

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

FORM 10-KSB

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

For the fiscal year ended December 31, 2001  
-----

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-11808

MB SOFTWARE CORPORATION  
(Exact name of Registrant as specified in its charter)

COLORADO  
(State or other jurisdiction of  
incorporation or organization)

59-2220004  
(I.R.S. Employer  
Identification No.)

2225 E. Randol Mill Road Suite 305  
Arlington, Texas  
(Address of principal executive offices)

76011-6306  
(Zip Code)

Registrant's telephone number, including area code: (817) 633-9400

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

Title of Each Class -----	Name of Each Exchange on Which Registered -----
Common	NASDAQ - OTC BULLETIN BOARD

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

Common Stock \$ .001 par value  
-----

(Title of Class)

Check whether the issuer (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 in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will 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-KSB or any amendment to this Form 10-KSB.

Yes  No

Issuer's revenues for its most recent fiscal year: \$20,959. The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 31, 2001 was approximately \$1,784,833.

Check whether the issuer has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of Securities under a plan confirmed by a court.

Yes  No

As of December 31, 2001, 73,400,000 shares of the Issuer's \$.001 par value common stock were outstanding.

Transitional Small Business Disclosure Format:

Yes  No

MB SOFTWARE CORPORATION

Form 10-KSB  
For the Year Ended December 31, 2001

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## PART 1

### Item 1. Business

Until recently, MB Software Corporation (the "Company" or "MBSC") business was focused exclusively on the healthcare marketplace; owning and managing healthcare clinics and medical receivables. While the Company has overseen numerous changes in healthcare over the last 10 years, it has always remained focused on transactional revenue and residual income streams of revenue. During the 2001, the Company began evaluating how it could leverage its experiences within healthcare into the healthcare transaction market. This strategy would involve the divestiture of all healthcare facility-based lines of business, and a focus shifted entirely to the transaction market.

In July of 2001, the Company acquired certain assets and assumed certain liabilities of Portalook, a California based company, which developed proprietary technology for use in enabling Internet transaction devices (ITDs) to be used as transaction processing devices in the field. The devices were identified as potential transaction devices for physician practices, and the technology developed for servers and the devices themselves, by Portalook, will serve as the starting point for a transaction services platform designed for healthcare.

In an effort to pursue the strategy shift from owning and managing healthcare clinics and receivables, the Company moved to restructure its relationship with its preferred shareholders. In November 2001 the Company entered into a Restructure and Settlement Agreement with Imagine Investments, Inc. ("Imagine") and XHI(2), Inc., ("Imagine Sub"), which will alleviate the Company of Imagine and Imagine Sub's preferred stock positions in the Company, and eliminate a significant part of the Company's liabilities in return for the Company's Jacksonville clinic facility.

The acquisition of the Portalook assets, along with the changes made to the Company's capitalization through the pending divestiture of the Jacksonville clinic were the significant events of 2001 for the Company.

#### Transaction Services

The Company acquired the Portalook assets with the intent to provide transaction services, ranging from credit card transactions to insurance eligibility transactions, to physicians' practices. The Internet Transaction Device (ITD) technology that was acquired will serve as the key technology for processing transactions. Additional capital will be required for further development of this product and service offering, but the acquisition of the technology from Portalook will provide the first prototype or "beta" offering of transaction services involving Internet connectivity via low-cost appliance.

As of the writing of this document, the Company was pursuing several healthcare customers with the intent of leveraging this platform to connect a variety of healthcare-related businesses to the Internet to conduct transactions relevant to their respective businesses. The transactions seen as viable candidates for this platform include: insurance verification, pharmacy orders, email, and potentially credit card transactions.

#### Healthcare / Practice Management Business

The Company owned a total of three clinics in 2001, all of which were located in Florida. Florida law permits corporations to own medical clinics unlike several other states in which a corporation cannot own a clinic that employs medical doctors.

During 2001, the Company elected to consolidate its clinic operations into a single facility in Jacksonville Florida. In addition, the Company planned to divest of the Jacksonville Clinic as it transitioned to a transaction services company. The Restructure and Settlement Agreement (previously mentioned above) entered into among and between MBSC, Imagine, and Imagine Sub in November of 2001 established the timeframe and manner by which the Company would divest of the Jacksonville Clinic.

Management believes that recent healthcare trends in reimbursement and managed care policies created significant challenges in maintaining profitability within healthcare clinics. For this reason, the Company has elected to exit from this healthcare sector. Management recognizes that historically approximately 90% of revenue has been derived from the clinic business, but foresees more significant profits and longevity in the business of transaction processing, where the majority of revenue is of a recurring nature on a monthly business. In addition, the transaction processing business will yield strong opportunities outside of the healthcare market, which MBSC has seen as volatile.

#### Employees-

The Company currently employs a total of approximately fifteen full time employees. The Company has no labor union contracts and believes its relationship with its employees is good.

#### Healthcare Facilities

JACKSONVILLE, FLORIDA: Formerly three separate clinics have been consolidated into a single facility which provides state of the art pain management, physical therapy, and related medical services. The clinic is also equipped with physical rehabilitation equipment. This clinic is to be divested under the terms of the Restructure and Settlement Agreement mentioned above.

#### Item 2. Properties

All premises occupied by the Company and subsidiaries are leased. The Company's principal executive office is located at Arlington, Texas at 2225 E. Randol Mill Road, Suite 305, Arlington, TX 76011. NFPM is located at 9143 Philips Highway, Suite 495, Jacksonville, Florida

#### Item 3. Legal Proceedings

None

#### Item 4. Submission of Matters to a Vote of Security Holders

For the year 2001, the Company did not conduct an annual shareholder's meeting.

