

U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 2054

FORM 10-QSB/A

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

For the quarterly period ended: June 30, 1997

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

Commission File No. 0-11808

MB SOFTWARE CORPORATION

Colorado  
(State or other jurisdiction of  
incorporation or organization)

59-2219994  
(I.R.S. Employer  
Identification Number)

2225 E. Randol Mill Road - Suite 305  
Arlington, Texas 76011-6306  
(817) 633-9400

Check whether the Issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for 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

Check whether the registrant 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 June 30, 1997, 67,885,000 shares of the Issuer's \$.001 par value common stock were outstanding.

Transitional Small Business Disclosure Format

Yes  No

MB SOFTWARE CORPORATION

Form 10-QSB/A

Quarter Ended June 30, 1997

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MB SOFTWARE CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	June 30, 1997	December 31, 1996
	-----	-----
	(Unaudited)	
CURRENT ASSETS		
Cash	\$1,119,052	\$ 196,653
Accounts receivable -		
Medical receivables, net of allowance for doubtful accounts of \$103,725 in 1997	538,080	--
Trade accounts receivable, net of allowance for doubtful accounts of \$33,487 and \$33,487, respectively	1,798,926	311,965
Notes receivable - current portion	5,000	10,000
Prepaid expenses and other	22,457	19,883
	-----	-----
TOTAL CURRENT ASSETS	3,483,515	538,501
	-----	-----
PROPERTY AND EQUIPMENT, NET	300,222	63,349
	-----	-----
OTHER ASSETS		
Goodwill, net of accumulated amortization	827,964	850,109
Software development costs, net of accumulated amortization	431,846	394,240
Deposits and other assets	18,645	18,488
	-----	-----
TOTAL OTHER ASSETS	1,278,455	1,262,837
	-----	-----
	\$5,062,192	\$1,864,687
	=====	=====

(Continued)

MB SOFTWARE CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND SHAREHOLDERS' DEFICIT

	June 30, 1997	December 31, 1996
	----- (Unaudited)	-----
<b>CURRENT LIABILITIES</b>		
Notes payable	\$ 3,324,138	\$ 209,123
Current maturities of long-term debt	40,941	32,906
Accounts payable	339,357	149,741
Accrued liabilities	222,221	101,382
Other liabilities - related party	109,000	179,000
Deferred revenues	93,472	159,026
	-----	-----
TOTAL CURRENT LIABILITIES	4,129,129	831,178
<b>LONG-TERM LIABILITIES</b>		
Long-term debt, net of current maturities	1,334,073	1,283,808
Other liabilities	40,000	40,000
	-----	-----
TOTAL LIABILITIES	5,503,202	2,154,986
	-----	-----
<b>COMMITMENTS AND CONTINGENCIES</b>	--	--
<b>SHAREHOLDERS' DEFICIT</b>		
Common stock; \$.001 par value; 100,000,000 shares authorized; 67,885,000 shares issued	67,885	67,885
Additional paid-in capital	810,322	810,322
Accumulated deficit	(1,307,178)	(1,156,467)
Treasury stock, at cost; 409,577 shares	(12,039)	(12,039)
	-----	-----
TOTAL SHAREHOLDERS' DEFICIT	(441,010)	(290,299)
	-----	-----
	\$ 5,062,192	\$ 1,864,687
	=====	=====

The accompanying notes are an integral part  
of these consolidated financial statements

