METROPOLITAN HEALTH NETWORKS INC
Form POS AM
July 01, 2003

As filed with the Securities and Exchange Commission on ________, 2003

Registration No. 333-102208

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

POST-EFFECTIVE AMENDMENT NO. 1 TO

FORM S-1

REGISTRATION STATEMENT

UNDER THE

SECURITIES ACT OF 1933

METROPOLITAN HEALTH NETWORKS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Florida	**8011**	**65-0635748**
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Number)	(I.R.S. Employer Identification No.)

250 Australian Avenue South, Suite 400

West Palm Beach, FL 33401

(561) 805-8500

(Address and Telephone Number of Principal Executive Offices)

Michael M. Earley, President and Chief Executive Officer

250 Australian Avenue South, Suite 400

West Palm Beach, FL 33401

(561) 805-8500

(Name, Address and Telephone Number of Agent For Service)

Copies of all communications to:

Joel D. Mayersohn, Esq.

Adorno & Yoss, P.A.

350 East Las Olas Boulevard, Suite 1700

Fort Lauderdale, FL 33301

Telephone: (954) 763-1200

Facsimile No. (954) 766-7800

Approximate Date of Proposed Sale to the Public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form are to be offered on a delayed of continuous basis pursuant to rule 415 under the Securities Act of 1933, check the following box [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities <u>to be Registered</u>	**Amount to be <u>Registered</u>**	**Proposed Maximum Offering Price <u>Per Security</u>**	**Proposed Maximum Aggregate <u>Offering Price</u>**	**Amount of Registration <u>Fee</u>**
Common Stock, par value $.001 per share (1) (11)	8,691,553	$2.18	$18,947,585	$4,736.90
Common Stock, par value $.001 per share (2) (11)	2,643,445	$2.18	$5,762,710	$1,440.68
Common Stock, par value $.001 per share (3) (11)	54,167	$3.00	$162,501	$40.63
Common Stock, par value $.001 per share (3) (11)	4,167	$3.50	$14,584	$3.65
Common Stock, par value $.001 per share (3) (11)	54,166	$4.00	$216,664	$54.17
Common Stock, par value $.001 per share (3)(11)	50,000	$5.00	$250,000	$62.50

Common Stock, par value $.001 per share (3)(11)	50,000	$6.00	$300,000	$75.00
Common Stock, par value $.001 per share (4) (12)	7,074,968	$0.60	$4,244,981	$390.54
Common Stock, par value $.001 per share (5) (13)	3,674,419	$0.46	$1,690,233	$155.50
Common Stock, par value $.001 per share (6) (13)	650,000	$0.68	$442,000	$40.65
Common Stock, par value $.001 per share(7)	3,303,869	$0.19	$627,735	$58.00
Common Stock, par Value $.001 per share (8)	100,000	$0.18	$1,800	$1.00
Common Stock, par value $.001 per share (9)	300,000	$0.63	$189,000	$18.00
Common Stock, par Value $.001 per share(10)	240,625	$0.39	$93,844	$8.64
Total Registration Fee				$7,084.87 (14)

(1)

Estimated solely for purposes of calculating the registration fee pursuant to Rule 457. Based upon the average of the closing bid and asked prices for the common stock on May 22, 2001. Includes 3,000,000 shares issuable under a common stock purchase agreement. The price per each of these shares issuable under the equity line will vary based on the volume-weighted average daily price of the common stock during the drawdown periods described in the SB-2 (No. 333-61566) filed on May 27, 2001.

(2)

Shares issuable upon exercise of options and conversion of promissory notes. Estimated solely for purposes of calculating the registration fee pursuant to Rule 457. Based upon the average of the closing bid and asked prices for the common stock on May 22, 2001.

(3)

Shares issuable upon exercise of options and conversion of promissory notes. Estimated solely for purposes of calculating the registration fee pursuant to Rule 457. Based upon the exercise price of the shares of common stock underlying convertible securities which is higher than the average of the closing bid and asked prices for the common stock on May 22, 2001.

(4)

Estimated solely for purpose of calculating the registration fee pursuant to Rule 457. Based upon the average of the closing bid and asked prices for the common stock on May 3, 2002.

(5)

Estimated solely for purpose of calculating the registration fee pursuant to Rule 457. Based upon the average of the closing bid and asked prices for the common stock on May 30, 2002. All listed shares are issuable upon conversion of a convertible note.

(6)

Shares issuable upon exercise of common stock purchase warrants. Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(g). Based upon the exercise price of the shares of common stock underlying convertible securities which is higher than the average of the closing bid and asked prices for the common stock on May 30, 2002.

(7)

Shares issuable upon conversion of convertible notes. Estimated solely for purposes of calculating the registration fee pursuant to Rule 457. Based upon the average of the closing bid and asked prices for the common stock on December 20, 2002.

(8)

Estimated solely for purposes of calculating the registration fee pursuant to Rule 457. Based upon the average of the closing bid and asked prices for the common stock on January 17 , 2003.

(9)

Shares issuable upon exercise of common stock purchase warrants. Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(g). Based upon exercise price of the shares of common stock underlying convertible securities which is higher than the average of the closing bid and asked prices for the common stock on December 20, 2002.

(10)

Shares issuable upon exercise of common stock purchase warrants. Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(g). Based upon the weighted average of the exercise price of the shares of common stock underlying convertible securities which is higher than the average of the closing bid and asked prices for the common stock on January 17 , 2003.

(11)

Shares initially registered on Form SB-2 filed May 24, 2001 (No. 333-61566), and incorporated herein pursuant to Rule 429 of the Securities Act of 1933, as amended.

(12)

Shares initially registered on Form SB-2 filed March 13, 2002 (No. 333-84220), and incorporated herein pursuant to Rule 429 of the Securities Act of 1933, as amended.

(13)

Shares initially registered on Form SB-2 filed July 5, 2002 (No. 333-92046), and incorporated herein pursuant to Rule 429 of the Securities Act of 1933, as amended.

(14) $7,129.54 of which was previously paid.

We hereby amend this Registration Statement on such date or dates as may be necessary to delay its effective date until we file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting under Section 8(a), may determine.

This post-effective amendment No. 1 to Form S-1 incorporates pursuant to Rule 429 of the Securities Act of 1933, as amended, shares initially registered on this registration statement No. 333-102208, as well as shares initially registered on Registration Statements No. 333-61566, 333-84220, and 333-92046.

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Registration No. 333-102208

PROSPECTUS

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there by any sale of these securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

SUBJECT TO COMPLETION

METROPOLITAN HEALTH

NETWORKS, INC.

26,891,379 Shares of Common Stock

This prospectus covers the 26,891,379 shares of common stock of Metropolitan Health Networks, Inc. being offered for resale by certain selling security holders.

Our common stock is traded on the OTCBB under the trading symbol "MDPA". On May 29, 2003, the closing price for our common stock was $0.18.

This investment involves a high degree of risk. You should purchase shares only if you can afford a complete loss of your investment. See "Risk Factors" beginning on page 3.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

You should rely only on the information contained in this document or that we have referred you to. We have not authorized anyone to provide you with information that is different. This prospectus does not constitute an offer of any securities other than those to which it relates or an offer to sell, or a solicitation of any offer to buy, to any person in any jurisdiction where such an offer or solicitation would be unlawful. Neither the delivery of this prospectus nor any sale made hereunder shall, under any circumstances, create an implication that the information set forth herein is correct as of any time subsequent to the date hereof.

__________, 2003

PROSPECTUS SUMMARY

This summary contains what we believe is the most important information about us and the offering. You should read the entire document for a complete understanding of our business and the transactions in which we are involved. The purchase of the securities offered by this prospectus involves a high degree of risk. Risk factors include the lack of revenues and history of loss, and the need for additional capital. See the "Risk Factors" section of this prospectus for additional risk factors.

The Company

Business Description

We are an integrated healthcare company whose mission is to provide medical, pharmacy and related services to patients. We operate a Provider Service Network in Florida and provide managed care pharmacy operations. Through our Provider Service Network, we manage the provision of health care services for patients through agreements with HMOs for a significant portion of the insurance premiums. We currently have pharmacy operations in Florida, New York, and Maryland.

We have agreements with HMOs to manage the financial risk for managed care organizations in South and Central Florida and are responsible for providing healthcare services to approximately 45,000 patients. We provide our services through a network of primary care physicians, specialists, hospitals and ancillary facilities. These providers have contracted to provide services to our patients agreeing to certain fee schedules and care requirements.

We have developed management expertise in the fields of:

Quality management-a review of overall patient care by physicians by reviewing referrals measured against standard industry guidelines, which provide the basis to determine that patient care meets the highest standards of medical care.

Utilization management-a daily review of the physicians care and services through statistical data created by patient visits, referrals, hospital admissions and nursing home information that enables us to monitor effective medical care. The methods used also provide disease management for the benefit of the high-risk patients.

Claims adjudication and payment to physicians and hospitals.

Under our model, the physicians maintain their independence but are aligned with a professional staff to assist in providing cost effective medicine. Each primary care physician provides direct patient services as a primary care doctor including referrals to specialists, hospital admissions and referrals to diagnostic services.

We believe our expertise allows us to provide a service and manage the risk that health insurance companies cannot provide on an efficient and economic level. Health insurance companies are typically structured as marketing entities to sell their products on a broad scale. Due to mounting pressures from the industry, managed care organizations have altered their strategy, returning to the traditional model of selling insurance and transferring the risk to a provider service network. Under such arrangements, managed care organizations receive premiums from the government Centers for Medicare and Medicaid Services (CMS) and commercial groups and pass a significant percentage of the premium on to a third party such as us, to provide covered benefits to patients, including pharmacy and other enhanced services. After all medical expenses are paid, any surplus or deficit remains with the provider service network. When managed properly, accepting this risk can create significant surpluses.

We also use the Internet to help process referral claims between network primary care physicians and specialists. This process helps reduce the paperwork in the physician's office as well as provide a more efficient method for the patient in our network. Our utilization management team communicates with the physicians on a daily basis to provide overall management of the patient.

Our executive offices are located at 450 Australian Avenue South, Suite 400, West Palm Beach, Florida 33401, and our telephone number is (561) 805-8500.

References throughout this prospectus to "we", "us" and "our" are to Metropolitan Health Networks, Inc. and its subsidiaries.

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The Offering

Selling Shareholders

This prospectus covers up to 26,891,379 shares of our common stock which may be sold by the selling stockholders identified in this prospectus.

Summary financial data

The following summary of our financial information has been derived from our audited financial statements that are included in this prospectus.

Results of Operation

	Yar Ended December 31, 2002	Year Ended December 31, 2001	Year Ended Dec. 31, 2000	6 Months Ended December 31, 1999	Year Ended June 30, 1999
Revenues	$ 152,938,762	$	$	$ 10,020,795	$ 18,501,497

		130,967,732	119,047,520		
Expenses	170,019,649	131,336,978	114,724,369	$ 16,235,281	$ 28,821,313
Net Income (Loss)	(17,080,887)	(369,241)	4,323,151	$ (6,214,486)	(10,319,816)
Net earnings (loss)					
Per Share (basic)	(0.56)	(0.02)	0.25	(0.58)	(1.44)
(diluted)	(0.56)	(0.02)	0.21	(0.58)	(1.44)

Balance Sheet Data

	As Of December 31, 2002	As of December 31, 2001	As of Dec. 31, 2000	As of Dec. 31, 1999	As of June 30, 1999
Working Capital (Deficit)	$ (8,129,027)	$ 3,125,927	$ (1,133,782)	$ (12,543,611)	(9,131,345) $
Total Assets	$ 10,158,911	$ 17,379,262	$ 11,159,834	$ 7,033,580	11,944,747 $
Total Liabilities	$ 17,027,204	$ 10,683,441	$ 10,924,619	$ 16,546,186	15,445,546 $
Shareholder's Equity	$ (6,868,293)	$ 6,695,821	$ 235,215	$ (9,512,606)	(3,500,799) $

Results of Operation Quarterly 2003 and 2002

Unaudited 3 Months Ended March 31,	Unaudited 3 Months Ended December 31,	Unaudited 3 Months Ended September 30,	Unaudited 3 Months Ended June 30, 2002	Unaudited 3 Months Ended March 31, 2002

	2003	2002	2002		
Revenues	$ 40,783,111	$ 37,329,224	$ 37,709,460	$ 39,885,362	$ 38,014,716
Expenses	$ 40,067,414	$ 50,781,181	$ 39,698,685	$ 41,976,930	$ 37,562,853
Net Income (loss)	$ 715,697	(13,451,957)	$ (1,989,225)	(2,091,568)	451,863
Net Earnings (loss)					
Per Share (basic)	0.02	(0.43)	(0.06)	(0.07)	0.02
(diluted)	0.02	(0.43)	(0.06)	(0.07)	0.01

Results of Operation Quarterly 2001-

	Unaudited 3 Months Ended December 31, 2001	Unaudited 3 Months Ended September 30, 2001	Unaudited 3 Months Ended June 30, 2001	Unaudited 3 Months Ended March 31, 2001
Revenues	$ 38,410,409	$ 32,461,825	$ 30,605,577	$ 29,489,921
Expenses	42,090,866	31,482,272	$ 29,118,210	$ 28,645,625
Net Income (Loss)	(3,680,457)	979,553	$ 1,487,367	844,296
Net earnings (loss)				
Per Share (basic)	(0.13)	0.04	0.06	0.04
(diluted)	(0.13)	0.03	0.05	0.03

Results of Operation Quarterly 2000

	Unaudited 3 Months Ended December 31, 2000	Unaudited 3 Months Ended September 30, 2000	Unaudited 3 Months Ended June 30, 2000	Unaudited 3 Months Ended March 31, 2000
Revenues	$ 32,501,874	$ 27,331,935	$ 29,337,155	$ 29,876,556
Expenses	32,567,438	23,336,505	$ 29,097,699	$ 29,722,727
Net Income (Loss)	(65,564)	3,995,430	$ 239,456	153,829
Net earnings (loss)				
Per Share (basic)	0.00	0.22	0.01	0.01
(diluted)	0.00	0.19	0.01	0.01

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RISK FACTORS

Prospective investors should carefully consider, along with other matters referred to herein, the following risk factors.