### PART II

#### Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters

The Company's common stock is traded under the symbol "MBSC" on NASDAQ's OTC Electronic Bulletin Board. The following table sets forth the range of high and low bid prices of the Company's common stock:

BID PRICE BY QUARTER ENDED: -----	HIGH ----	LOW ---
Year Ended 12/31/01		
March, 2001	\$.16	\$.11
June, 2001	.22	.05
September, 2001	.13	.05
December, 2001	.05	.03
Year Ended 12/31/00		
March, 2000	\$.37	\$.12
June, 2000	.20	.10
September, 2000	.25	.15
December, 2000	.25	.15

The Company had approximately 7,564 holders of record of its common stock as of December 31, 2001. No dividends have been paid on common stock and none are anticipated in the foreseeable future. The Company has determined that it will utilize any earnings in the expansion of its business.

Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is a listing of the Company and its operating and discontinued subsidiaries as of December 31, 2001:

Name of Company/Subsidiary -----	Operating at		Discontinued
	Location -----	December 31, 2001 -----	in 2001 -----
MB Software Corporation (Parent)	Arlington, TX	Yes	No
Healthcare Innovations, LLC	Arlington, TX	Yes	No
N.F.P.M., LLC	Jacksonville, FL	Yes	Yes
MB Practice Solutions, Inc.	Arlington, TX	Yes	No
eAppliance Innovations, LLC	Arlington, TX	Yes	No

The Company through the Restructure and Settlement Agreement (previously mentioned above) has divested its self of the Jacksonville Clinic. Therefore, the results of operation summarized below will reflect the audited discontinued operations results.

The Company will focus all of its activity on the transaction processing business that the Company believes to be the market for future growth.

The following summarizes the results of operations for the twelve months ended December 31, 2001 and December 31, 2000 of the discontinued operations of the clinic as outlined in the Restructure and Settlement Agreement.

Medical Activities:	2001	2000
-----	-----	-----
Income (Loss) Discontinued Operations Clinics	\$143,911	(\$187,586)

The following compares the results of operations for the twelve months ended December 31, 2001 and December 31, 2000 without the clinic operations.

The selling, general and administrative expenses increased to \$1,387,964 for the twelve months ended December 31, 2001 as compared to \$815,336 for the twelve months ended December 31, 2000.

The net loss from continuing operations increased to (\$1,643,782) for the twelve-month period ended December 31, 2001, as compared to (\$914,033) for the twelve months ended December 31, 2000. The increase is due to costs associated with Portalook's transactions.

The Company decided after the third quarter of 2001 to move the Company into the transaction field and committed its self to that end.

#### Liquidity and Capital Resources

The Company's continuing operations used cash of \$723,860 during the twelve months ended December 31, 2001 and \$559,614 during the twelve months ended December 31, 2000. In 2001, the net cash amount provided by financing activities was \$757,419.

At December 31, 2001 and December 31, 2000, the Company had working capital deficits of \$2,999,606. and \$2,301,073, respectively. The Company has been working to raise capital in an attempt to decrease the working capital through financing activities. At December 31, 2001, the Company had checks in excess of bank balance of (\$23,572.00). The net cash used in investing activities for 2001 was \$71,011.

The Independent Auditor's Report for the year ending December 31, 2001 ("Report"), states that the uncertainty of certain conditions raises substantial doubt about the ability of the Company to continue as a going concern. In raising the going concern issue, the Report cites past losses, the working capital deficit and whether the Company will be able to achieve profitable operations. The Company believes with the additional capital it plans on raising along with the settlement of preferred stock and restructure of debt will enable the Company to continue until its sales and transaction services operations are profitable.

The Company does not anticipate any major equipment purchases for the twelve months of 2002.

The Company did not have an annual stockholder' meeting for 2001.

#### Item 7. Financial Statements

Filed as exhibits hereto are the following statements of the Company and its subsidiaries:

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Item 8. Changes in and disagreements with Accountants on Accounting and Financial Disclosure.

None.

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act.

The following table sets forth certain information regarding the directors and executive officers of the Company:

Name - - - - -	Age - - -	Position - - - - -	Year First Elected - - - - -
Scott A. Haire	37	President, Director	1993
Gilbert A. Valdez	58	Chief Operating Officer	1996
Araldo A. Cossutta	77	Director	1994
Steven W. Evans	51	Director	1994
Robert E. Gross	57	Director	1994
Thomas J. Kirchhofer	61	Director	1994
Lucy J. Singleton	64	Secretary	1995

Executive Officers of the Company are elected on an annual basis and serve at the discretion of the Board of Directors. Directors of the Company are elected on an annual basis. All directors agreed to remain until the 2002 annual meeting.

Scott A. Haire Chairman, President and Director. Mr. Haire is Chief Executive Officer of MB Software Corporation and has been with the Company since 1992.

Gilbert A. Valdez Chief Operating Officer and Director. Mr. Valdez is a former president and Chief Executive Officer of the National Electronic Information Corporation, Medaphis Corporation, Datix Corporation and Hospital Billing and Collection Services Corporation.

Araldo A. Cossutta Director. Mr. Cossutta is president of Cossutta and Associates, an architectural firm based in New York City. He is also a director of Computer Integration Corporation of Boca Raton, Florida.

Steven W. Evans Director. Mr. Evans is a certified public account and president of Evans, Mills & Warriner, PLLC, an accounting firm. He is a founder and active in PTRL, which operates contract research laboratories in Kentucky, North Carolina, California and Germany. He is active in environmental management, and financial and hotel corporations in Kentucky and Tennessee.

Robert E. Gross Director. Mr. Gross is president of R. E. Gross & Associates, which provides consulting, and system projects for clients in the multi-location service, banking and healthcare industries.

Thomas J. Kirchhofer Director. Mr. Kirchhofer is president of Synergy Wellness Centers of Georgia, Inc., and a past president of the Georgia Chiropractic Association.

Lucy Singleton Secretary. Ms. Singleton has been secretary since 1995.

Item 10. Executive Compensation

The Company provides health benefits to its employees and may provide additional benefits in the future, as may be authorized by the Board of Directors. The Company has adopted no retirement, pension, profit sharing or other similar program.

The Company may offer stock bonuses, stock options, profit sharing or pension plans to key employees or executive officers of the Company in such amounts and upon such conditions as the Board of Directors may, in its sole discretion, determine.

