inc., and Hazelrigg Risk Management Services, Inc., Comp Care, Inc., Medical Auditing Services, Inc., and Arlene Hazelrigg. | Incorporated herein by reference to Exhibit 2.1 to the Company's Form 8-K filed on February 6, 2007. |
| 2.2 | Stock Purchase Agreement dated May 31, 2007 by and among the Company's subsidiary, CorVel Enterprise Comp, Inc., The Schaffer Companies, Ltd., and Dawn Colwell, Christopher Schaffer, John Colwell and Kelly Ribeiro de Sa. | Incorporated herein by reference to Exhibit 2.1 to the Company's Form 8-K filed on June 6, 2007. |
| 3.1 | Amended and Restated Certificate of Incorporation of the Company | Incorporated herein by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002 filed on November 14, 2002. |
| 3.2 | Amended and Restated Bylaws of the Company | Incorporated herein by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2006 filed on August 14, 2006. |
| 10.1* | Nonqualified Stock Option Agreement between V. Gordon Clemons, the Company and North Star together with all amendments and addendums thereto | Incorporated herein by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-1 Registration No. 33-40629 initially filed on May 16, 1991. |
| 10.2* | Supplementary Agreement between V. Gordon Clemons, the Company and North Star | Incorporated herein by reference to Exhibit 10.7 to the Company's Registration Statement on Form S-1 Registration No. 33-40629 initially filed on May 16, 1991. |
| 10.3* | Amendment to Supplementary Agreement between Mr. Clemons, the Company and North Star | Incorporated herein by reference to Exhibit 10.5 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1992 filed on June 29, 1992. |
| 10.4* | Restated Omnibus Incentive Plan (Formerly The Restated 1988 Executive Stock Option Plan) | Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 9, 2006. |

Edgar Filing: CORVEL CORP - Form 10-K/A

| | | |
|-------|---|---|
| 10.5* | Forms of Notice of Grant of Stock Option, Stock Option Agreement and Notice of Exercise Under the Restated Omnibus Incentive Plan (Formerly The Restated 1988 Executive Stock Option) | Incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2006 filed on November 9, 2006, Exhibits 10.7, 10.8 and 10.9 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1994 filed on June 29, 1994, Exhibits 99.2, 99.3, 99.4, 99.5, 99.6, 99.7 and 99.8 to the Company's Registration Statement on Form S-8 (File No. 333-94440) filed on July 10, 1995, and Exhibits 99.3 and 99.5 to the Company's Registration Statement on Form S-8 (File No. 333-58455) filed on July 2, 1998. |
| 10.6* | Employment Agreement of V. Gordon Clemons | Incorporated herein by reference to Exhibit 10.12 to the Company's Registration Statement on Form S-1 Registration No. 33-40629 initially filed on May 16, 1991. |

Table of Contents

| Exhibit No. | Title | Method of Filing |
|--------------------|--|--|
| 10.7* | Restated 1991 Employee Stock Purchase Plan, as amended | Incorporated herein by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8 (File No. 333-128739) filed on September 30, 2005. |
| 10.8 | Fidelity Master Plan for Savings and Investment, and amendments | Incorporated herein by reference to Exhibits 10.16 and 10.16A to the Company's Registration Statement on Form S-1 Registration No. 33-40629 initially filed on May 16, 1991. |
| 10.9 | Preferred Shares Rights Agreement, dated as of February 11, 1997, by and between Corvel Corporation and U.S. Stock Transfer Corporation, including the Certificate of Determination, the form of Rights Certificate and the Summary of Rights attached thereto as Exhibits A, B and C, respectively (Shareholder Rights Plan) | Incorporated herein by reference to Exhibit 99.1 in the Company's Form 8-K filed on February 28, 1997. |
| 10.10 | Amended and Restated Preferred Shares Rights Agreement, dated as of April 11, 2002, by and between CorVel Corporation and U.S. Stock Transfer Corporation, including the Certificate of Determination, the Certificate of Amendment of the Certificate of Determination, the form of Rights Certificate (as amended) and the Summary of Rights (as amended) attached thereto as Exhibits A-1, A-2, B and C, respectively (Amended Shareholder Rights Plan) | Incorporated herein by reference to Exhibit 99.1 in the Company's Form 8-K filed on May 24, 2002. |
| 10.11* | Employment Agreement effective May 26, 2006 by and between CorVel Corporation and Dan Starck | Incorporated herein by reference to Exhibit 10.1 in the Company's Form 8-K filed on May 30, 2006. |
| 10.12* | Stock Option Agreement and Acceleration Addendum dated May 26, 2006 by and between CorVel Corporation and Dan Starck, providing for time vesting | Incorporated herein by reference to Exhibit 10.2 in the Company's Form 8-K filed on May 30, 2006. |
| 10.13* | Stock Option Agreement and Acceleration Addendum dated May 26, 2006 by and between CorVel Corporation and Dan Starck, providing for performance vesting. | Incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on May 30, 2006. |
| 10.14* | | |