Failure to manage our growth effectively could harm our business and results of operation.

We have experienced rapid growth in our business. This growth may impair our ability to provide our services efficiently and to manage our employees adequately. Our strategy is to focus on growth within geographic parameters, identifying regions throughout Florida. We are taking steps to manage our growth and to date have not experienced any persistent difficulties in managing our growth. Future results of operations could be materially adversely affected if we are unable to manage our growth effectively.

We incurred losses for the year ended December 31, 2002.

For the year ended December 31, 2002, we incurred a loss of $17.1 million, of which $1.9 million related to discontinued operations and closed medical practices. For the year ended December 31, 2001, we had a loss of $369,000, which included $775,000 in accounts receivable write-downs related to a closed medical practice. To date our operations have generated negative cash flows.

Our operating expenses have increased and can be expected to increase in connection with our operational growth and, accordingly, our future profitability may depend on corresponding increases in revenues from operations. Future events, including unanticipated expenses, increased competition or changes in government regulation, could have an adverse affect on our operating margins and results of operations. As a result, we may experience liquidity and cash flow problems in the future, and may require additional financing. There can be no assurance that our rate of revenue growth will continue in the future, that our future operations will be profitable, or that we will be able to obtain additional financing, if and when necessary, on terms acceptable to us. To the extent we are unable to increase funds from operations, we will need to raise additional funds through equity or debt financing or other sources. The sale of additional equity or convertible debt may result in additional dilution to our stockholders. To the extent that we rely upon debt financing, we will incur the obligation to repay the funds borrowed with interest and may become subject to covenants and restrictions that further restrict operating flexibility. Failure to obtain necessary financing would have a material adverse effect on our business, financial condition and results of operations.

Our financial statements have been prepared assuming that we will continue as a going concern.

The auditors' reports on our 2002 and 2001 financial statements state that certain matters "raise substantial doubt about the company's ability to continue as a going concern." We continue to explore the possibility of raising funds through available sources, which include equity and debt markets. In the event we are unable to generate sufficient revenues to maintain operations we cannot be certain that the company will be successful at raising the additional funds needed.

We have been notified that the U.S. Attorney s Office is conducting an investigation that may focus on us.

We have been informed that the U.S. Attorneys Office in Wilmington, Delaware is conducting an investigation which may focus on us. The inquiry, which is in an early stage, does not appear to be related to our underlying healthcare or pharmacy business practices. We intend to cooperate with the U.S. Attorneys Office in this investigation. It is impossible to determine at this point what, if any, impact the investigation may have on us and our operations.

Our quarterly results will likely fluctuate, which could cause the value of our common stock to decline.

We are subject to quarterly variations in our medical expenses due to fluctuations in patient utilization. We have significant fixed operating costs and, as a result, are highly dependent on patient utilization to sustain profitability. Our results of operations for any quarter are not necessarily indicative of results of operations for any future period or full year. We experience increased patient population and greater use of medical services in the winter months. As a result, our results of operations may fluctuate significantly from period to period. In addition, there recently has been significant volatility in the market price of securities of health care companies that in many cases we believe has been unrelated to the operating performance of these companies. We believe that certain factors, such as legislative and regulatory developments, quarterly fluctuations in our actual or anticipated results of operations, lower revenues or earnings than those anticipated by securities analysts, and general economic and financial market conditions, could cause the price of our common stock to fluctuate substantially.

The loss of certain agreements and the capitated nature of our revenues could materially effect our operations.

The majority of our revenues come from agreements with managed care organizations that provide for the receipt of capitated fees. The principal organization that we contract with is Humana. We have one-year renewable agreements with Humana to provide healthcare services to members in certain healthcare networks established or managed by Humana. For the twelve months ended December 31, 2002, approximately 90% of our revenue was obtained from these agreements. The Humana agreements may be terminated in the event we participate in activities Humana reasonably believes may adversely affect the health or welfare of any member or other material breach. Failure to maintain these agreements, or successfully develop additional sources of revenue could adversely affect our financial condition. A decline in enrollees in HMOs could also have a material adverse effect on our profitability.

Under the HMO agreements we, through our affiliated providers, generally are responsible for the provision of all covered hospital benefits, as well as outpatient benefits, regardless of whether the affiliated providers directly provide the healthcare services associated with the covered benefits. To the extent that enrollees require more care than is anticipated, aggregate capitation rates may be insufficient to cover the costs associated with the treatment of enrollees. If revenue is insufficient to cover costs, our operating results could be adversely affected. As a result, our success will depend in large part on the effective management of health care costs. Pricing pressures may have a material adverse effect on our operating results. Changes in health care practices, inflation, new technologies, and numerous other factors affecting the delivery and cost of health care are beyond our control and may adversely affect our operating results.

Exposure to professional liability and the high cost of liability insurance could adversely effect our financial operation.

In recent years, physicians, hospitals and other providers in the health care industry have become subject to an increasing number of lawsuits alleging medical malpractice and related legal theories. Many of these lawsuits involve large claims and substantial defense costs. We maintain professional liability insurance coverage, on a claims basis, in an amount of $250,000 per claim and $750,000 in the aggregate for each physician. Those amounts may not be adequate to protect our assets.

In addition, the cost of this insurance has risen greatly and we are experiencing significant increases in premiums. Continued increases could have a material adverse effect on our profitability.

Our industry is already very competitive; increased competition could adversely affect our revenues.

The health care industry is highly competitive and subject to continual changes in the method in which services are provided and the manner in which health care providers are selected and compensated. Companies in other health care industry segments, some of which have financial and other resources greater than we do, may become competitors in providing similar services. Our principal competitors include Continucare, Florida Health Choice and Primary Care Specialists. Our strength in comparison with our competitors is our knowledge, understanding and experience in managed care risks, particularly with Medicare. We may not be able to continue to compete effectively in this industry. Additional competitors may enter our markets and this competition may have an adverse effect on our revenues.

We are dependent upon our key management personnel for our future success.

Our success depends to a significant extent on the continued contributions of our key management. We have no insurance policies for our executive officers. The loss of these key personnel could have a material adverse effect on our financial condition, results of operations and plans for future development. While we have employment contracts with certain key members of management, we compete with other companies for executive talent and there can be no assurance that highly qualified executives would be readily available.

The health care industry is highly regulated and our failure to comply with laws or regulations, or a determination that in the past we have failed to comply with laws or regulations, could have an adverse effect on our financial condition and results of operations.

The health care services that we and our affiliated professionals provide are subject to extensive federal, state and local laws and regulations governing various matters such as the licensing and certification of our facilities and personnel, the conduct of our operations, our billing and coding policies and practices, our policies and practices with regard to patient privacy and confidentiality, and prohibitions on payments for the referral of business and self-referrals. If we fail to comply with these laws, or a determination is made that in the past we have failed to comply with these laws, our financial condition and results of operations could be adversely affected. Changes to health care laws or regulations may restrict our existing operations, limit the expansion of our business or impose additional compliance requirements. These changes, if effected, could have the effect of reducing our opportunities or continued growth and imposing additional compliance costs on us that may not be recoverable through price increases.

Federal anti-kickback laws and regulations prohibit certain offers, payments or receipts of remuneration in return for referring Medicaid or other government-sponsored health care program patients or patient care opportunities or purchasing, leasing, ordering, arranging for or recommending any service or item for which payment may be made by a government-sponsored health care program. In addition, federal physician self-referral legislation, known as the Stark law, prohibits Medicare or Medicaid payments for certain services furnished by a physician who has a financial relationship with various physician-owned or physician-interested entities. These laws are broadly worded and, in the case of the anti-kickback law, have been broadly interpreted by federal courts, and potentially subject many business arrangements to government investigation and prosecution, which can be costly and time consuming. Violations of these laws are punishable by monetary fines, civil and criminal penalties, exclusion from participation in government-sponsored health care programs and forfeiture of amounts collected in violation of such laws, which could have an adverse effect on our business and results of operations. Florida also has anti-kickback and self-referral laws, imposing substantial penalties for violations.

Limitations of or reduction in reimbursement amounts or rates by government-sponsored healthcare programs could adversely affect our financial condition and results of operations.

As of December 31, 2002 approximately 90% of our revenues were derived from reimbursements by various government-sponsored health care programs. These government programs, as well as private insurers, have taken and may continue to take steps to control the cost, use and delivery of health care services. The following events could result in an adverse effect on our financial condition and results of operations:

reductions in or limitations of reimbursement amounts or rates under programs,

reductions in funding of programs,

elimination of coverage for certain individuals or treatments under programs, which may be implemented as a result of increasing budgetary and cost containment pressures on the health care industry, or

new federal or state legislation reducing funding and reimbursements.

We have anti-takeover provisions which may make it difficult to replace or remove our current management.

Our Articles of Incorporation authorize the issuance of up to 10,000,000 shares of preferred stock with such rights and preferences as may be determined from time to time by the Board of Directors. Our Board of Directors may, without shareholder approval, issue preferred stock with dividends, liquidation, conversion, voting or other rights, which could adversely affect the voting power, or other rights of the holders of our common stock. The ability of our board to issue preferred stock may prevent or frustrate shareholder attempts to replace or remove current management.

Due to the substantial number of our shares that will be eligible for sale in the near future, the market price of our common stock could fall as a result of sales of a large number of shares of common stock in the market, or the price could remain lower because of the perception that such sales may occur.

These factors could also make it more difficult for us to raise funds through future offerings of our common stock. As of December 31, 2002, there were 31,376,822 shares of our common stock outstanding, all of which will be freely tradable without restriction with the exception that approximately 6,400,000 shares, which are owned by certain of our officers, directors, affiliates and third parties, and may be sold publicly at any time subject to the volume and other restrictions under Rule 144 of the Securities Act of 1933.

In addition, as of December 31, 2002, approximately 8,337,492 shares of our common stock were reserved for issuance upon the exercise of warrants and options which have been previously granted.

Our common stock has experienced in the past, and is expected to experience in the future, significant price and volume volatility, which substantially increase the risk of loss to persons owning common stock.

Because of the limited trading market for our common stock, and because of the possible price volatility, you may not be able to sell your shares of common stock when you desire to do so. The inability to sell your shares in a rapidly declining market may substantially increase your risk of loss because of such illiquidity and because the price for our common stock may suffer greater declines because of its price volatility.

FORWARD LOOKING STATEMENTS AND ASSOCIATED RISKS

Except for historical information contained herein, the matters discussed in this report are forward-looking statements made pursuant to the safe harbor provisions of the Securities Litigation Reform Act of 1995. These forward-looking statements are based largely on the Company's expectation and are subject to a number of risks and uncertainties, including but not limited to economic, competitive and other factors affecting the Company's operations, ability of the Company to obtain competent medical personnel, the cost of services provided versus payment received for capitated and full risk managed care contracts, negative effects of prospective healthcare reforms, the Company's ability to obtain medical malpractice coverage and the cost associated with malpractice, access to borrowed or equity capital on favorable terms, the fluctuation of the Company's common stock price, and other factors discussed elsewhere in this report and in other documents filed by the Company with the Securities and Exchange Commission from time to time. Many of these factors are beyond the Company's control. Actual results could differ materially from the forward-looking statements. In light of these risks and uncertainties, there can be no assurance that the forward-looking information contained in this report will, in fact, occur.

CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2003. The table should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this prospectus.

		March 31, 2003
Current maturities of long-term debt	**$**	2,113,316
Long-term debt	$	3,002,510
Deficiency in assets: Common Stock, $.001 par value, 80,000,000 shares authorized,		
31,376,822 shares issued and outstanding	$	33,249
Preferred Stock, $.001 par value, 10,000,000 shares		

authorized, 5,000 shares issued or outstanding	$	500,000
Additional paid-in capital	$	29,978,100
Accumulated deficit	$	(35,924,389)
Other	$	406,117
Total deficiency in assets	$	(5,819,157)

PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY

Our shares of common stock are traded on the OTCBB under the symbol "MDPA.OB". The following tables set forth the high and low closing bid prices for the common stock as reported by OTCBB:

Common Stock

<u>Period</u>	<u>High</u>	<u>Low</u>
January 1, 2001-March 31, 2001	1.844	0.875
April 1, 2001-June 30, 2001	3.340	1.930
July 1, 2001-September 30, 2001	2.900	1.750
October 1, 2001-December 31, 2001	2.080	1.030
January 1, 2002-March 31, 2002	1.400	0.670
April 1, 2002-June 30, 2002	0.830	0.450
July 1, 2002 September 30, 2002	0.470	0.180
October 1, 2002-December 31 , 2002	0.470	0.170

January 1, 2003	March 31, 2003	0.270	0.140

As of March 31, 2003, there were approximately 2,400 holders of our common stock. Holders of our common stock are entitled to cash dividends when, as may be declared by the board of directors. We do not intend to pay any dividends in the foreseeable future and investors should not rely on an investment in us if they require dividend income. We intend to retain earnings, if any, to finance the development and expansion of our business. Future dividend policy will be subject to the discretion of our board of directors and will be based upon future earnings, if any, our financial condition, capital requirements, general business conditions and other factors. There can be no assurance that cash dividends of any kind will ever be paid.

USE OF PROCEEDS

We will not receive any proceeds from the sale of the shares of common stock by the selling shareholders. If, and when, the Warrants are exercised by the selling shareholders, the proceeds from the exercise shall be used by us for general corporate purposes.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS

AND RESULTS OF OPERATIONS

Critical Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles requires the Company s management to make a variety of estimates and assumptions. These estimates and assumptions affect, among other things, the reported amounts of assets and liabilities, the disclosure of contingent liabilities and the reported amounts of revenues and expenses. Actual results can differ from the amounts previously estimated, which were based on the information available at the time the estimates were made.

The critical accounting policies described below are those that the Company believes are important to the portrayal of the Company s financial condition and results, and which require management to make difficult, subjective and/or complex judgments. Critical accounting policies cover accounting matters that are inherently uncertain because the future resolution of such matters is unknown. The Company believes that critical accounting policies include accounts receivable and revenue recognition, use of estimates and goodwill.