Summary Compensation Table

The following sets forth information concerning the compensation of the Company's Chief Executive Officer for the fiscal years shown. No other Executive Officer was paid a salary in excess of \$100,00 during such period.

Name and Principal Position	Year	Annual Compensation			Long Term Compensation		
		Salary(\$)	Bonus	Other	Restricted Stock Awards	Options /SARS # shares (2)	All Other Comp.(\$)
Scott A. Haire President	2001	120,000	-0-	-0-	-0-	-0-	-0-
	2000	120,500	-0-	-0-	-0-	-0-	-0-
	1999	140,500	-0-	-0-	-0-	-0-	-0-

Aggregated Options/SAR Exercises in Last Fiscal Year and FY-End Options/SAR Values

The following table provides information concerning option exercises in fiscal 2001 and the value of unexercised options held by each of the named Executive Officers at December 31, 2001.

Name	Shares Acquired on Exercise (#)	Value Realized (\$)	No. of unexercised options /SARs at at FY-End (#) exercisable/unexercisable	Value of unexercised in-the-money options/SARs at FY-end(\$) exercisable/unexercisable
Scott A. Haire	-0-	N/A	3,300,000	-0-

Item 11. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information as of December 31, 2001, regarding the beneficial ownership of capital stock of the Company by: (i) Each person known by the Company to beneficially own more than 5% of the outstanding shares of Common Stock; (ii) each director of the Company; (iii) the Company's Chief Executive Officer; and (iv) the directors and executive officers of the Company as a group. The persons named in the table have sole voting and investment power with respect to all shares of capital stock owned by them, unless otherwise noted.

Name of Beneficial Owner of Group(1)	Amount and Nature of Beneficial Ownership	Percent of Class
Scott A. Haire	30,021,297 (2)	61.0%
Araldo A. Cossutta	3,082,025	6.0%
Steven W. Evans	1,700,000 (3)	3.0%
Gilbert Valdez	300,000 (4)	*
Robert E. Gross	200,000 (5)	*
Thomas J. Kirchhofer	150,000 (6)	*
R-M-S Investments, LTD.	11,000,000	22.0%
All Directors and Executive Officers as a group(six in number)	49,453,322	98%

\* Less than 1%.

- (1) The address for each person or entity listed above is 2225 E. Randol Mill Road, Suite 305, Arlington, Texas, 76011.
- (2) Includes 3,300,000 shares, respectively, that are presently exercisable by Mr. Haire.
- (3) Consists of 200,000 shares subject to options that are presently exercisable by Mr. Evans.
- (4) Consists of 300,000 shares subject to options that are presently exercisable by Mr. Valdez.
- (5) Consists of 200,000 shares subject to options that are presently exercisable by Mr. Gross.
- (6) Consists of 150,000 shares subject to options that are presently exercisable by Mr. Kirchhofer. . Item 12. Certain Relationships and Related Transactions

Item 13. Exhibits Reports on Form 8-K

1. Reports on Form 8-K - None.
2. Exhibits - None.

All other exhibits incorporated by reference from prior filings with the Commission.

SIGNATURE

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.

MB SOFTWARE CORPORATION

By: /s/ Scott A. Haire

-----  
Scott A. Haire, Chairman of the Board,  
Chief Executive Officer and President  
(Principal Financial Officer)

Date: April 15, 2002

MB SOFTWARE CORPORATION  
AND SUBSIDIARIES

FINANCIAL REPORT

DECEMBER 31, 2001

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INDEPENDENT AUDITOR'S REPORT

Board of Directors and Shareholders  
MB Software Corporation and Subsidiaries

We have audited the accompanying consolidated balance sheets of MB Software Corporation and Subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of operations, changes in shareholders' deficit, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of MB Software Corporation and Subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has continuously incurred losses and has a working capital deficit, all of which raise substantial doubt about the company's ability to continue as a going concern. Management's plans in regard to these matters are also discussed in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas

March 15, 2002 except as to the information presented in Note 14 for which the date is April 15, 2002

MB SOFTWARE CORPORATION  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2001 AND 2000

	2001	2000
	-----	-----
ASSETS		
CURRENT ASSETS		
Cash	\$ --	\$ 37,452
Accounts receivables, net of allowance for doubtful accounts of \$0 for both years	7,250	1,162
Inventory	131,740	--
Note receivable	2,000	--
Prepaid expenses and other	33,941	20,917
	-----	-----
Total current assets	174,931	59,531
PROPERTY AND EQUIPMENT, NET	83,654	7,852
OTHER ASSETS		
Software license, net	368,780	--
Notes receivable - related parties	361,789	350,000
Employee advances	--	90,000
	-----	-----
	730,569	440,000
ASSETS OF DISCONTINUED OPERATIONS	474,574	628,968
	-----	-----
TOTAL ASSETS	\$ 1,463,728	\$ 1,136,351
	=====	=====

The Notes to Consolidated Financial Statements  
are an intergral part of these statements.

MB SOFTWARE CORPORATION  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2001 AND 2000

	2001	2000
	-----	-----
LIABILITIES AND SHAREHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Notes payable	\$ 2,099,035	\$ 1,658,870
Current maturities of capital leases	--	1,494
Checks in excess of bank balance	23,572	--
Accounts payable	326,112	270,081
Accrued liabilities	725,818	430,159
	-----	-----
Total current liabilities	3,174,537	2,360,604
LIABILITIES OF DISCONTINUED OPERATIONS		
	385,472	154,683
	-----	-----
Total liabilities	3,560,009	2,515,287
SHAREHOLDERS' DEFICIT		
Series A senior cumulative convertible participating preferred stock; \$10 par value; 340,000 shares issued and outstanding in 2001 and 2000; dividends in arrears 2001 \$1,065,644, 2000 \$725,644	3,400,000	3,400,000
Undesignated preferred stock; \$10 par value; 660,000 shares authorized; none issued	--	--
Common stock; \$.001 par value; 150,000,000 shares authorized; 73,400,000 and 70,300,000 shares issued in 2001 and 2000, respectively	73,400	70,300
Additional paid-in capital	2,011,391	1,434,431
Accumulated deficit	(7,569,033)	(6,039,162)
Deferred license and consulting cost, net	--	(232,466)
	-----	-----
Treasury stock, at cost; 407,446 shares	(2,084,242)	(1,366,897)
	(12,039)	(12,039)
	-----	-----
Total shareholders' deficit	(2,096,281)	(1,378,936)
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	\$ 1,463,728	\$ 1,136,351
	=====	=====

The Notes to Consolidated Financial Statements are an integral part of these statements.