MB SOFTWARE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1997	1996	1997	1996
<b>REVENUES</b>				
Medical income	\$ 991,257	\$ --	\$ 1,523,904	\$ --
Service fee and broker income	--	34,027	--	35,843
Software & maintenance sales	394,400	683,599	810,664	1,286,698
Other income	13,860	219,992	31,713	250,000
<b>TOTAL REVENUES</b>	<b>1,399,517</b>	<b>937,618</b>	<b>2,366,281</b>	<b>1,572,541</b>
<b>COST OF REVENUES</b>				
Cost of services and broker fees	--	2,548	--	2,548
Cost of software and maintenance	115,485	82,617	212,273	185,456
Cost of medical services	766,981	--	1,074,447	--
<b>TOTAL COST OF REVENUES</b>	<b>882,466</b>	<b>85,165</b>	<b>1,286,720</b>	<b>188,004</b>
<b>GROSS PROFIT</b>	<b>517,051</b>	<b>852,453</b>	<b>1,079,561</b>	<b>1,384,537</b>
<b>OPERATING EXPENSES</b>				
Selling, general and administrative	465,515	565,515	912,316	995,354
Depreciation and amortization	102,853	4,646	174,972	10,262
<b>TOTAL OPERATING EXPENSES</b>	<b>568,368</b>	<b>570,161</b>	<b>1,087,288</b>	<b>1,005,616</b>
<b>INCOME FROM OPERATIONS</b>	<b>(51,317)</b>	<b>282,292</b>	<b>(7,727)</b>	<b>378,921</b>
<b>OTHER INCOME (EXPENSES)</b>				
Interest expense	(91,476)	(7,407)	(142,984)	(8,445)
Other	--	(13,743)	--	(15,954)
<b>NET (LOSS) INCOME</b>	<b>\$ (142,793)</b>	<b>\$ 261,142</b>	<b>\$ (150,711)</b>	<b>\$ 354,522</b>
<b>INCOME PER WEIGHTED AVERAGE COMMON SHARE</b>				
	<b>\$ (.002)</b>	<b>\$ .005</b>	<b>\$ (.002)</b>	<b>\$ .007</b>
<b>WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING</b>				
	<b>67,885,000</b>	<b>49,485,000</b>	<b>67,885,000</b>	<b>49,485,000</b>

The accompanying notes are an integral part of these consolidated financial statements

MB SOFTWARE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	Six Months Ended June 30,	
	----- 1997	----- 1996
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ (150,711)	\$ 354,522
Adjustments to reconcile net (loss) income to net cash used by operating activities:		
Depreciation and amortization	174,972	13,163
Change in allowance for doubtful accounts	103,725	--
Changes in assets and liabilities:		
Trade accounts receivable	(322,263)	(144,283)
Advances	--	(1,125)
Notes receivable	5,000	--
Prepaid expenses and other	(2,574)	(4,500)
Deposits	(157)	(700)
Accounts payable and accrued liabilities	87,437	17,715
Other liabilities	(70,000)	364,266
Deferred revenues	(65,554)	79,283
Other	--	(6,812)
	-----	-----
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(240,125)	671,529
	-----	-----
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(138,361)	(8,565)
Software development costs capitalized	(127,820)	(71,032)
Change in notes receivable	--	(21,052)
	-----	-----
NET CASH (USED) BY INVESTING ACTIVITIES	(266,181)	(100,649)
	-----	-----
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on notes payable	(458,819)	764,600
Proceeds from notes payable	1,887,524	(350,411)
Change in cash overdraft	--	29,616
Proceeds from common stock issuance	--	45,000
	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,428,705	(488,805)
	-----	-----

The accompanying notes are an integral part  
of these financial statements

(Continued)  
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MB SOFTWARE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)  
(CONTINUED)

	Three Months Ended June 30	
	1997	1996
	-----	-----
INCREASE (DECREASE) IN CASH	\$ 922,399	\$ 82,075
CASH AT BEGINNING OF PERIOD	196,653	36,535
	-----	-----
CASH AT END OF PERIOD	\$ 1,119,052	\$ 118,610
	=====	=====
SUPPLEMENTAL INFORMATION		
Cash paid during the period for interest	\$ 25,181	\$ 8,451
	=====	=====
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Purchase of medical clinics	\$(1,933,381)	\$ --
Goodwill	(34,247)	--
Accounts payable assumed	223,018	--
Notes payable	1,744,610	--
	-----	-----
	\$ --	\$ --
	=====	=====

The accompanying notes are an integral part  
of these consolidated financial statements

MB SOFTWARE CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

NOTE 1: BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principals for interim financial information and with the instructions to Form 10-QSB and Rule 10-01 of Regulations S-X. They do not include all information and notes required by generally accepted accounting principals for complete financial statements. However, except as disclosed, there has been no material change in the information disclosed in the notes to consolidated financial statements included in the Annual Report on Form 10-KSB of MB Software Corporation for the year ended December 31, 1996. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six month period ended June 30, 1997, are not necessarily indicative of the results that may be expected for the year ending December 31, 1997.