Accounts Receivable and Revenue Recognition

The Company is a party to certain managed care contracts and provides medical care to its patients through owned and non-owned medical practices. In connection with its Provider Service Network (PSN) operations, the Company is exposed to losses to the extent of its share of deficits. Accordingly, revenues under these contracts are reported as PSN revenue, and the cost of provider services under these contracts are reported as an operating expense.

The Company recognizes non-PSN revenues, net of contractual allowances, as medical services are provided or pharmaceuticals are sold. These services or goods are typically billed to patients, Medicare, Medicaid, health maintenance organizations, insurance companies and other third parties. The Company provides an allowance for uncollectible amounts and for contractual adjustments relating to the difference between standard charges and agreed upon rates paid by certain third party payers.

Use of Estimates-PSN

In HMO-PSN arrangements, accounts receivable estimates often change as a result of one or more future confirming events. With regard to revenues, expenses and resulting accounts receivable arising from agreements with the HMO, the Company estimates amounts it believes will ultimately be realizable through the use of judgments and assumptions about future decisions. Contractual terms with the HMO are sometimes complex and at times subject to different interpretation by the Company and the HMO. As a result, certain revenue, expense and accounts receivable estimates may change from amounts previously recorded in the financial statements and may require subsequent adjustments. To assist in estimating and collecting amounts due from the HMO, the Company has contracted with several outside consultants that have worked closely with the HMO or other HMOs for extended periods of time. These consultants provide numerous services including, but not limited to, HMO revenue, expense and accounts receivable analysis and monthly claims and contestation analysis. However, it is still reasonably possible that actual results may differ from the estimates.

Direct HMO medical expenses include costs incurred directly by the Company and costs paid by the HMO on the Company s behalf. These costs also include estimates of claims incurred but not reported (IBNR), estimates of retroactive adjustments to be applied by the HMO and adjustments for charges which the Company believes it is not liable (contestations). The IBNR estimates are made by the HMO utilizing actuarial methods and are continually evaluated and adjusted by management of the Company, based upon its specific claims experience and input from outside consultants. The Company bases its estimates of retroactive adjustments on agreements with the HMO to modify previous charges. Some of these adjustments have been quantified while others involve situations where the HMO has agreed the charges were processed at incorrect rates, but the amount of the correction has not yet quantified. Contestations involve charges where the Company, with the assistance of its consultants, contest certain expenses charged by the HMO. The estimate of direct medical expense includes an estimated recovery of 20% of outstanding contestations with the HMO. It is reasonably possible that estimates of such recoveries could change and the effect of the change could be material.

Accounts receivable from the HMO represents the combined effect of the Company s interpretation of the contract with the HMO and the HMO payment patterns. Collection times on these accounts typically exceed normal collection periods reflecting the need to reconcile the different interpretations and the HMO s cash management practices.

Goodwill

The Company has made several acquisitions in the past that included a significant amount of goodwill. Under generally accepted accounting principles in effect through December 31, 2001, these assets were amortized over their useful lives and tested periodically to determine if they were recoverable from future undiscounted cash flows.

Effective January 1, 2002, goodwill is accounted for under SFAS No. 142, Goodwill and Other Intangible Assets . The new rules eliminate amortization of goodwill but subject these assets to impairment tests. See New Accounting Pronouncements in Note 2 of the consolidated financial statements for a more complete discussion. Management is required to make assumptions and estimates, such as the discount factor, in determining fair value. Such estimated fair values might produce significantly different results if other reasonable assumptions and estimates were to be used.

Comparison of Quarter ended March 31, 2003 and Quarter ended March 31, 2002

Results of Operations

The Company generated revenues of $40.8 million for the quarter ended March 31, 2003 compared to $37.5 million in the prior year quarter, an increase of 8.7%. For those same periods, net income was $716,000 and $452,000, respectively, an increase of 45.0%. On a basic per share basis, income was $0.02 for both of the quarters ended March 31, 2003 and March 31, 2002. Additionally, EBITDA (earnings before interest, taxes, depreciation and amortization) increased 60.7%, from $804,000 to $1.3 million.

The Company operated in two segments in 2003 and three segments in 2002; managed care and direct medical services (PSN), pharmacy and clinical laboratory (disposed of in July 2002). The largest of these, the PSN division with 90.4% of first quarter 2003 revenues and 91.7% of first quarter 2002 revenues, reported a profit before allocated overhead of $2.3 million for the 2003 quarter, compared to a profit of $2.5 million in the 2002 quarter. Revenues for the same time periods were $36.9 million and $34.4 million, respectively. Expenses, which include direct medical costs and supplies, physician salaries and other costs relating to the operations of medical practices, were $34.5 million and $31.9 million for the quarters ended March 31, 2003 and 2002, respectively.

During 2001, in an effort to diversify its revenue base, the Company implemented its pharmacy division, MetcareRx. For the quarters ended March 31, 2003 and 2002, MetcareRx reported losses before allocation of corporate overhead of $249,000 and $367,000 respectively. For those same periods, revenues were $4.2 million compared to $3.4 million, while expenses, which include the costs of pharmaceuticals; salaries and other related expenses, were $4.5 million and $3.7 million for 2003 and 2002, respectively.

In the third quarter of 2002, the Company decided to dispose of its third segment, its clinical laboratory. Accordingly, the quarter ended March 31, 2002, includes $42,000 in losses on discontinued operations.

Revenues

Revenues for the quarter ended March 31, 2003 increased $3.2 million (8.7%) over the prior year, from $37.5 million to nearly $40.8 million. PSN revenues, the core of the Company's business, increased 7.1%, from $34.4 million to $36.9 million. Of the PSN increases, $710,000 was due to a new center opened in South Florida in October 2002, while an additional $1.1 million resulted from increased membership in two of the Company s other South Florida medical centers, as compared to the first quarter of 2002. In addition, approximately $1.6 million of incremental revenues were generated by additional funding increases resulting from changes to the Company s contract with the HMO in the Daytona market, combined with governmental funding increases of approximately 1.8%. These increases were partially offset by a decline in the number of patients in our Daytona network, amounting to approximately $361,000 in reduced funding. Additionally, as part of its successful renegotiation of its Daytona HMO contract, the Company was no longer required to be at risk for its commercial membership effective January 1, 2003, resulting in a loss of revenue of approximately $657,000 but at the same time, increasing profitability, as this line of business has been unprofitable since the Company first entered the Daytona market. Lastly, PSN revenues for the first quarter of 2003 included $241,000 of fee-for-service billings relating its Daytona oncology practice, which did not begin operations until late March 2002.

Revenues for the 2003 quarter included approximately $4.2 million from MetcareRx, including intersegment sales, compared to $3.4 million in the same period in 2002, an increase of 25.8%. Quarter one pharmacy sales to the PSN of approximately $317,000 in 2003 and $242,000 in 2002 have been eliminated in consolidation.

Expenses

Operating expenses for the quarter ended March 31, 2003 increased 7.6% over the prior year, from $36.9 million to $39.7 million. With the exception of direct medical costs, cost of sales and medical supplies, which directly correlate to increases in revenue, operating expenses for the quarter decreased 5.8% over the prior year quarter due to in part to several cost cutting measures undertaken by the Company since mid-year 2002.

Direct medical costs, the largest component of expense, represent certain costs associated with providing services of the PSN operation including direct medical payments to physician providers, hospitals and ancillaries on a capitated or fee for service basis. Direct medical costs for the 2003 quarter were $31.6 million compared to $29.5 million for 2002, an increase of 7.2%. In the latter half of 2002, Part A (hospital) and related costs increased significantly due to the loss of a hospital contract in the Company s Daytona network by the HMO. Accordingly, as compared to the prior year quarter, these costs increased $1.5 million in the first quarter of 2003, which was offset in part by $1.0 million in reductions due to no longer being at risk for commercial membership in conjunction with the Company s renegotiated HMO contract. The opening of a new medical center in October 2002 combined with increased membership in two of the Company s South Florida practices (discussed above) accounted for the balance of the increase.

Cost of sales represents the cost of the pharmaceuticals sold by MetcareRx and totaled $2.8 million for the quarter ended March 31, 2003, compared to $2.2 million in 2002. The pharmacy division had a gross profit percentage for the 2003 quarter of 33.2%, compared to 33.0% the prior year.

Salaries and benefits for the quarter decreased 2.9% over 2002, from $3.0 million to $2.9 million. Approximately $62,000 in decreases resulted from the closure of two unprofitable medical practices in 2002 while another $46,000 in savings was realized from the discontinuance of the Company s hospitalist program in the first quarter. Additionally, approximately $90,000 in net decreases resulted from staff reductions the Company implemented in the second and third quarters of 2002. Partially offsetting these decreases were increases of $54,000 and $60,000 in MetcareRx and the Company s Daytona oncology offices, respectively, resulting from the revenue growth both achieved in the first quarter.

Medical supplies were $429,000 for 2003 quarter, compared to only $22,000 in 2002, due to the implementation of the Company s oncology practice in March 2002. Medical supply costs are incurred in all the Company s medical offices, but most prominently in the Company s Daytona oncology offices, accounting for 97.2% of the 2003 expense.

Depreciation and amortization for the quarter ended March 31, 2003 totaled $189,000, a 2.6% decrease over the prior year total of $194,000.

Consulting expense for the quarter decreased approximately $139,000 (23.8%), from $582,000 in 2002 to $444,000 in 2003. These savings resulted in part from a combined $181,000 in reductions of consulting services connected with the Company s pharmacy and HMO development. Further savings of $127,000 were achieved through the discontinuance of the Company s hospitalist program in the first quarter. These reductions were partially offset by $150,000 in increases due to the development of the Company s oncology practice.

General and administrative expenses decreased 4.9% from the $1.4 million reported in the quarter ended March 31, 2002. Increases of $187,000 relating to the expansion of the Company s pharmacy operation coupled with the development of its Daytona office and expansion of its South Florida PSN base were more than offset by across the board decreases totaling $258,000. Most significant among these decreases were reductions in legal and accounting fees of ($77,000) and telephone ($43,000). In addition, the first quarter of 2002 included certain 2001 director board and committee fees, accounting for an incremental $91,000 of general and administrative expense savings in 2003.

Other income and expenses for the quarter included an increase in interest expense of $230,000 over the prior year, due to the increased amount of debt carried by the Company at March 31, 2003 as compared to the prior year.

Liquidity and Capital Resources

During the quarter ended March 31, 2003 the Company reported a profit of $716,000 with positive cash flow from operations. However, the Company has sustained negative cash flows from operations since its inception, in part as a result of the Company s diversification of its revenue base, including the pharmacy and clinical laboratory operations. Although the Company expects its cash flow from operations to continue to improve, there can be no assurance that this will occur. In the absence of continuing positive cash flows from operations or obtaining additional debt or equity financing, the Company may have difficulty meeting current and long-term obligations. The auditor s report on the Company s financial statements for the year ended December 31, 2002 states that certain matters raise substantial doubt about the Company s ability to continue as a going concern.

To address these concerns, management is taking measures to continue to reduce overhead and is reviewing its operations for further reductions as well as potential sources of increased revenue in order to accomplish its long-term goals. As discussed in Note 8 to the financial statements, the Company has agreed in principle to sell the assets and certain liabilities of its pharmacy division for a purchase price of $5.0 million and 17.5% of the new entity. The Company believes that this sale will result in both improved profitability and cash flows.

In addition, during the first quarter of 2003, the Company borrowed $500,000 on a short-term note that is due August 21, 2003. The proceeds from this transaction were used for working capital. Such offering was to an accredited investor pursuant to Section 4(2) of the Securities and Exchange Act of 1934. Also during the first quarter, the Company borrowed $1.1 million from the HMO, of which $489,000 was repaid in the quarter, with the balance payable over the remainder of the year.

In the fourth quarter of 2002 the Company incurred significant increases in Part A (hospital) and related costs due to the loss of a hospital contract in the Company s Daytona network by the HMO. In response to the increased costs, management approached the HMO seeking to renegotiate its contract. The Company successfully completed an amendment, which it believes will offset the cost increases, allowing the Daytona market to be financially viable. The amendment was effective January 1, 2003 and provides for increased funding in addition to other financial concessions on the part of the HMO. The first quarter results reflect the effects of the contract revision.

In view of these matters, realization of a major portion of the assets in the accompanying balance sheet is dependent upon continued operations of the Company, which in turn is dependent upon the Company s ability to meet its financial obligations. Management believes that actions presently being taken, as described in the preceding paragraphs, provide the opportunity for the Company to continue as a going concern.

At March 31, 2003 the Company had a recorded liability for unpaid payroll taxes of approximately $4.0 million including accrued interest and penalties of $1.3 million. The Company previously negotiated an installment plan with the Internal Revenue Service (IRS) whereby it was required to make monthly installments of $100,000 on the amount in arrears. The Company is currently negotiating with the IRS for a new installment agreement.

Comparison of Fiscal 2002 and 2001

Introduction

The Company generated revenues of $152.9 million for the year ended December 31, 2002 compared to $131.0 million in the prior year. We incurred a net loss of $17.1 million for the year ended December 31, 2002 compared to net loss of $369,000 for the year ended December 31, 2001. On a per share basis, losses were $0.56 and $0.02 for the years ended December 31, 2002 and December 31, 2001, respectively. Included in 2002 are significant adjustments to direct medical costs of approximately $6.6 million, imputed interest expense of $1.2 million, $520,000 in write-downs of accounts receivable remaining on medical practices closed in prior years and $1.4 million in losses related to the discontinued operations of the Company s clinical laboratory.

Generally accepted accounting principles (GAAP) require the Company to make certain revenue and cost estimates with regards to its contracts with the HMO. Programs with the HMO are complex and at times subject to various interpretations. These revenue and cost estimates may be settled for amounts different than previously estimated or the Company's estimate could change by amounts that could be material to the financial statements. The nature of the relationship with the HMO is, and has been such, that certain estimates made by the Company are based upon verbal agreements with, or representations from the HMO regarding retroactive adjustments to amounts previously credited or charged to Metropolitan s fund balance. These estimates are particularly likely to change as policy, and or personnel at Humana changes. In connection with a change in Humana s management during 2002, deterioration in the relationship with Humana in the fourth quarter of 2002, and other factors, during 2002 Metropolitan recorded additional medical costs of approximately $6.6 million related to amounts that were included in accounts receivable at December 31, 2001. Conversely, in 2001 upon favorable resolution of unsettled medical costs Metropolitan recorded a reduction to medical costs of approximately $1.9 million.