MB SOFTWARE CORPORATION  
CONSOLIDATED STATEMENTS OF OPERATIONS  
YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001	2000
	-----	-----
REVENUES		
Product sales	\$ 20,959	\$ --
Other	--	4,589
	-----	-----
Total revenues	20,959	4,589
COST OF REVENUES		
Cost of product sales	19,949	--
Other	--	13,736
	-----	-----
Gross profit (loss)	1,010	(9,147)
	-----	-----
OPERATING EXPENSES		
Selling, general & administrative	1,387,964	815,336
Depreciation and amortization	61,120	2,212
	-----	-----
Total operating expenses	1,449,084	817,548
	-----	-----
Loss from operations	(1,448,074)	(826,695)
OTHER INCOME (EXPENSE)		
Interest expense	(328,330)	(131,695)
Interest income	28,486	44,357
	-----	-----
Total other income (expense)	(299,844)	(87,338)
	-----	-----
Loss before benefit for income taxes	(1,747,918)	(914,033)
BENEFIT FOR INCOME TAXES	(74,136)	--
	-----	-----
Loss from continuing operations	(1,673,782)	(914,033)

The Notes to Consolidated Financial Statements are an intergral part of these statements.

MB SOFTWARE CORPORATION  
CONSOLIDATED STATEMENTS OF OPERATIONS  
YEARS ENDED DECEMBER 31, 2001 AND 2000  
(continued)

	2001	2000
<b>DISCONTINUED OPERATIONS</b>		
Income (loss) from operations, net of tax effect in 2001 of \$74,136 and in 2000 of \$0	143,911	(187,586)
Net loss	(\$ 1,529,871)	(\$ 1,101,619)
Loss from continuing operations	(\$ 1,673,782)	(\$ 914,033)
Plus cumulative preferred stock dividends	(340,000)	(340,000)
Loss available to common shareholders	(\$ 2,013,782)	(\$ 1,254,033)
<b>BASIC AND DILUTED LOSS PER SHARE</b>		
Continuing operations	(\$ 0.03)	(\$ 0.01)
Discontinued operations	(0.00)	(0.00)
	(\$ 0.03)	(\$ 0.01)
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING</b>	71,234,246	69,275,833

The Notes to Consolidated Financial Statements are an intergral part of these statements.

MB SOFTWARE CORPORATION  
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT  
YEARS ENDED DECEMBER 31, 2001 AND 2000

	Series A Preferred Stock		Common Stock	
	Shares	Amount	Shares	Amount
BALANCE, DECEMBER 31, 1999	340,000	\$ 3,400,000	69,200,000	\$ 69,200
Stock issued for license and con- sulting agreement	--	--	1,100,000	1,100
Realization of deferred license and consulting cost	--	--	--	--
Capital contribution from sale of subsidiary	--	--	--	--
Net loss	--	--	--	--
	-----	-----	-----	-----
BALANCE, DECEMBER 31, 2000	340,000	3,400,000	70,300,000	70,300
Stock issued for consulting agreement	--	--	100,000	100
Stock issued for assets	--	--	3,000,000	3,000
Impairment of deferred license and consulting cost	--	--	--	--
Warrants attached to issuance of debt	127,310			
Warrants issued for compensation	44,000			
Net loss	--	--	--	--
	-----	-----	-----	-----
BALANCE, DECEMBER 31, 2001	340,000	\$ 3,400,000	73,400,000	\$ 73,400
	=====	=====	=====	=====

The Notes to Consolidated Financial Statements  
are an integral part of these statements.

MB SOFTWARE CORPORATION  
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT  
YEARS ENDED DECEMBER 31, 2001 AND 2000  
(continued)

	Additional Paid-in Capital	Accumulated Deficit	Deferred Service	Treasury Stock
	-----	-----	-----	-----
BALANCE, DECEMBER 31, 1999	\$ 1,103,005	(\$4,937,543)	\$ --	(\$ 12,039)
Stock issued for license and con- sulting agreement	252,050	--	(253,150)	--
Realization of deferred license and consulting cost	--	--	20,684	--
Capital contribution from sale of subsidiary	79,376	--	--	--
Net loss	--	(1,101,619)	--	--
	-----	-----	-----	-----
BALANCE, DECEMBER 31, 2000	1,434,431	(6,039,162)	(232,466)	(12,039)
Stock issued for consulting agreement	18,650	--	--	--
Stock issued for assets	387,000	--	--	--
Impairment of deferred license and consulting cost	--	--	232,466	--
Warrants attached to issuance of debt				
Warrants issued for compensation				
Net loss	--	(1,529,871)	--	--
	-----	-----	-----	-----
BALANCE, DECEMBER 31, 2001	\$ 2,011,391	(\$7,569,033)	\$ --	(\$ 12,039)
	=====	=====	=====	=====

The Notes to Consolidated Financial Statements  
are an intergral part of these statements.