NOTE 2: ACQUISITION

In February 1997, the Company acquired two medical clinics, one in Utah and one in Florida. The Utah clinic, Color Country Health Express, Inc., has three (3) locations; and the Florida clinic, North Florida Physical Medicine Associates, has two (2) locations.

MB SOFTWARE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 1997

(Unaudited)

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

The Company

MB Software Corporation took a major step forward and unfolded the next phase of its 1997 Strategic Plan by consolidating areas within its three operating companies, thereby positioning them for long term benefits to derive greater economies of scale and improved productivity.

The Company's primary focus continued to be the acquisition of companies that provide reciprocal benefit and distribution channels for its software products while currently increasing corporate asset value and developing greater market share and critical mass for specific products and services.

Each operating company installed common practice management systems, consolidated workflow processes and reporting mechanisms to facilitate operational control and pinpoint areas where performance correction may be indicated.

The Company continued to perform in accordance with its targets for the year; however, for the quarter ended June 30, 1997, a steeper than anticipated expense curve occurred from consolidation of Company functions which softened profit margins, although the quarter still remained profitable. In each operating arm, the Company realigned management, streamlined or downsized staff, reduced fixed cost and explored expansion plans.

Santiago SDS, Inc. continued to sharpen its focus within the physician practice management market through restructuring of marketing campaigns to offer a more-defined, yet cost-competitive, state-of-the-art product. Santiago SDS, Inc., in response to evolving market trends, continued to enhance product capability and customer appeal, yet minimize product cost increases. In the quarter ended June 30, 1997, Santiago SDS, Inc. maintained market share within this highly competitive market segment through corporate extension of new markets for its products and services. Strategies for 1997 remained on target with financial and scheduling projections.

Color Country Health Express, Inc. continued to exceed expectations and continued to explore expansion of its satellite locations within its market by maximization of existing, yet untapped, capacity without major demands for capital or staff. Anticipated seasonal downturns in revenue were measured and staffing levels adjusted to reduce controllable costs and protect profit margins.

Intercoastal Rehabilitation, Inc. achieved positive results after substantial realignment of staff and systems to position it for needed efficiencies and improved productivity. The streamlined entity, with clearer operational focus, continued to ramp up results, albeit after a longer period than planned.

#### Results of Operations

This section discusses the results of operations of the Company and its subsidiaries for the quarterly period ended June 30, 1997.

In the quarter ended June 30, 1997, revenues from the consolidated entities rose to \$1,399,517 an increase of 49% over the \$937,618 reported for the same period in 1996. The year to date revenue for 1997 of \$2,366,281 represents an increase of 50% over the revenue in the same period in 1996 of \$1,572,541. This trend continues to show strong revenue growth and it represents the sixth continued quarter of increased revenues for the Company.

Cost of revenues and operating expenses for the quarter ended June 30, 1997 were \$882,466 and \$568,368 respectively. This is an increase of 936% over the cost of revenues of \$85,165 and a slight decrease in operating expenses of \$570,161 for the same period in 1996. Year to date 1997 cost of revenues plus operating expenses exceeded total revenue by \$7,727. This decrease over the prior year is primarily due to increased expenses incurred with the restructuring of Santiago SDS, Inc.'s marketing plan, reduced sales while refocusing that marketing campaign, and miscellaneous unanticipated additional expenses related to the Florida acquisition and operational improvements.

Total assets increased to \$5,062,192. This increase from December 31, 1996 is largely attributable to the increase in receivables via increased revenue in 1997. The nature of revenues generated from the subsidiaries acquired during 1997 lends themselves to larger receivables balances. Additionally, an influx of \$1,000,000 of cash occurred near the end of the quarter. This represents a short-term note payable.

Total liabilities increased to \$5,503,202 from the December 31, 1996 balance of \$2,154,986. The escalation of liabilities was largely due to the \$1,000,000 short-term note mentioned above, debt assumed with acquisitions, and debt incurred through normal operations.