In the fourth quarter of 2002 the Company incurred significant increases in Part A (hospital) and related costs due to the loss of a hospital contract in the Company s Daytona network by the HMO. In response to the increased costs, management approached the HMO in the fourth quarter of 2002, seeking to renegotiate its contract. The Company successfully completed an amendment, which it believes will offset the cost increases, allowing the Daytona market to be financially viable. The amendment was effective January 1, 2003 and provides for increased funding in addition to other financial concessions on the part of the HMO. In return, the Company made certain concessions, a portion of which related to the charge to direct medical expenses discussed above.

In conjunction with a convertible debenture financing completed in May 2002, the Company incurred charges to interest of approximately $1.2 million. These charges were necessary as the holder may convert the debt at any time into company stock at a price lower than it was at the issuance of the debt.

As discussed in Note 15 to the audited financial statements, the Company operated in three segments for fiscal years 2002 and 2001; managed care and direct medical services (PSN), pharmacy and clinical laboratory. The largest of these, the PSN division with 91.6% of 2002 revenues, reported a loss before allocated overhead of $5.0 million for 2002, compared to profits of $6.1 million in 2001 and $4.5 million in 2000. Revenues for the same time periods were $140.1 million, $128.2 million and $119.0 million, respectively. Expenses, which include direct medical costs and supplies, physician salaries and other costs relating to the operations of medical practices, were $147.0 million, $119.9 million and $114.5 million for the years ended December 31, 2002, 2001 and 2000, respectively.

During 2001, in an effort to diversify its revenue base, the Company implemented its pharmacy division. For the years ended December 31, 2002 and 2001, the pharmacy division reported losses before allocation of corporate overhead of $1.8 million and $744,000 respectively. For those same periods, revenues were $12.9 million compared to $2.8 million, while expenses, which include the costs of pharmaceuticals and other related expenses, were $15.8 million and $3.8 million for 2002 and 2001, respectively.

In the third quarter of 2002, the Company decided to dispose of its third segment, its clinical laboratory. Accordingly, in the year ended December 31, 2002, the Company recognized $1.4 million in losses on discontinued operations, compared to losses of $559,000 in 2001 and $95,000 in 2000.

Revenues

Revenues for the year ended December 31, 2002 increased $22.0 million (16.8%) over the prior year, from $131.0 million to $152.9 million. PSN revenues, the core of the Company's business, increased 9.1%, from $126.9 million to $138.5 million, due primarily to funding increases from revisions to the Balanced Budget Act of approximately $7.5 million and approximately $4.0 million resulting from increased membership.

Revenues for 2002 included approximately $14.0 million from Metcare Rx, including intersegment sales, compared to $3.1 million in 2001, the year it began operations. Management believes that with the proper capitalization, MetcareRx will eventually account for a significant percentage of overall revenues of the Company as it continues to expand in its existing markets and enters new markets. Pharmacy sales to the PSN of approximately $1.2 million in 2002 and $296,000 in 2001 have been eliminated in consolidation. In addition, revenues for 2002 included $914,000 of fee-for-service billings relating its newly formed Daytona oncology practice.

Offsetting the increase discussed above, we recognized a decrease in revenue from the closure of certain medical practices in 2002 and the second half of 2001, which reported revenues of $501,000 in 2001, compared to only $113,000 in 2002.

Expenses

Operating expenses for the year ended December 31, 2002 increased 27.9%. Direct medical costs, the largest component of expense, represent certain costs associated with providing services of the PSN operation including direct medical payments to physician providers, hospitals and ancillaries on a capitated or fee for service basis. Direct medical costs for 2002 were $132.5 million compared to $114.3 million for 2001. Exclusive of the charges discussed above, the expense for 2002 would have been $123.4 million, more in line with the 9.1% increase in PSN revenue. During the year the Company s implemented several utilization initiatives, including its hospitalist, partners in quality (PIQ), and oncology programs, in an effort to improve patient care and reduce its medical costs. In the fourth quarter, the Company incurred significant increases in Part A (hospital) and related costs due to the loss of a hospital contract in the Company s Daytona network by the HMO. In response to the increased costs, management renegotiated it contract with the HMO. The Company successfully completed an amendment, which it believes will offset the cost increases, allowing the Daytona market to be financially viable. The amendment was effective January 1, 2003 and provides for increased funding in addition to other financial concessions on the part of the HMO.

Cost of sales represents the cost of the pharmaceuticals sold by MetcareRx and totaled $9.4 million for the year ended December 31, 2002, compared to $2.2 million in 2001. The pharmacy division had a gross profit percentage for 2002 of 32.8%.

Salaries and benefits for the year increased 62.9% over 2001, from $7.0 million to $11.5 million. Approximately $2.8 million of the increase was incurred by MetcareRx, the Company s pharmacy division, which began operations in the second half of 2001. PSN expansion in South Florida accounted for approximately $415,000 in increases while expansion of the services the Company provides in its Daytona market in an effort to improve patient care and control medical costs accounted for another $1.2 million of increases. Salary increases, increases in medical insurance premiums and a bolstering of staffing throughout the Company accounted for the balance of the increase, which was partially offset by $269,000 in savings achieved by the closure of two unprofitable medical practices. The Company believes it has the necessary management in place to support the revenue growth the Company anticipates in 2003.

Medical supplies were $1.9 million for 2002, compared to $80,000 in 2001, due to the implementation of the Company s oncology practice in early 2002. Medical supply costs are incurred in all the Company s medical offices, but most prominently in the Company s two Daytona oncology offices, accounting for 96.8% of the 2002 expense.

Depreciation and amortization for the year ended December 31, 2002 totaled $1.1 million, an increase of $191,000 over the prior year. The increase is due primarily to depreciation on fixed assets acquired over the past twelve months as well as the amortization record on certain financing costs incurred during the year.

Bad debt expense increased $243,000 in 2002 as compared with the prior year. The increase primarily resulted from increases in fee-for-service billings in its medical and oncology practices.

Rent and leases for the year ended December 31, 2002 totaled $1.1 million, a $207,000 increase over 2001. The aforementioned new operations accounted for a majority of the increase, with the balance resulting from annual increases in rent in our corporate and medical offices. This was offset in part by $84,000 in saving resulting for the closure of the medical practices previously mentioned.

Consulting expense increased approximately $1.6 million, from $1.1 million in 2001 to nearly $2.8 million in 2002. Of the increase, $1.3 million was incurred in the Company s Hospitalist, Oncology and Utilization/Quality Assurance/Management programs, which are designed to lower direct medical costs while improving patient care. In addition, approximately $386,000 of incremental expense was incurred in connection with investment banking and advisory services.

General and administrative expenses increased from $2.7 million in 2001 to $4.8 million in 2002, an increase of $2.1 million. The pharmacy operations accounted for $1.3 million in incremental general and administrative expenses while the costs of the Company s oncology and hospitalist programs and other PSN expansion accounted for an additional $411,000 in incremental costs. Increases also were incurred in accounting and legal fees ($245,000) and insurance ($158,000). The prior year also included approximately $313,000 in accounts payable write-offs and settlements relating to discontinued operations. These increases were partially offset by the savings of $115,000 resulting from the closure of a medical practice in the second half of 2001 and a $196,000 decrease in billing and collection fees from 2001 to 2002 resulting from the renegotiation and eventual cancellation of the Company's contract with an outside billing company in the second half of 2001.

Other income and expenses for the year ended December 31, 2002 included write downs of accounts receivable from medical practices closed in prior years of $520,000 and $1.4 million in losses on discontinued operations relating to the Company s third quarter disposal of its clinical laboratory.. Interest expense increased $1.8 million for the year, due in large part to the previously mentioned charge of $1.2 million incurred in conjunction with a Convertible Debenture financing completed in May 2002. The balance of the increase is due to the increased amount of debt carried by the Company at December 31, 2002 as compared to the prior year.

Comparison of Fiscal 2001 and 2000

Introduction

The Company had revenues of $131.0 million for the year ended December 31, 2001, compared to $119.0 million in the prior year. Operating expenses for those same periods were $129.5 million and $117.9 million, respectively. The Company had net loss of $369,000 for the year ended December 31, 2001 compared to net income of $4.3 million for the year ended December 31, 2000. Excluding nonrecurring gains and losses, net income for the year ended December 31, 2001 was $229,000, compared to $303,000 in the prior year. In 2001, nonrecurring gains and losses consisted of a write-down of accounts receivable from a closed medical practice of $775,000 and a gain on settlement of litigation of $177,000, and in 2000 consisted of gains on settlement of litigation of $4.0 million.

During 2001, in an effort to diversify its revenue base, the Company implemented its pharmacy division (MetcareRx) and continued the development of its clinical laboratory. In pursuing this expansion and diversification, the Company incurred losses related to these operations of approximately $2.7 million, including an allocation of corporate overhead.

Revenues

Revenues for the year ended December 31, 2001 increased $11.9 million (10.0%) over the prior year from $119.0 million to $131.0 million. PSN revenues, the core of the Company's business, increased 10.4%, from $114.9 million to $126.9 million, due primarily to funding increases from revisions to the Balanced Budget Act of 1997 approximating $5.0 million, revenue from newly opened medical offices in Belle Glade and Boca Raton totaling $5.4 million, and increased membership in our Daytona market.

Revenues for 2001 included approximately $3.1 million from Metcare Rx, which began operations in the Daytona market in June 2001, New York in July 2001, and Maryland in October 2001. Management believes that with the proper capitalization, MetcareRx will eventually account for a significant percentage of overall revenues of the Company as it continues to expand in its existing market and enter other markets. Pharmacy sales to the PSN of approximately $296,000 have been eliminated in consolidation.

The overall increase in revenues was partially offset by a decrease from the closure of a medical practice, which reported revenues of $1.3 million in 2000, compared to only $345,000 in 2001. Revenues also decreased approximately $970,000 in 2001 due to a reduction in one-time revenue and revenue from discontinued and other non-PSN operations from 2000 to 2001.

Expenses

Operating expenses for the year ended December 31, 2001 increased 9.9% over the prior year, in line with the 10.0% increase in revenue. Direct medical costs, the largest component of expense, represent certain costs associated with providing services of the PSN operation including direct medical payments to physician providers, hospitals and ancillaries on a capitated or fee for service basis. Overall, despite a 10.4% increase in PSN revenues, direct medical costs in 2001 increased only 4.1%, from $109.8 million to $114.3 million. This improvement is due to the Company's improved utilization efforts and initiatives including its newly implemented hospitalist program, the June start-up of its pharmacy division in the Daytona market and improved terms in its specialty contracts. The Company continued this trend in 2002 with its Oncology and Partners In Quality (PIQ) programs, which are designed to reduce costs while improving patient care.

Cost of sales for the year ended December 31, 2001 totaled $2.2 million and represents the cost of the pharmaceuticals sold by MetcareRx. The pharmacy division had a gross profit percentage for 2001 of 28.3%.

Salaries and benefits for the year increased 76.7% over 2000, from $4.0 million to $7.0 million. A number of new operations were opened in late 2000 and 2001 as the Company continued to implement its business plan. These new operations accounted for $2.4 million of the $3.3 million increase in payroll related costs. Three of these new operations (Port Orange, Ormond Beach and Everglades), totaling $1.2 million in payroll costs were opened February 2001 and operated as medical centers for our PSN operations. In July 2001, a fourth new medical center was opened in Boca Raton, incurring $172,000 in payroll costs for the year. MetcareRx accounted for $959,000 of incremental payroll costs in its Florida, New York and Maryland facilities. The Company believes it has the necessary management in place in MetcareRx to support the revenue growth the Company anticipates in 2002 and beyond. In addition, in late 2000 and early 2001, the Company recognized the need to reinforce its management team, hiring three new senior managers that represented approximately $432,000 in incremental payroll costs for 2001. Salary increases, increases in medical insurance premiums and a bolstering of staffing throughout the Company accounted for the balance of the increase, which was partially offset by an $89,000 incremental decrease resulting from the closure of a medical practice.

Depreciation and amortization for the year ended December 31, 2001 totaled $860,000, an increase of $224,000 over the prior year. Amortization of goodwill accounted for $101,000 of the increase, due to the acquisitions of medical practices. Depreciation on fixed assets acquired in 2001 accounted for the balance of the increase.

Bad debt expense decreased $335,000 in 2001 as compared with the prior year. The decrease resulted from the decline in revenues on the closed medical practice as the corresponding bad debt expense for this practice decreased $527,000 from 2000 to 2001. Additional reserves on accounts receivable from discontinued operations account for the net balance.

Rent and leases for the year ended December 31, 2001 totaled $919,000, a $269,000 (41.4%) increase over the prior year. The aforementioned new operations accounted for a majority ($230,000) of the increase, with the balance resulting from annual increases in rent in our corporate and medical offices.

Consulting expenses increased $802,000 in 2001, from $323,000 in 2000 to $1.1 million in 2001. Of the increase, $321,000 was incurred in connection with investment banking and advisory services and $111,000 was spent in the development of an HMO plan, part of its long-term goal to diversify its revenue base. An additional $86,000 was incurred in the Company's Hospitalist and Utilization/Quality Assurance/Management programs, which are designed to lower direct medical costs while improving patient care. Also, as mentioned above, during 2001 the Company implemented its pharmacy division and opened four new medical practices, which accounted for an additional $63,000 in incremental consulting expenses. Lastly, in conjunction with the cancellation of the Pharmacy Management and Preferred Provider Agreements with a pharmacy consultant, the Company entered into a one-year software agreement with the consultant, accounting for $175,000 in expense during 2001.

General and administrative expenses increased from $1.8 million in 2000 to $2.7 million in 2001, an increase of $916,000 or 51.8%. New locations accounted for approximately $1.3 million in incremental general and administrative expenses, which was partially offset by the savings of $275,000, resulting from the closure of a medical practice and a $171,000 decrease in billing and collection fees from 2000 to 2001 resulting from the renegotiation and eventual cancellation of the Company's contract with an outside billing company. In addition, legal, accounting and other related costs incurred as a result of regulatory filings accounted for $163,000 of the increase while insurance costs increased $89,000 due to an overall increase in premiums and the addition of new medical offices.