MB SOFTWARE CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001	2000
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss from continuing operations	(\$1,673,782)	(\$ 914,033)
Adjustments to reconcile loss from continuing operations to net cash used in operating activities:		
Accretion of debt	58,562	--
Impairment allowance	--	192,771
Depreciation and amortization	61,120	3,181
Deferred license and consulting costs recognized	232,466	20,684
Stock issued for consulting	18,750	--
Warrants issued for compensation	44,000	--
Changes in assets and liabilities:		
Accounts receivable	(6,088)	38,910
Inventory	8,266	--
Prepaid expenses and other	(13,024)	(21,850)
Checks in excess of bank balance	23,572	--
Accounts payable and accrued liabilities	137,690	153,597
Employee advances	90,000	(90,000)
	-----	-----
Net cash used in continuing operations	(1,018,468)	(616,740)
Net cash provided by discontinued operations	294,608	57,126
	-----	-----
Net cash used in operating activities	(723,860)	(559,614)
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans made on notes receivable to related party	(22,789)	(15,050)
Capital expenditures	(48,222)	--
	-----	-----
Net cash used in investing activities	(71,011)	(15,050)

The Notes to Consolidated Financial Statements  
are an intergral part of these statements.

MB SOFTWARE CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2001 AND 2000  
(continued)

	2001	2000
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on borrowings	(239,337)	(300,400)
Principal payments on capital leases	(1,494)	(16,559)
Proceeds from loans and warrants	998,250	905,200
Net cash provided by financing activities	757,419	588,241
Net increase (decrease) in cash	(37,452)	13,577
CASH AND CASH EQUIVALENTS, beginning of year	37,452	23,875
CASH AND CASH EQUIVALENTS, end of year	\$ --	\$ 37,452
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Cash paid during the year for:		
Interest	\$ 169,996	\$ 58,998
Taxes	\$ --	\$ 472
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Assets disposed in settlement of debt	\$ --	\$ 26,434
Debt settled by disposal of assets	--	(105,811)
Stock issued for license agreement and consulting	--	253,150
Note receivable, impaired	--	177,721
Stock issued for assets	390,000	--
Accounts payable and accrued liabilities assumed in assets acquisition	214,000	--

The Notes to Consolidated Financial Statements  
are an integral part of these statements.

MB SOFTWARE CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SUMMARY OF  
SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Presentation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Healthcare Innovations, LLC (HI), North Florida Physical Medicine, LLC (NFPM), MB Practice Solutions, LLC. (MBPS) and eAppliance Innovations, LLC.

All intercompany transactions and balances have been eliminated upon consolidation.

Nature of Operations

MB Software Corporation (the "Company") was incorporated in 1982. The focus of the Company has been to provide practice and cash management services to physicians, dentists and chiropractors.

Effective September 1, 2000, the Company sold its South Florida Medical Center Clinic to a company wholly owned by two shareholders of the Company. The sale was accomplished by an assumption of net liabilities by the related company of approximately \$79,000. The net gain on the transaction was recorded as a contribution to capital.

In July of 2001, the Company acquired certain assets and assumed certain liabilities of Portalook, a California based company, which developed proprietary technology for use in enabling Internet Transaction Devices (ITD's) to be used as transaction processing devices in the field.

On November 5, 2001, the Company entered into a restructure and settlement agreement with Imagine Investments, Inc. (Imagine). Pursuant to the agreement, which was approved by the shareholders on February 11, 2002, the Company will transfer its interest in NFPM and give common stock in exchange for settlement of debt and preferred stock. As a result of this agreement, certain assets, liabilities and operations of NFPM are presented as discontinued.

The Company will now focus on the sale and development of the Company's internet transaction devices (ITD's) and transaction services which range from credit card transactions to insurance eligibility transactions for the medical and potentially other professions.

Going Concern Basis

The financial statements have been prepared on a going concern basis, which contemplates realization of assets and liquidation of liabilities in the ordinary course of business. The Company has continuously incurred losses from operations and has a working capital deficit. The appropriateness of using the going concern basis is dependent upon the Company's ability to obtain additional financing or equity capital and, ultimately, to achieve profitable operations. These conditions raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 1. ORGANIZATION AND SUMMARY OF  
SIGNIFICANT ACCOUNTING POLICIES - continued

Going Concern Basis - continued

Management plans to raise capital through debt private placement with attached equity instruments. Management believes that the additional capital coupled with the settlement of preferred stock and restructure of debt will enable the Company to continue until the ITD sales and transaction services operations become profitable.

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Inventory

Inventory consists of ITD's hardware recorded at cost, first-in, first-out basis.

Revenue Recognition

The Company's operating revenue currently consists of ITD sales which are recognized upon shipment to customers. Revenues from discontinued operations consist of sales of the Company's medical clinic fees which are recognized at the time the medical services are rendered (see Note 11 Discontinued Operations).

Contractual Adjustments and Contractual Allowances

Medical clinic fees are reported net of contractual adjustments. Contractual adjustments are adjustments made to gross medical clinic fees for the amounts contractually not billable to third party payors and/or adjustments for uncollectible charges. Management periodically analyzes these adjustments and adjusts the allowances for doubtful accounts and contractual allowances accordingly. Management's adjustments for allowance for doubtful accounts and contractual adjustments require significant estimates and it is at least reasonably possible that these estimates could "change in the near term" (see Note 11).

Property and Equipment

Property and equipment are stated at cost. Depreciation for financial statement purposes is computed principally on the straight-line method over the estimated useful lives of the related assets ranging from five to seven years. Maintenance and repairs are expensed as incurred. Replacements and betterments are capitalized.

NOTE 1. ORGANIZATION AND SUMMARY OF  
SIGNIFICANT ACCOUNTING POLICIES - continued

Earnings (Loss) Per Common Share and Common Share Equivalents

Basic earnings (loss) per share is based on the weighted average number of shares of common stock outstanding during the period. Potential common stock consists of convertible preferred stock and stock options. In 2001 and 2000, the potential common stock was considered anti-dilutive due to the loss from continuing operations.

Cash and Cash Equivalents

The Company considers all cash on hand and in banks, demand and time deposits, and all other highly liquid investments purchased with maturities of three months or less to be cash equivalents.

Stock Based Compensation

The Company has elected under the provisions of FASB No. 123, Accounting for Stock Compensation to account for its compensatory stock option plan using the intrinsic method as prescribed by APB Opinion No. 25, Accounting for Stock Issued to Employees.