#### Liquidity and Capital Resources

As of June 30, 1997, the Company had total assets of \$5,062,192 with current assets of \$3,483,515, property and equipment \$300,222 and other assets totaling \$1,278,455. Total current liabilities at June 30, 1997 were \$4,129,129 with total long-term liabilities equaling \$1,374,073. Loans to the Company by certain of its officers, directors and shareholders totaled to \$2,744,430. Net working capital at the end of the period was (\$645,614), an decrease from the quarter ended March 31, 1997 which net working capital equaled (\$512,311).

The Company is actively engaging in acquisitions of complementary companies, development of software products, and developing greater market share for specific products and services. It is impossible to predict what impact, if any, the above will have on the operating results of the Company. The Company will attempt to enhance cash flows from operations through sales efforts and operating efficiencies and in addition, may attempt to seek financing opportunities to obtain funds in 1997 as necessary to continue the development of the Company, its programs and strategic acquisitions. However, there can be no assurance that the Company will produce additional revenue or profits from these efforts. The Company intends to continue its growth by new acquisitions, adding customers and catering to existing customers as well as aggressively marketing new products and services.

PART II - OTHER INFORMATION

ITEM 5. OTHER INFORMATION

The Company and Imagine, Inc. ("Imagine") announced on August 5, 1997, that they had formed Healthcare Innovations, a limited liability company ("HI") for the purposes of acquiring and operating healthcare businesses. Imagine is a subsidiary of Stone Investments, which in turn is a subsidiary of Stone Capital, a company with over \$3 billion in assets. The Company will own a 51% common equity interest in HI and Imagine will own a 49% common equity interest. In addition, each of the Company and Imagine will own preferred interests in HI designed to return their respective investments, plus a 10% return, over a three year period.

For its interest, the Company contributed to HI its existing healthcare businesses, consisting of two rehabilitation clinics in Jacksonville, Florida and a Utah-based nurse practitioner business. The Company will also serve as operator of HI, for which it will receive a management fee. For its interest, Imagine contributed to HI the sum of \$2,000,000, \$900,000 of which was used to repay debt assumed in connection with the purchase of the Jacksonville facilities, and the remainder of which will be used to fund capital requirements of the businesses and future acquisitions. The \$900,000 loan repayment was accomplished by a \$1,000,000 loan from Imagine, through the Company, to Oak Tree Receivables, Inc., which then repaid the loan with the cash and certain of its receivables. The remaining \$100,000 was used to repay obligations of the Jacksonville facilities incurred in the ordinary course of business. Oak Tree Receivables was contributed to HI by the Company, and the \$1,000,000 note was contributed to HI by Imagine as part of its \$2,000,000 contribution.

Also in connection with the formation of HI, Imagine loaned the Company \$500,000 for use in its Santiago operations. The loan bears interest at a rate of 10% and is due on August 1, 2000. As security for the loan, the Company pledged all of its stock of Santiago to Imagine and Robert T. Shaw, a shareholder of the Company who had previously acquired a security interest in the Santiago stock, consented to the pledge. In addition, a key part of the relationship between Imagine and the Company is a funding arrangement whereby Imagine and its affiliates will provide capital to HI through loan and equity arrangements in order for HI to purchase healthcare businesses. The terms of such arrangements are to be negotiated.

ITEM 6. EXHIBITS, FINANCIAL STATEMENT SHCEDULES AND REPORTS ON FORM 8-K

Exhibits

- 10.1 Operating Agreement dated as of August 1, 1997 for Healthcare Innovations, LLC \*
- 10.2 LLC Preorganizational Agreement dated as of August 1, 1997 among the Company, HI and Imagine \*
- 10.3 Services Agreement dated as of August 1, 1997 between HI and the Company \*
- 10.4 Promissory Note dated as of August 1, 1997 in the principal amount of \$500,000 executed by the Company as maker in favor of Imagine \*
- 10.5 Amended and Restated Pledge Agreement dated as of August 1, 1997 among the Company, Imagine and Robert T. Shaw \*

\* To be filed by amendment.

Financial Statements - See Item 1 for financial statements filed with this report.

Reports on Form 8-K - Original 8-K was filed on February 6, 1997 and an Amendment No. 1 was filed April 4, 1997.

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SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant has caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MB SOFTWARE CORPORATION

Date: June 30, 1998

/s/ Scott A. Haire

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