Other income and expenses for the year ended December 31, 2001 included a write down of accounts receivable from a closed medical practice of $775,000 and a gain on settlement of litigation of $177,000 as compared to gains on settlement of litigation recorded in 2000 of approximately $4.0 million. Interest and penalty expense decreased by approximately $121,000 for the year, from $768,000 to $647,000 due to the decrease in the average amount of interest-bearing debt carried by the Company in 2001 as compared to 2000.

INFLATION AND CHANGING PRICES

Dependency on Reimbursement by Third-Parties

The Medicare and Medicaid programs are subject to statutory and regulatory changes, retroactive and prospective rate adjustments, administrative rulings and funding restrictions, any of which could have the effect of limiting or reducing reimbursement levels. A substantial portion of our managed care revenues are based upon Medicare reimbursable rates. Any changes that limit or reduce Medicare reimbursement levels could have a material adverse effect on our business. Further, significant changes have or may be made in the Medicare program, which could have a material adverse effect on our business, results of operations, prospects, financial results, financial condition or cash flows. In addition, the Congress of the United States may enact unfavorable legislation, which could adversely affect operations by, among other things, decreasing Medicare reimbursement rates.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk generally represents the risk of loss that may result from the potential change in value of a financial instrument as a result of fluctuations in interest rates and market prices. We do not currently have any trading derivatives nor do we expect to have any in the future. We have established policies and internal processes related to the management of market risks which we use in the normal course of our business operations.

Interest Rate Risk

The fair market value of long-term debts subject to interest rate risk. While changes in market interest rates may affect the fair value of our fixed-rate long-term debt, we believe a change in interest rates would not have a material impact on our financial condition, future results of operations or cash flows.

Intangible Asset Risk

We have a substantial amount of intangible assets. Although at March 31, 2003 we believe our intangible assets are recoverable, changes in the economy, the business in which we operate and our own relative performance could change the assumptions used to evaluate intangible asset recoverability. We continue to monitor those assumptions and their consequent effect on the estimated recoverability of our intangible assets.

BUSINESS

Description of Business

Introduction

Metropolitan Health Networks, Inc. (the "Company" or "Metcare ") was incorporated in the State of Florida in January 1996. In 2000, the Company implemented its new strategic plan, operating as a Provider Service Network (PSN), specializing in managed care risk contracting. Through its Network, the Company provides care to over 27,000 Medicare+Choice patients, 3,000 commercial HMO patients and approximately 15,000 fee-for-service patients aligned with various health plans.

Responding to rapid increases in pharmacy spending, in June 2001 the Company formed Metcare Rx, Inc., a wholly owned subsidiary, to control costs and to reduce prescription drug expenditures that are forecasted to increase significantly in the next decade. An increasing number of health plans with low-cost co-pays for drug coverage, direct-to-consumer advertising, and newer, better therapies requiring high-cost branded products all drive up the cost of pharmacy benefits. In an effort to reduce these costs, the Company has negotiated agreements allowing the Company to directly negotiate contracts for the purchase, filling and delivery of prescriptions. Initially formed to serve Metcare s PSN patient base, Metcare Rx s business model has expanded to address the needs of other at-risk pharmacy providers and now has operations in Florida, Maryland and New York.

Proposed Sale of Pharmacy

On May 9, 2003, the Company, and Metcare Pharmacy Group, Inc. (the Pharmacy) entered into a term sheet with Healthcare Financial Corporation, LLC (Healthcare) setting forth in principal the terms upon which the parties propose the Company will sell the Pharmacy to an affiliate of Healthcare. In general, the term sheet executed by the parties provides that the Company shall receive from Healthcare: cash of approximately $3,500,000 at or prior to the closing; a promissory note of approximately $1,500,000 payable over 18 months; and a 17.5% continuing equity interest in the Pharmacy. The term sheet contains standard conditions to closing, including satisfactory completion by Healthcare of its due diligence, execution of definitive transaction documents, and receipt by the Company of a fairness opinion. The parties to the term sheet anticipate a closing of the transactions set forth in the term sheet in June 2003.

Industry

A recent study from the Center for Medicare and Medicaid Services (CMS) projects spending for healthcare in the United States will increase from $1.2 trillion in 1999 to over $2 trillion by 2006, or 15.9% of the Gross Domestic Product. Healthcare costs per person are expected to rise from $3,759 to $7,100 in 2006. Pharmacy expenditures were approximately $126 billion in 2000, over $150 billion in 2001 and are expected to double over the next decade. A number of factors are at work affecting the patient, healthcare provider and payer relationship. Managed care plans that have traditionally competed on price are beginning to increase premiums to be more in line with their costs. Medical costs traditionally increased due to inflation and the relative high cost of new medical technologies. The Balanced Budget Act of 1997 constrained healthcare spending in both Medicare and Medicaid reducing payments to hospitals, physicians and managed care organizations. In December 2000, portions of the Balanced Budget Act of 1997 were revised in response to major surpluses created by previous cuts. New minimum payment criteria were established for the Medicare+Choice program enhancing payments to Managed Care Organizations (MCO) more than $5 billion over the next several years. In addition, legislation has demonstrated support for the Medicare+Choice program with additional funding, along with bonuses for health plans that are willing to establish a presence in underserved markets. Metcare's business plan is modeled to take full advantage of the new direction of the Medicare+Choice Program with initial markets located in underserved areas.

The United States Congress and many state legislatures routinely consider proposals to reform or modify the healthcare system, including measures that would control healthcare spending, convert all or a portion of government reimbursement programs to managed care arrangements and reduce spending for Medicare, Medicaid and state health programs. These measures can affect a healthcare company's cost of doing business and contractual relationships. While the Company does not foresee nor does it know of any pending legislation, there can be no assurance that such legislation, programs or other regulatory changes will not have a material adverse effect on the Company. The profitability of the Company may also be adversely affected by cost containment decisions of third party payers and other payment factors over which the Company has no control.

Business Strategy Overview

Metcare is a healthcare company that provides turnkey services to managed care companies on a full risk basis and pharmacy management on behalf of physicians. The Company is moving rapidly to expand its revenue base through additional managed care contracts.

Metcare has developed an infrastructure of management expertise in the fields of:

*

Disease Management - a method to manage the costs and care of high-risk patients and produce better patient care.

*

Partners In Quality - a review of overall patient care measured against best medical practice patterns.

*

Utilization Management - a daily review of statistical data created by encounters, referrals, hospital admissions and nursing home information.

This expertise allows the Company to provide a service and manage the risk that health insurance companies cannot provide on an efficient and economic level. Health insurance companies are typically structured as marketing entities to sell their products on a broad scale. Due to mounting pressures from the industry, MCO's have altered their strategy, returning to the traditional model of selling insurance and transferring the risk to the PSN's. Under such arrangements, MCO's receive premiums from the CMS and commercial groups and pass a significant percentage of the premium on to a third party such as Metcare, to provide covered benefits to patients, including pharmacy and other enhanced services. After all medical expenses are paid; any surplus or deficit remains with the PSN. When managed properly, accepting this risk can create significant surpluses. Under Metcare's model, the physicians maintain their independence but are aligned with a professional staff to assist in providing cost effective health care, which in turn helps maximize profits for the Company and the physicians. Furthermore, to limit its exposure, the Company has secured reinsurance (stop-loss coverage). Metcare's PSN business model is based on educating, motivating and assembling physicians in groups that are prepared to assume managed care risk. The Company envisions expanding its network of physicians to provide its members healthcare services on an efficient and cost effective basis through strategic alliances with insurance companies and other healthcare providers on a statewide basis. The Company is also considering developing an HMO division to operate in targeted Medicare markets including underserved areas.

The Company established three segments to manage the anticipated growth of the Company:

* Managed Care (PSN)
* Pharmacy (Metcare Rx)
* Clinical Laboratory (Metlabs) closed in 2002

Currently the largest, the Managed Care division, includes the operations of the PSN in South and Central Florida. The Managed Care division will continue to be the focal point of the Company. MetcareRx, Inc. is expanding in 2003. The Clinical Laboratory division was closed in the third quarter of 2002.

Managed Care

The original Full Risk Agreement was signed in 1998 with Humana Medical Plan, Inc., (HMO) an insurance company, to provide network management services. Metcare provides services to patients through a network of primary care physicians, specialists, hospitals and ancillary facilities. These providers have contracted to provide services to the Company's patients by agreeing to certain fee schedules and care requirements. The original South Florida contract was renewed in exchange for providing additional coverage in Dade, Broward and Palm Beach Counties. For providing these services, Humana pays Metcare a majority of the Medicare+Choice premiums they derive from these managed care patients.

A new Full Risk contract for Volusia and Flagler counties (Daytona Market) was implemented on January 1, 2000. This agreement was amended as of March 1, 2002 and again as of January 1, 2003.

Our current agreements with Humana are for one year and renew automatically for additional one-year terms unless terminated for cause or on 180-days prior notice. Under these agreements, we are responsible for providing all covered benefits for the patients covered under the contracted Humana plan. Under the Agreement, Humana is obligated to pay us for covered services according to an agreed upon payment schedule, based on the amount Humana receives from its payer source. If revenue is insufficient to cover costs, our operating results could be adversely affected.

Under these HMO agreements, the Company, through its affiliated providers, is responsible for the provision of all covered benefits. While responsible for all medical expenses for each covered life, Metcare has limited its exposure by obtaining reinsurance/stop-loss coverage. Additionally, Metcare has capitated high volume specialties, fixing our cost on a per-member-per-month (PMPM) basis. Low volume providers remain at a discounted fee-for-service basis. A change in healthcare legislation, inflation, major epidemics, natural disasters and other factors affecting the delivery and cost of healthcare are beyond the control of the Company and may adversely affect its operating results.

For the year ended December 31, 2002, approximately 90% of the Company's revenues were from risk contracts with Humana. In conjunction with its business strategy, the Company is pursuing opportunities to add additional payer sources while continuing to expand its existing business relationships to provide additional services through the Network.

Under Metcare's model, the physicians maintain their independence but are aligned with a professional staff to assist in providing cost effective quality medicine. Each primary care physician provides direct patient services as a primary care doctor including referrals to specialists, hospital admissions and referrals to diagnostic services and rehab. As part of its Network, the Company owns several practices that have been fully integrated into its PSN model.

Metcare enhances administrative operations of its physician practices by providing management functions, such as payer contract negotiations, credentialing assistance, financial reporting, risk management services and the operation of integrated billing and collection systems. We believe that the Company offers the physicians increased negotiating power associated with managing their practice and fewer administrative burdens, which allows the physician to focus on providing care to patients.

Metcare also assists the physicians in obtaining managed care contracts. We believe that our experience in negotiating and managing risk contracts enhances our ability to market the services of our network physicians to managed care payers and to negotiate favorable terms from such payers. Metcare's staff also performs quality assurance and utilization management by providing detailed reports under each contract on behalf of its affiliated physicians.

We also use the Internet to help process referral claims between Network primary care physicians and specialists. This process helps reduce paperwork in the physician's office as well as provide a more efficient method for the patient in our Network. Our utilization management team communicates with the physicians on a daily basis to provide overall management of the patient.

Pharmacy

The Company's current pharmacy operations serve a variety of at risk MCO's including medical groups and clinics, managed care health plans, (HMO's, PPO's etc.), HIV clinics and long-term care facilities. Metcare Rx offers all of these MCO's a one-stop solution that is customized to each client to control drug costs and provide for enhanced outcomes. The Company provides a wide array of pharmacy care including effective specialty pharmacy services, strategically located ambulatory pharmacies, convenient home delivery, meaningful drug utilization evaluations and complex pharmaceutical managed care.

The marketing plan stresses the Company's flexibility and broad range of abilities that we believe are unique. The Company can tailor its services to meet the specific needs of its clients. For example, the specialty pharmacy service can be offered on a stand-alone basis or be bundled with the Company's total pharmacy management solution to provide a one-stop, comprehensive approach to managed care pharmacy. Management has the expertise necessary to offer an extensive range of services, which differentiates their offering from the competition that typically offers more rigid, narrowly defined service with little or no risk sharing characteristics.

Pharmacy Cost Inflation

We see five key factors that will cause pharmacy costs to keep increasing in the coming years:

*

An annual expenditure increase of over 14%

*

A doubling of the rate of new drugs introduced

*

An aging population

*

Aggressive drug company marketing

*

Educated patient requests for drugs

Prescription drug expenditure growth now outpaces other categories of health care spending. In fact, prescription drug expenditures are projected to climb to over 12% of all personal health expenditures. In terms of dollar volume, the last five years have shown double-digit growth with cost increases of over 14% in 1999 and 2000. Higher drug prices will likely account for only one-fifth of this growth. According to IMS Health 59% of the rise in drug costs in 2000 was due to increased use of existing products, 27% to new products and only 14% to higher prices.

New drugs are entering the market at an accelerating pace, primarily due to a robust new drug pipeline and developments in the FDA approval process. In 1998, 56 new drugs were approved for the use in the U.S. compared to an average of 23 new drugs per year in the preceding decade. Not only are more drugs entering the market, but also they are being introduced at higher prices. New drugs released after 1992 accounted for only 17% of total utilization, but accounted for over 30% of total costs.

One of the most prominent drivers of pharmacy cost is the aging population. Long-term care and other health care services for older adults represent a substantial share of total health care spending. Nursing home and home health care accounted for over 10% of personal health expenditures. In terms of the pharmaceutical market, prescription utilization for persons aged over 75 far outpaces utilization for any other group.

Another factor causing pharmacy cost inflation is increased use of preventative drugs. With the advent of managed care and closer attention to medical cost, preventative medicine has become increasingly popular as a means of cost containment. Pharmaceutical drugs are no exception, and are used as preventative measure in medicine. With increases in prescriptions written, the market should exhibit overall cost inflation.

Competition

The healthcare industry is highly competitive and is subject to continuing changes in the provision of services and the selection and compensation of providers. The Company competes with national, regional and local companies in providing its services. Excluding individual physicians and small medical groups, many of the Company's competitors are larger and better capitalized and may have greater experience in providing healthcare management services and may have longer established relationships with buyers of such services.