Business and Credit Risk Concentrations

The Company's ITD sales are to customers in the United States of America. The Company's medical clinics provide services to patients located in Florida. None of the patients receivables were individually significant.

Management evaluates accounts receivable balances on an ongoing basis and provides allowances as necessary for amounts estimated to eventually become uncollectible. The allowance for uncollectible accounts receivable from continuing operations for December 31, 2001 and 2000 was \$0. See Note 13 for discontinued operations.

The Company maintains its cash in bank deposit accounts at high quality financial institutions. The balances at times, may exceed Federally insured limits.

Income Taxes

The Company accounts for income taxes in accordance with the asset and liability method. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

NOTE 1. ORGANIZATION AND SUMMARY OF  
SIGNIFICANT ACCOUNTING POLICIES - continued

Software Development

The Company capitalizes software development costs after technological feasibility has been established in accordance with Financial Accounting Standards Board Statement Number 86, Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed. Software costs are amortized over the greater of the ratio that current gross revenues bear to the current and future gross revenues or amortized using the straight line basis over the estimated economic life of the software.

Included in other assets is a software license purchased from Portalook of \$420,000, net of accumulated amortization of \$51,220.

Software development costs incurred by the Company for the development of the PatentMed 2000 internet appliance of \$243,963 were expensed in 2001. No software development costs were incurred in 2000.

Long-lived Assets

Long-lived assets and certain identifiable intangibles to be held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company continuously evaluates the recoverability of its long-lived assets based on estimated future cash flows and the estimated liquidation value of such long-lived assets, and provides for impairment if such undiscounted cash flows are insufficient to recover the carrying amount of the long-lived assets.

Financial Instruments

Financial instruments of the Company consist of cash, accounts receivable, notes receivable, accounts payable, notes payable, and other liabilities. Recorded values of cash, receivables and payables are carried at amounts that approximate fair values.

Recently Issued Accounting Standards

In June 2001, the FASB issued SFAS No. 142, Goodwill and Other Intangible Assets. SFAS 142 addresses financial accounting and reporting for acquired goodwill and other intangible assets and supersedes Accounting Principles Board Opinion No.17, Intangible Assets. This statement addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for in financial statements upon their acquisition. SFAS 142 also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. SFAS 142 discontinues the practice of amortizing goodwill and indefinite lived intangible assets and initiates an annual review for impairment. Impairment would be examined more frequently if certain indicators were encountered. The Company is currently in the process of finalizing the determination of the impact of the new FASB

NOTE 1. ORGANIZATION AND SUMMARY OF  
SIGNIFICANT ACCOUNTING POLICIES - continued

Recently Issued Accounting Standards - continued

pronouncement concerning goodwill and other intangible assets. The provisions of this statement are required to be applied starting with fiscal years beginning after December 15, 2001.

SFAS No. 143, Accounting for Asset Retirement Obligations was also issued in June 2001. This statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. Adoption of this statement is not expected to have a material effect on the consolidated financial statements.

In August 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This statement 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 APB 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, for the Disposal of a Segment of a Business. The Company as opted for early adoption of this statement effective January 1, 2001. Adoption of this statement did not have a material effect on the consolidated financial statements for the year ended December 31, 2001.

NOTE 2. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2001 and 2000:

	2001	2000
	-----	-----
Office equipment	\$ 15,342	\$ 13,618
Computer equipment	92,618	8,641
Furniture and fixtures	747	747
	-----	-----
	108,707	23,006
Less accumulated depreciation and amortization	25,053	15,154
	-----	-----
	\$ 83,654	\$ 7,852
	=====	=====

Depreciation expense was \$9,900 and \$3,181 for the years ended December 31, 2001 and 2000, respectively. See Note 13 for discontinued operations.

NOTE 3. NOTES PAYABLE

Notes payable consist of the following as of December 31:

	2001	2000
	-----	-----
Prime plus 1% line of credit with a bank, due on demand, secured by accounts receivable	\$ --	\$ 140,070
8% note payable to a shareholder, due on demand, unsecured	2,000	2,000
10% note payable to a company related through dcommon ownership, ue on demand, unsecured	113,500	100,000
8% note payable to a shareholder, due July 1, 2001, unsecured - related party	300,000	300,000
8% note payable to a shareholder, due July 1, 2001, unsecured	12,000	12,000
10% note payable to an investor, due July 1, 2001, related party	500,000	500,000
10% note payable to a shareholder, due December 31, 2001, unsecured - related party	695,282	454,800
15% note payable to a financing entity, due December 15, 2000, unsecured	150,000	150,000
10% notes payable to shareholders or companies related by common ownership, due on demand, unsecured	85,000	--
12% to 10% notes payable to shareholders, due from December 1, 2001 to February 26, 2002, unsecured	205,253	--
12% notes payable to companies related by common ownership, due on demand, unsecured	36,000	--
	-----	-----
	\$2,099,035	\$1,658,870
	=====	=====

See Note 13 for discontinued operations.

NOTE 4. PREFERRED STOCK

The Series A Senior Cumulative Convertible Participating Preferred Stock ("Series A Stock") is entitled to receive cash dividends of \$1 per share per annum accruing from the date of issuance. Such dividends are cumulative and must be paid before any dividends can be paid on the common stock. The

NOTE 4. PREFERRED STOCK - continued

Series A Stock is convertible into common stock, at the option of the holders, into a maximum of 29,267,324 shares of common stock upon: (a) the sale of substantially all of the assets of the Company; (b) a change in control of the Company; (c) the dissolution of the Company; or (d) October 1, 2000. If the Series A Stock is not converted into common stock, it becomes redeemable at the option of the holder any time after October 1, 2000 at a redemption price of \$10 per share. Should the Company fail to redeem any share of the Series A Stock after a redemption request, the Series A stockholders shall have the right to elect a majority of the Company's board of directors and the Company shall pay interest on the redemption price at the rate of prime plus 5% until actually redeemed. At December 31, 2001 and 2000, dividends in arrears on preferred stock was \$1,065,644 and \$725,644, respectively. See Note 13 Discontinued Operations for description of restructure and settlement agreement.