Edgar Filing: CORVEL CORP - Form 10-K/A

| | | |
|--------|---|---|
| | Stock Option Agreement dated May 26, 2006 by and between CorVel Corporation and Scott McCloud, providing for performance vesting. | Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 2, 2006. |
| 10.15* | Stock Option Agreement dated May 26, 2006 by and between CorVel Corporation and Don McFarlane, providing for performance vesting. | Filed herewith. |
| 21.1 | Subsidiaries of the Company | Previously filed. |
| 23.1 | Consent of Independent Registered Public Accounting Firm, Haskell & White LLP | Filed herewith. |
| 23.2 | Consent of Independent Registered Public Accounting Firm, Grant Thornton LLP | Filed herewith. |
| 31.1 | Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | Filed herewith. |

Table of Contents**Exhibit**

| No. | Title | Method of Filing |
|------------|--|-------------------------|
| 31.2 | Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | Filed herewith. |
| 32.1 | Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | Furnished herewith. |
| 32.2 | Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | Furnished herewith. |

* Denotes management contract or compensatory plan or arrangement.

Confidential treatment was requested for certain confidential portions of this exhibit pursuant to Rule 24b-2 under the Securities Exchange Act of 1934. In accordance with Rule 24b-2, these confidential portions were omitted from this exhibit and filed separately with the Securities and Exchange Commission.

(b) Exhibits

The exhibits filed as part of this report are listed under Item 15(a) (3) of this Annual Report on Form 10-K.

(c) Financial Statement Schedule

The Financial Statement Schedules required by Regulation S-X and Item 8 of this form are listed under Item 15(a)(2) of this Annual Report on Form 10-K.

Table of Contents

SIGNATURES

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

Corvel Corporation

By: /s/ V. Gordon Clemons
V. Gordon Clemons
Chairman and Chief Executive Officer

Date: July 6, 2007

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on July 6, 2007.

| Signature | Title |
|-----------------------|--|
| /s/ V. Gordon Clemons | Chairman and Chief Executive Officer (Principal Executive Officer) |
| V. Gordon Clemons | |
| /s/ Scott R. McCloud | Chief Financial Officer (Principal Financial and Accounting Officer) |
| Scott R. McCloud | |

Table of Contents

EXHIBIT INDEX

Exhibit

| No. | Title | Method of Filing |
|------------|---|--|
| 2.1 | Asset Purchase Agreement dated December 15, 2006 by and among the Company's subsidiary, CorVel Enterprise Comp, Inc., and Hazelrigg Risk Management Services, Inc., Comp Care, Inc., Medical Auditing Services, Inc., and Arlene Hazelrigg. | Incorporated herein by reference to Exhibit 2.1 to the Company's Form 8-K filed on February 6, 2007. |
| 2.2 | Stock Purchase Agreement dated May 31, 2007 by and among the Company's subsidiary, CorVel Enterprise Comp, Inc., The Schaffer Companies, Ltd., and Dawn Colwell, Christopher Schaffer, John Colwell and Kelly Ribeiro de Sa. | Incorporated herein by reference to Exhibit 2.1 to the Company's Form 8-K filed on June 6, 2007. |
| 3.1 | Amended and Restated Certificate of Incorporation of the Company | Incorporated herein by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002 filed on November 14, 2002. |
| 3.2 | Amended and Restated Bylaws of the Company | Incorporated herein by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2006 filed on August 14, 2006. |
| 10.1* | Nonqualified Stock Option Agreement between V. Gordon Clemons, the Company and North Star together with all amendments and addendums thereto | Incorporated herein by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-1 Registration No. 33-40629 initially filed on May 16, 1991. |
| 10.2* | Supplementary Agreement between V. Gordon Clemons, the Company and North Star | Incorporated herein by reference to Exhibit 10.7 to the Company's Registration Statement on Form S-1 Registration No. 33-40629 initially filed on May 16, 1991. |
| 10.3* | Amendment to Supplementary Agreement between Mr. Clemons, the Company and North Star | Incorporated herein by reference to Exhibit 10.5 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1992 filed on June 29, 1992. |
| 10.4* | Restated Omnibus Incentive Plan (Formerly The Restated 1988 Executive Stock Option Plan) | Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 9, 2006. |
| 10.5* | | |