Employees

As of March 31, 2003, the Company had approximately 200 full-time employees. 55 were employed at the Company's executive offices. No employees of the are covered by a collective bargaining agreement or is represented by a labor union. The Company considers its employee relations to be good.

Description of Property

Our offices are located at 250 Australian Avenue South, Suite 400, West Palm Beach, Florida where we occupy 13,211 square feet at a current monthly rent of $18,200 pursuant to a lease expiring December 31, 2008.

The Company has a satellite office in Daytona Beach with 2,980 square feet and monthly rent of $2,000. The lease expires August 31, 2003.

The managed care division leases 6 offices in Florida with an aggregate monthly rental of $27,000 with expiration dates ranging from one to five years.

The pharmacy division leases three offices in Florida, three offices in New York and one office in Hanover, Maryland has an aggregate monthly rent of $8,000 with lease expirations ranging from one to five years. The pharmacy also leases approximately 4,000 square feet in West Palm Beach, FL. for a pharmacy operation and its administrative offices. The base monthly rent is approximately $4,000.

None of the Company's properties are leased from affiliates.

Legal Proceedings

The Company is a party to various claims arising in the ordinary course of business. Management believes that the outcome of these matters will not have a materially adverse effect on the financial position or the results of operations of the Company.

Submission of Matters to a Vote of Security Holders

No matter was submitted to a vote of the security holders, through the solicitation of proxies or otherwise, during the twelve months ended December 31, 2002.

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Selected Financial Data

Set forth below is our selected historical consolidated financial data for the five fiscal years ended December 31, 2002. The selected historical consolidated financial data should be read in conjunction with our consolidated financial statements and accompanying notes.

	For the Years Ended December 31,				
	2002	**2001**	**2000**	**1999***	**1998***
Net revenues	$ 152,938,762	$130,967,732	$119,047,520	$ 18,501,497	$ 14,025,264
Income (Loss) from continuing Operations	$ (15,632,859)	$ 253,807	$ 4,417,862	$ (7,841,805)	$ (4,604,190)
Income (Loss) from continuing Operations per share-basic	$ (0.51)	$ 0.01	$ 0.26	$ (1.09)	$ (0.82)
Cash dividend declared	--	--	--	--	--
Financial Position					
Total assets	$ 9,278,911	$ 17,379,262	$ 11,159,834	$ 11,944,747	$ 16,345,758
Long-term obligations, including Current position	$ 5,903,370	$ 1,821,705	$ 1,664,961	$ 9,370,948	$ 6,488,674

*** The financial data for the years ended 2002, 2001 and 2000 are presented on a calendar year with the Company s year-end being December 31. The financial data for the years ended 1999 and 1998 are presented on a fiscal year with the Company s year-end being June 30.**

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

As of the date of this filing, the directors, control persons and executive officers of the Company are as follows:

Name	Age	Title
Fred Sternberg	62	Chairman
Michael M. Earley	47	President and Chief Executive Officer
Debra Finnel	41	Vice President and Chief Operating Officer
David S. Gartner, CPA	45	Secretary and Chief Financial Officer
Karl Sachs, CPA	66	Director
Martin Harrison, M.D.	50	Director
Salomon E. Melgen, M.D.	49	Director

FRED STERNBERG, Chairman of the Board - Mr. Sternberg has been Chairman of the Company since February 2000 and previously served as President and CEO of the Company from February 2000 to March 10, 2003. From 1990 to December 1999, he was President of Sternco, Inc., providing consulting services to various healthcare companies in the managed care and related industries. Between 1986 and 1990, Mr. Sternberg was involved in various investments, including real estate development and rental properties and from 1980 to 1986 he operated several plastic injection molding facilities in both the toy and healthcare industries. From 1968 to 1972, Mr. Sternberg served as President of The J. Bird Moyer Co., Inc., whose name was later changed to Moyco Technologies, Inc., a publicly-traded dental manufacturing company. Mr. Sternberg has also provided consulting services to assisted care living facilities and skilled nursing homes.

MICHAEL M. EARLEY, Mr. Earley was appointed President and Chief Executive Officer on March 10, 2003 and previously served as a Director of the Company from June 2000 to March 2001. Mr. Earley has been an advisor to public and privately owned companies, acting in a variety of management roles since 1997. He was President of Collins Associates, an institutional money management firm, and a principal and owner of Triton Group Management, Inc., which provided financial and management advisory services to a variety of clients. From 1986 to 1997, he served in a number of senior management roles including CEO and CFO of Intermark, Inc. and Triton Group Ltd.; both publicly traded diversified holding companies. Mr. Earley received undergraduate degrees in Accounting and Business Administration from the University of San Diego. From 1978 to 1983, he was an audit and tax staff member of Ernst & Whinney.

DEBRA A. FINNEL, Vice President and Chief Operating Officer has been associated with the Company since January 1999. For the five years prior to joining the Company, Ms. Finnel was President of Advanced HealthCare Consultants, Inc., which managed and owned physician practices in multiple states and provided turnaround consulting to managed care providers, MSOs, IPAs and hospitals.

DAVID S. GARTNER, CPA joined the Company in November 1999 as its Chief Financial Officer. He has 22 years experience in accounting and finance, including twelve years of specialization in the healthcare industry. Previously, Mr. Gartner served for two years as Chief Financial Officer of Medical Specialists of the Palm Beaches, Inc., a large Palm Beach County multi-practice, multi-specialty group of 40 physicians. Prior to Medical Specialists, he held the position of Chief Financial Officer at National Consulting Group, Inc., a treatment center licensed for 140 inpatient beds in New York and Florida, from 1991 to 1998. Mr. Gartner is a member of the American Institute of Certified Public Accountants.

DR. MARTIN HARRISON was appointed as a Director of the Company in November 2000. He served as an advisor to the Board for the past year. He has been practicing medicine in South Florida and specializes in preventive and occupational medicine. Dr. Harrison completed his undergraduate training at the University of Illinois and postgraduate and residency training at Johns Hopkins University, as well as his Masters in Public Health. Dr. Harrison has also been on the Faculty of both the University and Medical School. He is currently the owner of H30, Inc. a privately held Research & Biomedical Company.

Dr. SALOMON E. MELGEN was appointed as a director of the Company in September 2002. He is a Board Certified Ophthalmologist and the founding Director of Vitreo-Retinal Consultants, specializing in diseases and surgery of the vitreous and retina. He has participated in the research and co-authorship of many published medical reports. Dr. Melgen was accepted as a Fellow of Vitreoretinal Diseases at Harvard Medical School, Massachusetts Eye and Ear Infirmary, Eye Research Institute and Retina Associates in Boston, Massachusetts. He is a Director of the American Board of Eye Surgery and is a clinical scientific associate at The Schepens Eye Research Institute, Harvard Medical School. Dr. Melgen has been awarded the highest honor from the government of the Dominican Republic for his charitable work.

KARL SACHS, CPA rejoined the Board of Directors in September 2002 after previously serving as a Director of the Company from March 1999 to December 2001. He is a founding partner of the Miami-based public accounting firm of Sachs & Focaracci, P.A. A certified public accountant for more than 22 years, Mr. Sachs is a member of the American Institute of Certified Public Accountants, Personal Financial Planning and Tax Sections; Florida Institute of Certified Public Accountants; and the National Association of Certified Valuation Analysts. The firm of Sachs & Focaracci, P.A. serves the financial and tax needs of its diverse clients in addition to providing litigation support services. Mr. Sachs is a qualified litigation expert for the U.S. Federal District Court, U.S. District Court, U.S. Bankruptcy Court and Circuit Courts of Dade and Broward Counties. He is a graduate of the University of Miami where he received his BS in Business Administration.

Board of Directors

Each director is elected at the Company's annual meeting of shareholders and holds office until the next annual meeting of stockholders, or until the successors are elected and qualified. At present, the Company's bylaws provide for not less than one director. Currently, there are six directors in the Company. The bylaws permit the Board of Directors to fill any vacancy and such director may serve until the next annual meeting of shareholders or until his successor is elected and qualified. Officers are elected by the Board of Directors and their terms of office are, except to the extent governed by employment contracts, at the discretion of the Board. There are no family relations among any officers or directors of the Company. The officers of the Company devote full time to the business of the Company. In 2002, the Board of Directors held twenty meetings and voted five times by Unanimous Written Consent.

Board Committees

We had two active committees in 2002, the Audit & Finance Committee and the Executive & Compensation Committee. All actions by these committees shall be subject to the specific Directions of the Board of Directors.

The Audit Committee currently consists of Mr. Sachs and Dr. Melgen. The Audit Committee selects the independent auditors; reviews the results and scope of the audit and other services provided by our independent auditors and reviews and evaluates our internal control functions. As an advisory function of the committee, members also participates in financings, reviews budgets prior to presentation to the Board of Directors and reviews budgets vs. actual reports. The board of directors has determined that Mr. Sachs is the audit committee financial expert , as such term is defined under federal securities law, and is independent. Mr. Sachs is an expert by virtue of his extensive career in the financial and accounting business.

The Executive and Compensation Committee may exercise the power of the Board of Directors in the management of our business and affairs at any time when the Board of Directors is not in session. The Executive Committee shall, however, be subject to the specific directions of the Board of Directors. The committee also makes recommendations to the Board of Directors regarding the compensation for our executive officers and consultants. It is currently composed of Dr. Harrison, Mr. Sachs and Dr. Melgen. All actions of the Executive Committee require a unanimous vote.

Compensation of Directors

The Company reimburses all Directors for their expenses in connection with their activities as Directors of the Company. The Directors make themselves available to consult with the Company's management. Currently, two of the six Directors of the Company are also employees of the Company do not receive additional compensation for their services as Directors. A compensation and stock option agreement has been adopted for the Company's outside Directors in the amount of $18,000 per year, paid quarterly in the Company's common stock valued at the average closing price for the five last days of the quarter. The Directors have elected to receive this compensation for the present time in stock. All outside directors have received 40,000 options upon joining the Board, of which 20,000 vest immediately and the remaining 20,000 vests after one year. These options are valued at the market value of the effective date of board membership.

Executive Compensation.

The following tables present information concerning the cash compensation and stock options provided to the Company's Chief Executive Officer and each additional executive officer whose total annualized compensation exceeded $100,000 for the year ended December 31, 2002.

SUMMARY COMPENSATION TABLE
ANNUAL COMPENSATION

Name and Principal Position	Fiscal Year	Salary ($)	Other Annual Compensaton Bonus ($)	Securities Underlying Options Compensation (S)	All other SARs($)	Compensation
Fred Sternberg*	2002	309,736	0	9,600		
Chairman of the Board,	2001	224,905	0	9,600		
President, CEO	2000	150,000	0	9,600		
Debra Finnel	2002	249,849	0	18,000		
Vice President and Chief	2001	227,884	0	18,000		
Operating Officer	2000	132,000	0	--		
David S. Gartner, CPA	2002	120,000	0	6,000		
Secretary and Chief	2001	119,423	0	6,000		
Financial Officer	2000	96,557	0	6,000		

*** Fred Sternberg resigned as President & CEO and Michael Earley assumed the positions of the Company s President & CEO effective March 10, 2003.**

Options granted in the Year Ended December 31, 2002 to Executives

Number of **% of Total**

Name	Securities Underlying Options/ SARs Granted	Options/ SARs Granted to Employees in Fiscal Year	Exercise of Base Price (4/Share)	Expiration Date
NONE				

There were no options granted to executive employees for the year ended December 31, 2002, 300,000 for the year ended December 31, 2001 and 1,543,000 for the year ended December 31, 2000.

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Aggregated Fiscal Year-End Option Value Table

The following table sets forth certain information concerning unexercised stock options as of December 31, 2002. No stock appreciation rights were granted or are outstanding.

	Number Of Unexercised Options Held at 12/31/02			Value Of Unexercised In-the-Money Options at 12/31/02 (1)	
Name	Exercisable (#)	Shares Acquired On Exercise	Unexercisable (#)	Exercisable (#)	Unexercisable (#)
Fred Sternberg	1,485,000	1,485,000	200,000	-	-

Debbie Finnel	250,000	250,000	200,000	-	-

(1)

The closing sale price of the Common Stock on December 31, 2002 as reported by OTCBB was $0.17 per share. Value is calculated by multiplying (a) the difference between $0.17 and the option exercisable price by (b) the number of shares of Common Stock underlying.

Employment Agreements

FRED STERNBERG

In January 2000 the Company entered into an employment agreement, subsequently amended, with Fred Sternberg, the Company's President, Chief Executive Officer and a director. The term of the agreement is for five years from the effective date. The annual salary under the Agreement is $150,000. Effective April 1, 2001 the salary was increased to $250,000 per year. Mr. Sternberg agreed to waive the bonus provisions and is eligible to receive a discretionary bonus. Additionally, Mr. Sternberg was granted options to purchase 300,000 shares of Common Stock at $0.30 per share and options to purchase 360,000 shares of Common stock at $0.50 per share upon the signing of the Agreement. Additional longevity options were granted at the rate of 25,000 options per year of employment at a price of $1.00 per share. The Agreement also provides for an additional 700,000 options at $0.75 per share vesting on various dates over the life of the Contract.

The Agreement also provides, among other things, for (i) participation in any profit-sharing or retirement plan and in other employee benefits applicable to employees and executives of the Company; (ii) an automobile allowance of $800 per month and fringe benefits commensurate with the duties and responsibilities of Mr. Sternberg and (iii) benefits in the event of death or disability. The Agreement also contains certain non-disclosure and non-competition provisions.

Under the terms of the Agreement, the Company may terminate the employment of Mr. Sternberg either with or without cause. If the Company without good cause terminates the Agreement, the Company would be obligated to continue to pay Mr. Sternberg's salary and any current and future bonuses that would have been earned under the agreement. Mr. Sternberg would also be entitled to all stock options earned or not yet earned through the full term of the Agreement.

Mr. Sternberg resigned as President and Chief Executive Officer effective March 10, 2003.