NOTE 5. INCOME TAXES

The components of tax expense (benefit) are as follows:

	2001	2000
	-----	-----
Current	(\$ 74,136)	\$ --
Deferred	--	( -- )
	-----	-----
	(\$ 74,136)	(\$ -- )
	=====	=====

A reconciliation of the expected federal income tax expense (benefit) based on the U.S. Corporate income tax rate of 34% to actual expense (benefit) for 2001 and 2000 is as follows:

	2001	2000
	-----	-----
Expected federal income tax benefit	(\$ 520,156)	(\$ 374,550)
State income taxes	--	--
Valuation allowance and other	446,020	374,550
Utilization of net operating loss	( -- )	( -- )
	-----	-----
	(\$ 74,136)	(\$ -- )
	=====	=====

Deferred tax assets and liabilities as of December 31, 2001 and 2000 are as follows:

	2001	2000
	-----	-----
Current deferred tax asset	\$ 452,651	\$ 380,334
Valuation allowance for current deferred tax asset	(452,651)	(380,334)
	-----	-----
Net current deferred tax asset	\$ --	\$ --
	=====	=====
Non-current deferred tax asset	\$2,521,426	\$2,276,255
Valuation allowance for non-current deferred tax asset	(2,521,426)	(2,276,255)
	-----	-----
Net non-current deferred tax asset	\$ --	\$ --
	=====	=====

NOTE 5. INCOME TAXES - continued

At December 31, 2001, the current deferred tax asset results from reserve for accounts receivable which is not deductible for tax purposes until actually written off. The non-current deferred tax asset results from the deferred tax benefit of net operating losses. The net current and non-current deferred tax assets have a 100% valuation allowance, as the ability of the Company to generate sufficient taxable income in the future is not certain. The net change in the valuation allowance for 2001 and 2000 was \$317,488 and \$867,558, respectively.

MB generated net operating losses for financial reporting and Federal income tax reporting prior to its reorganization in 1993. As of December 31, 2001, subject to limitations under Internal Revenue Code ss.382, approximately \$469,000 of these net operating losses are available for use after the reorganization. These net operating losses expire in 2008 if not previously utilized. The net operating loss carry forward at December 31, 2001 is approximately \$7,416,000 and will begin to expire in 2008, if not previously utilized.

NOTE 6. COMMITMENTS

The Company has non-cancelable leases for office space and equipment. Future minimum payments under these leases and other equipment operating leases are payable as follows:

Year Ended December 31, -----	
2002	\$ 228,119
2003	61,004
	-----
	\$ 289,123
	=====

Lease and rent expense under non-cancelable operating leases for 2001 and 2000 were \$299,818 and \$394,449, respectively.

NOTE 7. LEGAL PROCEEDINGS

Effective April 2, 2000, the Company settled litigation pertaining to the Company, Scott A. Haire and MB Healthcare Management, Inc. ("MBHM"), a former Company subsidiary. MBHM merged with a corporation, and in connection with the transaction, MBHM filed suit against the corporation and related individuals. The corporation and related individuals filed a counterclaim against MBHM, the Company, and Scott A. Haire. As part of the settlement, all outstanding shares of MBHM were conveyed to one of the related individuals. In exchange, the Company received a cash payment and return of Company stock that was transferred in settlement of related liabilities.

In addition, the Company is involved in various lawsuits and claims arising in the normal course of business. Management believes it has valid defenses in these cases and is defending them vigorously. While the results of litigation cannot be predicted with certainty, management believes adequate reserves have been provided for claims that have at least a reasonable possibility for loss and has not provided a reserve on those for which an adverse outcome is remote.

NOTE 8. STOCK OPTIONS

Effective May 5, 1994, the Board of Directors approved an Incentive Stock Option Plan ("Plan") for key executives and employees. A summary of changes in the Company's incentive stock options issued under the Plan and other compensatory options follows:

	Plan Options		Other Compensatory Options		Combined Total
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options
Outstanding at 12/31/99	1,550,000	\$ .09	3,450,000	\$ .22	5,000,000
Granted	--	--	--	--	--
Exercised	--	--	--	--	--
Forfeited	(500,000)	.09	( 3,450,000)	.22	( 3,950,000)
Outstanding at 12/31/00	1,050,000	.09	--	--	1,050,000
Granted	--	--	5,200,000	.05	5,200,000
Exercised	--	--	--	--	--
Forfeited	(900,000)	.09	--	--	(900,000)
Outstanding at 12/31/01	150,000	\$ .15	5,200,000	\$ .05	5,350,000

There were no options granted during 2000. All of the 5,350,000 outstanding stock options are fully vested at December 31, 2001. The weighted average contractual life is 2.9 years.

The fair value of options granted during the year is estimated on the date of grant using a Black-Sholes option pricing model and the following assumptions: a risk-free rate of return of 2.76%; a weighted average expected life of 2.25 years; expected volatility of 228%; and no dividends. The weighted average fair value of options granted during 2001 was \$237,932.

Options granted during 2001 were to employees and directors and, as a result, no compensation cost was recognized. Had compensation been determined based on the fair value at the grant date, the Company's net income would have been reduced as follows:

Net loss	
As reported	\$ 1,529,871
Pro forma	\$ 1,767,803
Basic loss per share	
As reported	(\$ 0.03)
Pro forma	(\$ 0.03)

NOTE 9. STOCK WARRANTS

During 2001, the Company issued warrants to several stockholders of the Company. Of the total warrants issued, warrants to purchase 2,500,000 shares of common stock were attached to debt, while the other 400,000 were compensatory.