Edgar Filing: CORVEL CORP - Form 10-K/A

Forms of Notice of Grant of Stock Option, Stock Option Agreement and Notice of Exercise Under the Restated Omnibus Incentive Plan (Formerly The Restated 1988 Executive Stock Option)

Incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2006 filed on November 9, 2006, Exhibits 10.7, 10.8 and 10.9 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1994 filed on June 29, 1994, Exhibits 99.2, 99.3, 99.4, 99.5, 99.6, 99.7 and 99.8 to the Company's Registration Statement on Form S-8 (File No. 333-94440) filed on July 10, 1995, and Exhibits 99.3 and 99.5 to the Company's Registration Statement on Form S-8 (File No. 333-58455) filed on July 2, 1998.

10.6* Employment Agreement of V. Gordon Clemons

Incorporated herein by reference to Exhibit 10.12 to the Company's Registration Statement on Form S-1 Registration No. 33-40629 initially filed on May 16, 1991.

Table of Contents

| Exhibit No. | Title | Method of Filing |
|--------------------|--|--|
| 10.7* | Restated 1991 Employee Stock Purchase Plan, as amended | Incorporated herein by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8 (File No. 333-128739) filed on September 30, 2005. |
| 10.8 | Fidelity Master Plan for Savings and Investment, and amendments | Incorporated herein by reference to Exhibits 10.16 and 10.16A to the Company's Registration Statement on Form S-1 Registration No. 33-40629 initially filed on May 16, 1991. |
| 10.9 | Preferred Shares Rights Agreement, dated as of February 11, 1997, by and between Corvel Corporation and U.S. Stock Transfer Corporation, including the Certificate of Determination, the form of Rights Certificate and the Summary of Rights attached thereto as Exhibits A, B and C, respectively (Shareholder Rights Plan) | Incorporated herein by reference to Exhibit 99.1 in the Company's Form 8-K filed on February 28, 1997. |
| 10.10 | Amended and Restated Preferred Shares Rights Agreement, dated as of April 11, 2002, by and between CorVel Corporation and U.S. Stock Transfer Corporation, including the Certificate of Determination, the Certificate of Amendment of the Certificate of Determination, the form of Rights Certificate (as amended) and the Summary of Rights (as amended) attached thereto as Exhibits A-1, A-2, B and C, respectively (Amended Shareholder Rights Plan) | Incorporated herein by reference to Exhibit 99.1 in the Company's Form 8-K filed on May 24, 2002. |
| 10.11* | Employment Agreement effective May 26, 2006 by and between CorVel Corporation and Dan Starck | Incorporated herein by reference to Exhibit 10.1 in the Company's Form 8-K filed on May 30, 2006. |
| 10.12* | Stock Option Agreement and Acceleration Addendum dated May 26, 2006 by and between CorVel Corporation and Dan Starck, providing for time vesting | Incorporated herein by reference to Exhibit 10.2 in the Company's Form 8-K filed on May 30, 2006. |
| 10.13* | Stock Option Agreement and Acceleration Addendum dated May 26, 2006 by and between CorVel Corporation and Dan Starck, providing for performance vesting. | Incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on May 30, 2006. |
| 10.14* | | |

Edgar Filing: CORVEL CORP - Form 10-K/A

| | | |
|--------|---|---|
| | Stock Option Agreement dated May 26, 2006 by and between CorVel Corporation and Scott McCloud, providing for performance vesting. | Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 2, 2006. |
| 10.15* | Stock Option Agreement dated May 26, 2006 by and between CorVel Corporation and Don McFarlane, providing for performance vesting. | Filed herewith. |
| 21.1 | Subsidiaries of the Company | Previously filed. |
| 23.1 | Consent of Independent Registered Public Accounting Firm, Haskell & White LLP | Filed herewith. |
| 23.2 | Consent of Independent Registered Public Accounting Firm, Grant Thornton LLP | Filed herewith. |
| 31.1 | Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | Filed herewith. |

Table of Contents

Exhibit

| No. | Title | Method of Filing |
|------------|--|-------------------------|
| 31.2 | Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | Filed herewith. |
| 32.1 | Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | Furnished herewith. |
| 32.2 | Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | Furnished herewith. |

* Denotes management contract or compensatory plan or arrangement.
 Confidential treatment was requested for certain confidential portions of this exhibit pursuant to Rule 24b-2 under the Securities Exchange Act of 1934. In accordance with Rule 24b-2, these confidential portions were omitted from this exhibit and filed separately with the Securities and Exchange Commission.