DEBRA FINNEL

In January 2001 the Company entered into an employment agreement with Debra Finnel, Chief Operating Officer. The term of the agreement is three years and calls for an annual salary of $225,000, increasing to $250,000 on July 1, 2001. Ms. Finnel is also eligible to receive a discretionary bonus and has been granted options to purchase 300,000 shares of Common Stock at $1.00 per share with vesting over five years. The Agreement also calls for an automobile allowance of $1,500 per month and fringe benefits commensurate with Ms. Finnel's responsibilities as well as certain non-compete provisions.

Compensation Committee Interlocks and Insider Participation

During the year ended December 31, 2002, the following individuals served as members of the Company s compensation committee for the period January 1, 2002 to September 24, 2002; Michael Cahr, William Bulger and Dr. Martin Harrison. Effective September 25, 2002 the compensation committee consisted of Dr. Martin Harrison, Randolph Pohlman, Ph.D., Dr. Salomon Melgen and Karl Sachs.

With the exception of Dr. Martin Harrison (as disclosed in Item 13), none of the members of the Compensation were, or have ever been, employed by the Company or received any compensation from the Company other than in their capacity as director.

Board Compensation Committee Report on Executive Compensation

During the year ended December 31, 2002, the following individuals served as members of the Company s compensation committee for the period January 1, 2002 to September 24, 2002; Michael Cahr, William Bulger and Dr. Martin Harrison. Effective September 25, 2002 the compensation committee consisted of Dr. Martin Harrison, Randolph Pohlman, Ph.D., Dr. Salomon Melgen and Karl Sachs.

The compensation committee is responsible for the review and negotiation of all executive employment agreements, incentive bonuses and equity compensation. In 2002, the salaries of the CEO and COO were determined by contracts that were negotiated in prior fiscal years as discussed above. Incentive bonuses and equity compensation paid to executives are at the sole discretion of the board of directors and the compensation committee and, although incentive bonuses and/or equity compensation may be paid in future years, for the fiscal year ended December 31, 2002 no incentive bonuses or equity compensation was paid to executives.

Consulting Agreements

Effective February 29, 2000 Mr. Guillama resigned as President, CEO and as a Director of the Company. Mr. Guillama had entered a consulting agreement for one year. As part of his termination agreement he received 200,000 options at an average per share price of approximately $1.00, which expired thirty (30) months from February 29, 2000.

Security Ownership of Certain Beneficial Owners and Management.

The following table sets forth certain information regarding the Company's Common Stock beneficially owned at December 31, 2002 (i) by each person who is known by the Company to own beneficially 5% or more of the Company's common stock; (ii) by each of the Company's directors; and (ii) by all executive officers and directors as a group.

Amount of

Percentage

Name of Beneficial Owner

Beneficial Ownership

of Class

Martin Harrison, M.D. (1)

5,400,522

17.21%

Fred Sternberg (2)*

2,012,550

6.41

Karl Sachs

315,874

1.01

Debra Finnel (3)

300,000

0.96

David Gartner

100,000

0.32

Dr. Salomon Melgen (4)

20,000

0.06

Michael M. Earley (5)**

84,940

0.27

Directors and Executive Officers as a Group (7 persons)

8,233,886

26.24

* Resigned as President and CEO effective March 10, 2003

** Appointed President and CEO effective March 10, 2003

(1)

Includes (1) 4,460,522 shares held by Dr. Harrison, (2) 900,000 shares held by H30, Inc., a corporation which Dr. Harrison is a Director, and (3) 40,000 shares issuable upon exercise of options at a price of $0.91 until November 2, 2006. Does not include 70,000 shares issuable upon exercise of options at prices ranging from $6.938 to $7.938 per share with expirations from April 2003 until April 18, 2005.

(2)

Includes (1) 3,700 shares held by Mr. Sternberg (2) 505,850 shares held by Sternco, Inc., a corporation which Mr. Sternberg is President, (3) 18,000 shares held by Mr. Sternberg's wife, and (4) 1,485,000 shares issuable upon the exercise of options at a prices ranging from $0.30 to $2.00 which expirations from May 2004 to October 2007. Does not include 200,000 shares issuable upon the exercise of options at prices ranging from $0.75 to $1.00 that have not yet vested.

(3)

Includes (1) 50,000 shares held by Debra Finnel, (2) 150,000 shares issuable upon the exercise of options at $0.50 per share, expiring between October 2005 and October 2007 and (3) 100,000 shares issuable upon the exercise of options at a price of $1.00, expiring on 1/1/07. Does not include 200,000 shares issuable upon the exercise of options at a price of $1.00 that have not yet vested.

(4)

Includes 20,000 shares issuable upon the exercise of options at a price of $0.25 per share. Does not include 20,000 shares issuable upon the exercise of options at a price of $0.25 per share that have not yet vested.

(5)

Includes 40,000 shares issuable upon the exercise of options at a price of $0.30 per share and 25,000 shares issuable upon the exercise of options at a price of $2.00 per share.

Equity Compensation Plan

The following table details information regarding the Company s existing equity compensation plans as of December 31, 2002:

	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	4,391,217	$1.37	1,633,533
Equity compensation plans not			

approved by security holders	7,194,400	$3.63	--
Total	11,585,617		1,633,533

Certain Relationships and Related Transactions.

The Company previously had a consulting agreement with Sternco, Inc., an affiliate of Fred Sternberg that provided for commissions on any acquisition for which Sternco is or was the introducing party or materially contributed to such acquisition. The consulting agreement was terminated upon the execution of Mr. Sternberg's employment agreement.

At March 31, 2003, amounts owed to the Company by officers totaled $121,666. These amounts are expected to be repaid in 2003.

The Company, for the year ended December 31, 2002, paid Dr. Martin Harrison, a shareholder and director, $50,000 for consulting services.

All future transactions between the Company and any officer, director or 5% shareholder will be on terms no less favorable than could be obtained from independent third parties and will be approved by a majority of the independent disinterested directors of the Company.

DESCRIPTION OF SECURITIES

As of March 31, 2003, we had authorized 80,000,000 shares of par value $0.001 common stock, with 31,376,822 shares issued and outstanding. Additionally, we have authorized 10,000,000 shares of preferred stock, with 5,000 shares issued and outstanding.

Common Stock

The holders of Common Stock are entitled to one vote for each share held of record on all matters to be voted on by stockholders. There is no cumulative voting with respect to the election of directors, with the result that the holders of more than 50% of the shares voted for the election of directors can elect all of the directors. The holders of Common Stock are entitled to receive dividends when, as and if declared by the Board of Directors out of funds legally available therefore. In the event of our liquidation, dissolution or winding up, the holders of Common Stock are entitled to share ratably in all assets remaining available for distribution to them after payment of liabilities and after provision has been made for each class of stock, if any, having preference over the Common Stock. Holders of shares of Common Stock, as such, have no conversion, preemptive or other subscription rights, and there are no redemption provisions applicable to Common Stock. All of the outstanding shares of Common Stock are, and the shares of Common Stock offered hereby, will be duly authorized, validly issued, fully paid and non-assessable.

Preferred Stock

We are authorized to issue 10,000,000 shares of Preferred Stock with such designation, rights and preferences, as may be determined from time to time by the Board of Directors. Accordingly, the Board of Directors is empowered, without stockholder approval, to issue Preferred Stock with dividend, liquidation, conversion, voting or other rights that could adversely affect the voting power or other rights of the holders of the Common Stock. In the event of issuance, the Preferred Stock could be utilized, under certain circumstances, as a method of discouraging, delaying or preventing a change in control.

We have designated a Series A class of preferred stock and a Series B class of preferred stock. A summary of their material terms, rights and preferences are the following:

Series A

We have designated 10,000,000 shares of our preferred stock as Series A preferred stock, par value $.001. There are currently 5,000 Series A preferred shares issued and outstanding. Each share of Series A preferred stock has a stated value of $100 and pays dividends equal to 10% of the stated value per annum. At December 31, 2002, the aggregate and per share amounts of cumulative dividend arrearages were approximately $266,667 and $53 per share.

Each share of Series A preferred stock is convertible into shares of common stock at the option of the holder at the lesser of 85% of (1) the average closing bid price of the common stock for the ten trading days immediately preceding the conversion or (2) $6.00. We have the right to deny conversion of the Series A preferred stock, at which time the holder shall be entitled to receive additional cumulative dividends at 5% per annum in addition to the initial dividend rate of 10% per annum.

In addition, we have the right, exercisable at any time upon 10 trading days notice to the holders of the Series A preferred stock given at any time after the expiration of two years after the date of issuance to redeem all or any portion of the shares of Series A preferred stock which have not previously been converted or redeemed, at a price equal to 105% of the product of (1) the number of shares of preferred stock then held by the holder, and (2) the stated value.

In the event of any liquidation, dissolution or winding up of our company, holders of the Series A preferred stock are entitled to receive a liquidating distribution before any distribution may be made to holders of our common stock and other Series of our preferred stock.

The Series A preferred share holders have no voting rights, except as provided under Florida law.

Series B

We have designated 7,000 shares of our preferred stock as Series B preferred stock, with a stated value of $1,000 per share. During the year ended June 30, 1998, 1,200 shares of Series B preferred stock were issued, however there are currently no Series B shares outstanding. Holders of the Series B preferred stock are entitled to receive, whether declared or not, cumulative dividends equal to 5% per annum. Each share of Series B preferred stock is convertible into such number of fully paid and nonassessable shares of common stock as is determined by dividing the stated value by the conversion price. The conversion price shall be the lesser of the market price, as defined or $4.00. From September 1998 to October 1999, all of our outstanding Series B preferred shares were converted into 3,597,305 shares of our common stock at various prices. The Series B preferred shares do not contain voting rights, except as provided under Florida law.

Transfer Agent

The Transfer Agent for our shares of Common Stock is Florida Atlantic Stock Transfer, Tamarac, Florida

SELLING SECURITY HOLDERS

This prospectus relates to the registration of shares of our common stock underlying certain convertible securities held by various parties listed below. We will not receive any proceeds from the sale of the shares by the selling shareholders. The selling shareholders may resell the shares they acquire by means of this prospectus from time to time in the public market. The costs of registering the shares offered by the selling shareholders are being paid by us. The selling shareholders will pay all other costs of the sale of the shares offered by them.

From October 26, 2001, through January 22, 2002, we raised $1,129,548 through the issuance of a series of notes (the Notes) to Dedales Investment Holdings, S.A. The Notes were convertible into shares of our common stock at conversion rates ranging from $.82 per share to $1.35 per share. All of the Notes have been converted into a total of 1,241,778 shares of our common stock. Dedales has agreed not to sell the shares for a period of two years without our prior written consent.

On December 12, 2001, we reached an agreement with Mako Capital where we agreed to pay Mako Capital a fee payable in our common stock in the amount of 7% of any capital received by us as a result of an introduction by Mako Capital. We have issued Mako Capital a total of 18,000 shares of our common stock under the agreement.

On December 29, 2001 and February 18, 2002, we entered into Common Stock Purchase Agreements with Daniel Bachtle where we sold 50,000 and 150,000 shares of our common stock, respectively, at $1.00 per share.

In January 2002, we reached an agreement with Kevin Glodak where we agreed to pay Mr. Glodak a fee payable inour common stock in the amount of 10% of any capital received by us as a result of an introduction by Mr. Glodak. On February 11, 2002, we issued Mr. Glodak 30,000 shares of our common stock.

On January 30, 2002, we entered into a guaranty agreement with McKesson corporation under which we guaranteed all trade payables to McKesson Corporation from three wholly owned subsidiaries in order to induce McKesson Corporation to extend a line of credit in the aggregate amount of $1,500,000 for the purpose of purchasing products and services from McKesson Corporation. On January 30, 2002, we entered into a pledge agreement with McKesson Corporation under which we pledged 1,500,000 shares of our common stock as security for our obligations to McKesson Corporation under the guaranty agreement.

On February 11, 2002, we sold 300,000 shares of our common stock to Michael Rosenbaum at $1.00 per share.

On February 21, 2002, we raised $500,000 through the issuance of a secured promissory note to Pinnacle Investment Partners, L.P. The secured promissory note provides for interest at the rate of 2% per month and is payable in one payment of principal and interests on or before June 2002. Our obligations under the secured promissory note are secured by a pledge and security agreement, under which we pledged 700,000 shares of our restricted common stock to Pinnacle Investment Partners, L.P. Pinnacle Investment Partners, L.P. was also issued 35,000 shares of our common stock on February 18, 2002, with respect to the financing.

We reached an agreement with Rosenberg, Proutt, Funk & Greenberg, LLP, where we agreed to issue 54,470 shares of our common stock to Rosenberg, Proutt, Funk & Greenberg, LLP, in consideration for services rendered. Rosenberg, Proutt, Funk & Greenberg, LLP, has agreed to sell no more than 5,000 shares of our common stock per week.

We reached an agreement with Hornblower & Weeks, Inc. where we agreed to pay Hornblower & Weeks, Inc., a fee payable in our common stock in the event of any capital received by us as a result of an introduction by Hornbolower & Weeks, Inc. We issued Hornblower Financial Corp. 3,000 shares of our common stock and Orange West LLC 12,000 shares of our common stock, as designees of Hornblower & Weeks, Inc., under the agreement.

On March 6, 2002, we entered into a Securities Purchase Agreement with Laurus Master Fund, Ltd., where we raised $1,200,000 through the issuance to Laurus Master Fund, Ltd. of convertible notes in the principal amount of $1,200,000 and warrants to purchase 65,000 shares of common stock, exercisable for a period of 5 years from the date of issuance. The convertible notes accrue interest at the rate of 5% per year and are due and payable on the date 2 years after issuance. The convertible notes may be converted into common stock either (i) at the holder s demand upon the occurrence of an event of default, or, (ii) in the event we serve the holder of the convertible notes with a notice that the holder is permitted to convert a certain amount of the principal and interest due under the convertible notes, then, and in that event, at the holder s demand up to the amount stated in the notice. The conversion price is the lower of (i) 103% of the average of the 3 lowest closing prices for the common stock on the principal market or exchange where the common stock is listed or traded, for the thirty trading days prior to, but not including, the closing date of the Securities Purchase Agreement transaction, or (ii) 80% of the average of the three lowest closing prices for the common stock on the principal market or exchange where the common stock is listed or traded, for the 30 trading days prior to, but not including, the conversion date. The conversion price is subject to a floor of $1.00 per share, except in the case of a conversion as a result of an event of default, in which case the floor price does not apply. The conversion price is subject to standard adjustment provisions. All of our obligations to Laurus Master Fund, Ltd. As described above are secured by a security interest in certain of our accounts, as further set forth in a Security Agreement executed by us and Laurus Master Fund, Ltd. Concurrently with the execution of the Securities Purchase Agreement. We paid Laurus Capital Management, L.L.C. a fee in connection with the transaction in the amount of $120,000. The convertible notes are secured by a pledge of 1,200,000 shares of our common stock.