A summary of the Company's warrants issued and other compensatory warrants follows:

	Warrants Attached to Debt		Other Compensatory Warrants		Combined Total
	Warrants	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price	Warrants
Outstanding at 12/31/00	--	\$ --	--	\$ --	--
Granted	2,500,000	.01	400,000	.01	2,900,000
Exercised	--	--	--	--	--
Forfeited	--	--	--	--	--
Outstanding at 12/31/01	<u>2,500,000</u>	\$ .01	<u>400,000</u>	\$ .01	<u>2,900,000</u>

All of the 2,900,000 outstanding stock warrants are fully vested at December 31, 2001. The weighted average remaining contractual life is 2.4 years.

The fair value of warrants granted during the year was estimated on the date of grant using a Black-Sholes option pricing model and the following assumptions: a risk-free rate of return of 3.28%; a weighted average expected life of 2.04 years; expected volatility of 227%; and no dividends. The weighted average fair value of options granted during 2001 was \$306,568.

Warrants granted during 2001 were to employees and directors. Compensation of \$44,000 was recognized for the compensatory warrants. No compensation was recognized for the warrants attached to debt. Had compensation been determined based on the fair value at the grant date, there would be no material impact on net loss or loss per share.

NOTE 10. BUSINESS SEGMENT INFORMATION

As a result of the discontinued operations of NFPM, the Company's continuing operations are in one business segment.

NOTE 11. RELATED PARTY TRANSACTIONS

Notes receivable from related parties consist of two notes. The first note is due from Scott A. Haire dated November 1, 1999 for the original principal sum of \$350,000. Interest accrues at an annual rate of 8%. Accrued interest at December 31, 2001 and 2000 was \$33,455 and \$19,513, and interest income for each of the years then ended was \$28,000. The second note is due from a company owned by Scott A. Haire dated December 31, 2001 for the original principal sum of \$11,789 with interest accruing at an

NOTE 11. RELATED PARTY TRANSACTIONS - continued

annual rate of 12%. Included in employee advance at December 31, 2000 is \$90,000, due directly or indirectly from an employee of the Company. As of December 31, 2001, it became apparent the advance, including interest accrued during 2001 of \$2,667, were impaired and, as a result, management has provided an impairment allowance of \$92,667.

The Company has various notes payable to shareholders and other related parties. The notes and various terms are identified in Note 3 - Notes Payable. Interest expense incurred under related party notes payable for the years ended December 31, 2001 and 2000 were \$266,298 and \$109,444, respectively. Accrued interest at December 31, 2001 and 2000 was \$386,263 and \$248,813, respectively.

The Company provides limited administrative services to other companies affiliated through common ownership of Company shareholders.

NOTE 12. ACQUISITIONS

On July 31, 2001 the Company purchased certain assets including: inventory valued at \$140,000, property and equipment valued at \$84,000 and a software license valued at \$420,000 from Portalook, Inc. The purchase price was allocated to the assets acquired based on their relative fair values on the purchase date. Purchase price for the assets was cash of \$40,000, a payable of \$184,000, assumed liability of \$30,000 and 3,000,000 shares of common stock valued at \$390,000, based on fair value of common stock on the purchase date. The purchase of the Portalook assets allows the Company to sell internet transaction devices and to develop supporting services.

NOTE 13. DISCONTINUED OPERATIONS

On November 5, 2001, the Company entered into a restructure and settlement agreement with Imagine Investments, Inc. (Imagine). Pursuant to the agreement, which was approved by the shareholders on February 11, 2002, the Company is transferring its interest in North Florida Physical Medicine, LLC (NFPM) to Imagine and Imagine is converting the convertible preferred stock and convertible debt to common stock and, accordingly, no gain or loss will be recorded on the transaction. The expected disposal date is April 1, 2002. Accordingly, the assets, liabilities and operating results of NFPM have been segregated from continuing operations and reported as separate line items on the balance sheets and statements of operations.

Condensed balance sheets and operating results from discontinued operations are as follows:

	2001	2000
	-----	-----
Balance Sheets		
Assets:		
Accounts receivable, net and other current assets	\$405,119	\$520,693
Property and equipment, net	69,455	108,275
	-----	-----
Total assets	\$474,574	\$628,968
	=====	=====

## NOTE 13. DISCONTINUED OPERATIONS - continued

Liabilities		
Current maturities of long-term debt	\$ 250,000	\$ --
Other current liabilities	135,472	154,683
	-----	-----
Total Liabilities	\$ 385,472	\$ 154,683
	=====	=====
	2001	2000
	-----	-----
Statements of Operations		
Revenues:		
Medical fees	\$ 1,914,952	\$ 2,300,142
Expenses:		
Cost of medical	(940,568)	(1,499,250)
Selling, general and administrative	(711,018)	(932,392)
Depreciation	(45,339)	(55,783)
	-----	-----
Income (loss) from operations	218,027	(187,283)
Other income (expenses)	20	(303)
	-----	-----
Income (loss) before taxes	218,047	(187,586)
Income tax provision	74,136	--
	-----	-----
Income (loss) from discontinued operations	\$ 143,911	(\$ 187,586)
	=====	=====

The allowance for uncollectible accounts receivable associated with NFPM's trade accounts receivable at December 31, 2001 and 2000 was \$1,296,284 and \$1,338,059, respectively. Included in accounts receivable and other current assets is \$9,000 due from a related party at December 31, 2001. The accumulated depreciation associated with NFPM's property and equipment at December 31, 2001 and 2000 was \$242,042 and \$196,702, respectively. The note payable at December 31, 2001 is due to a shareholder on May 5, 2002 with interest at 10%, and it is unsecured.

## NOTE 14. SUBSEQUENT EVENT

On April 11, 2002, the Company agreed in principle to the Restructure and Settlement Agreement with Imagine Investments, Inc. (Imagine) effective April 1, 2002. In accordance with the agreement, the Company will convert 340,000 shares of Series A Convertible Preferred Stock, dividends in arrears, convertible debt and accrued interest on the debt, all held by Imagine, into 4,500,000 shares of common stock and the Company will convey to Imagine its ownership in NFPM. The difference between the par value of the common stock issued in the conversion plus the carrying value of NFPM and the preferred stock plus the debt will be added to paid-in capital. No gain or loss on the transaction with the preferred stockholder will be recognized.