We reached an agreement with Ralph Alexander Consulting Services, LLC where we agreed to issue 179,720 shares of our common stock to Ralph Alexander Consulting Services, LLC in consideration for consulting services rendered. Ralph Alexander Consulting Services, LLC has agreed to sell no more than 10,000 shares of the common stock in any one week.

We reached an agreement with Atlas Pearlman, P.A. where we agreed to issue 336,000 shares of our common stock to Atlas Pearlman, P.A. in consideration for $168,000 of services rendered since December 2001.

GCA Strategic Investment Fund Limited

On May 24, 2002, we entered into a Securities Purchase Agreement with GCA Strategic Investment Fund Limited (GCA Strategic) where we raised $1,501,000 through the issuance to GCA Strategic of convertible notes in the principal amount of $1,580,000 (the Convertible Notes) and warrants to purchase 150,000 shares of common stock, exercisable for a period of 5 years from the date of issuance at an exercise price of $0.68 per share (the Warrants).

The Warrants are required to be immediately exercised in the event the volume weighted average sales price for our common stock, as reported by Bloomberg L.P., is equal to or greater than $1.50 for 60 consecutive trading days at any time following the closing date of the Securities Purchase Agreement (as defined therein, the Closing Date), provided, however, that the mandatory exercise shall be void if at that time the registration statement registering the common stock to be issued on exercise is not yet effective.

The Convertible Notes accrue interest at the rate of 6% per year, which is payable quarterly in arrears during the term, with all accrued and unpaid principal and interest due and payable on May 24, 2004, the Maturity Date.

The Convertible Notes may be converted into common stock at the option of GCA Strategic at any time from and after the date of issuance. The Convertible Notes shall be automatically converted into common stock in the event the volume weighted average sales price for the common stock, as reported by Bloomberg L.P., is equal to or greater than $1.50 for 60 consecutive trading days at any time following the Closing Date, provided, however, that this mandatory conversion shall be void if at that time the registration statement registering the common stock to be issued on conversion is not yet effective. The conversion price of the Convertible Notes is equal to the lesser of (i) 75% of the average of the volume weighted average sales price of the common stock as reported by Bloomberg L.P. for the five trading days immediately preceding, but not including, May 3, 2002, or $0.46 (the Fixed Conversion Price), and (ii) 75% of the volume weighted average sales prices as reported by Bloomberg L.P. on the trading day immediately preceding the Closing Date or $0.43 (the Formula Conversion Price).

So long as no event of default shall have occurred and is continuing, we may elect to redeem the unpaid principal amount of the Convertible Notes, in whole or in part, for cash at a redemption price equal to (x) the number of shares of common stock into which the Convertible Notes are then convertible, times (y) the average closing bid price of common stock for the five trading days as reported by Bloomberg L.P. immediately preceding the date that the Convertible Notes are called for redemption, plus accrued and unpaid interest. We shall be required to redeem the Convertible Notes at the Formula Conversion Price upon receipt of a request of the holders of more than 50% of the aggregate principal amount of the Convertible Notes, in the event of (i) a change in our control, (ii) a transfer in all or substantially all of our assets, or (ii) any merger in which the surviving entity is not a reporting company under the Securities Exchange Act of 1934 or which does not have its common stock listed on a national exchange, the OTC bulleting Board of a similar exchange (collectively a Sales Event).

Further, in the event we consummate one or more public or private financings involving the issuance of our debt or equity securities (or securities convertible into or exchangeable for debt or equity securities), at the option of GCA Strategic, we shall be required to use 25% of the net cash proceeds therefrom (unless less than $1,000,000) to redeem the Convertible Notes. Notwithstanding the foregoing, the following financings shall be permitted and shall not result in a required redemption of the Convertible Notes: (i) a conventional bank debt facility (not having equity features) which facility will not have outstanding drawn amounts greater than 30% of stockholders equity; (ii) up to $5,000,000 of the Company s securities on terms no more favorable than those set forth in the Securities Purchase Agreement, and (iii) up to $7,000,000 additional principal amount of the Convertible Notes on the terms set forth in the Securities Purchase Agreement.

The shares of common stock issuable upon conversion of the Convertible Notes and/or exercise of the Warrants (collectively the Registrable Securities) are subject to mandatory registration rights pursuant to the terms of a Registration Rights Agreement dated May 24, 2002, which requires us to prepare and file within sixty days of May 24, 2002, a registrations statement (the Registration Statement) covering the resale of the Registrable Securities, and to use our best efforts to cause the Registration Statement to be declared effective on the earlier of (i) 120 days following the Closing Date, (ii) 10 days following the receipt of a no review or similar letter from the SEC, or (iii) the first day following the day the SEC determines the registration statement eligible to be declared effective. Further, the Registrable Securities are subject to piggy back registration rights for a period of three years from the date of the Registration Rights Agreement.

The amount of shares of our common stock to be received by GCA Strategic upon conversion of the Convertible Notes and/or exercise of the Warrants shall be limited such that GCA Strategic, after any such conversion or exercise, beneficially owns no more than 4.99% of the then outstanding shares of our common stock. The foregoing restriction shall not apply (i) immediately preceding and upon the occurrence of any voluntary or mandatory redemption or repayment transaction described in the Security Purchase Agreement of the convertible notes, (ii) immediately preceding and upon the occurrence of a Sales Event, (iii) on the Maturity Date, or (iv) following the occurrence of any event of default, as set forth in the Securities Purchase Agreement, which is not cured for a period of 10 calendar days.

Global Capital Funding Group, L.P.

On May 24, 2002, we entered into a Securities Purchase Agreement with Global Capital Funding Group, L.P. (Global) where we raised $1,200,000 through the issuance to Global of promissory notes in the principal amount of $1,200,000 (the Promissory Notes) and warrants to purchase 500,000 shares of common stock, exercisable for a period of 5 years from the date of issuance at an exercise price of $0.68 per share (the Warrants).

The Warrants are required to be immediately exercised in the event the volume weighted average sales price for our common stock, as reported by Bloomberg L.P., is equal to or greater than $1.50 for 60 consecutive trading days at any time following the closing date of the Securities Purchase Agreement (as defined therein, the Closing Date), provided, however, that the mandatory exercise shall be void if at that time the registration statement registering the common stock to be issued on exercise is not yet effective.

The Promissory Notes accrue interest at the rate of 12% per year, which is payable quarterly in arrears during the term, with all accrued and unpaid principal and interest due and payable on May 24, 2004, the Maturity Date. The Promissory Notes shall rank senior to all indebtedness that we create following the date of the Promissory Notes and pari-passu in respect to any of our indebtedness outstanding as of the date of the Promissory Notes.

We may, at our option, pre-pay all amounts under the Promissory Notes at any time before the Maturity Date at a repayment price of 102% of the principal amount of the Promissory Notes, plus all accrued but unpaid interest, until the first anniversary date of issuance, and 101% of the principal amount, plus all accrued but unpaid interest from the first anniversary date until the Maturity Date.

We shall be required to redeem the Promissory Notes upon receipt of a request of the holders of more than 50% of the aggregate principal amount of the Promissory Notes, in the event of (i) a change in our control, (ii) a transfer in all or substantially all of our assets, or (iii) any merger in which the surviving entity is not a reporting company under the Securities Exchange Act of 1934 or which does not have its common stock listed on a national exchange, the OTC bulleting Board of a similar exchange (collectively a Sales Event).

Further, in the event we consummate one or more public or private financings involving the issuance of our debt or equity securities (or securities convertible into or exchangeable for debt or equity securities), at the option of Global, we shall be required to use 25% of the net cash proceeds therefrom (unless less than $1,000,000) to redeem the Promissory Notes. Notwithstanding the foregoing, the following financings shall be permitted and shall not result in a required redemption of the Promissory Notes: (i) up to $5,000,000 of the Company s securities on terms no more favorable than those set forth in the Securities Purchase Agreement, and (ii) up to $7,000,000 additional principal amount of the Promissory Notes on the terms set forth in the Securities Purchase Agreement.

The shares of common stock issuable upon exercise of the Warrants (collectively the Registrable Securities) are subject to mandatory registration rights pursuant to the terms of a Registration Rights Agreement dated May 24, 2002, which requires us to include the Registrable Securities on that Registration Statement filed with respect to the GCA Strategic financing set forth above. Further, the Registrable Securities are subject to piggy back registration rights for a period of three years from the date of the Registration Rights Agreement.

On July 31, 2002, we entered into a Securities Purchase Agreement with Laurus Master Fund, Ltd. where we raised $344,225 through the issuance to Laurus Master Fund, Ltd. of a convertible note in the principal amount of $344,225. The convertible note accrues interest at the rate of 6% per year payable in arrears commencing on August 20, 2002, and on the 20th day of each consecutive calendar month thereafter until and including July 20, 2003 (the Maturity Date). The convertible note may be converted into our common stock at the holder s option at any time until all amounts under the convertible note have been paid in full, subject to the limitation that holder may only convert the convertible note up to the point that holder beneficially owns 4.99% of our issued and outstanding common stock (subject to certain exceptions in the event of default). The conversion price shall be $0.43 per share, subject to adjustment (i) upon the occurrence of an event of default under the convertible note, (ii) in the event we issue our common stock or securities convertible into our common stock at a price less than $0.43 per share, subject to certain exceptions, and (iii) upon the occurrence certain stock splits, combinations and dividends with respect to our common stock. Our obligations to the holder of the convertible note are secured pursuant to the terms of a security agreement granting the holder a security interest in certain of our assets, as more fully described therein. We have the option of redeeming the outstanding principal amount of the convertible note by paying to the holder of the convertible note 110% of such principal amount together with accrued but unpaid interest thereon.

On July 31, 2002, we issued an Amended and Restated Convertible Note in the principal amount of $986,206 to Laurus Master Fund, Ltd. which amended and restated that certain convertible Note issued by us to Laurus Master Fund, Ltd. on March 6, 2002.The amended and restated convertible note accrues interest at the rate of 5% per year payable in arrears commencing on August 20, 2002, and on the 20th day of each consecutive calendar month thereafter until and including July 20, 2003 (the Maturity Date). The amended and restated convertible note also accrues an additional fee at the rate of 20% per year payable in the same manner as the 5% interest payments set forth above. Notwithstanding the foregoing, for every $120,000 of the principal amount (dating back to the original convertible note) that holder converts into our common stock, the annual rate of the additional fee payable shall be reduced by 1.25% and shall be deemed the rate retroactive to the date of the amended and restated convertible note, provided, however, that the additional fee shall not be reduced below 13% per annum. The convertible note may be converted into our common stock at the holder s option at any time until all amounts under the convertible note have been paid in full, subject to the limitation that holder may only convert the convertible note up to the point that holder beneficially owns 4.99% of our issued and outstanding common stock (subject to certain exceptions in the event of default). The conversion price shall be $0.43 per share, subject to adjustment (i) upon the occurrence of an event of default under the convertible note, (ii) in the event we issue our common stock or securities convertible into our common stock at a price less than $0.43 per share, subject to certain exceptions, and (iii) upon the occurrence certain stock splits, combinations and dividends with respect to our common stock. Our obligations to the holder of the convertible note are secured pursuant to the terms of a security agreement granting the holder a security interest in certain of our assets, as more fully described therein. We have the option of redeeming the outstanding principal amount of the convertible note by paying to the holder of the convertible note 110% of such principal amount together with accrued but unpaid interest thereon.

On July 31, 2002, we issued to Laurus Master Fund Ltd. a warrant to purchase 75,000 shares of our common stock exercisable at $0.63 per share, and a warrant to purchase 225,000 shares of our common stock exercisable at $0.63 per share. Both warrants are exercisable until July 31, 2007.

In December 2002, we entered into a letter agreement with Laurus Master Fund, Ltd. amending the repayment schedules under the July 31, 2002 convertible note in the principal amount of $344,225, and under the July 31, 2002 amended and restated convertible note in the principal amount of $986,206. In connection therewith we issued to Laurus Master Fund, Ltd. a warrant to purchase 40,625 shares of our common stock at $0.32 per share, exercisable for five years.

On September 25, 2002 we entered into a Financial Advisory and Consulting Agreement with National Securities, Inc. Pursuant to the terms of the Agreement National Securities, Inc. is to provide us certain consulting services relating to our public relations, our financial structure, our acquisition program, the public market for our securities, and the timing and structure of any future public offering or private placement of our securities. The term of the agreement is three years. In consideration for the services to be provided by National Securities, Inc. under the agreement, we have issued National Securities, Inc. a warrant to purchase 200,000 shares of our common stock at $0.40 per share, exercisable for a period of three years. The warrant provides for mandatory exercise in the event the closing price of our common stock is greater than or equal to $1.00 per share for 15 consecutive trading days.

In December 2002 we reached an agreement with Cameron Associates where we agreed to issue 100,000 shares of our common stock to Cameron Associates in consideration for consulting services rendered through December 2002.

We reached and agreement with Ralph Alexander Consulting Services, LLC where we agreed to issue 178,869 shares of our common stock to Ralph Alexander Consulting Services, LLC in consideration for consulting services rendered from July 2002 through November 2002.

On February 21, 2002, we raised $500,000 through the issuance of a secured promissory note (as amended May 14, 2002) to Pinnacle Investment Partners, L.P. Our obligations under the secured promissory note were secured by a pledge of 700,000 shares of our common stock. On August 5, 2002 we executed a Note Extension Agreement with Pinnacle Investment Partners, L.P. through which the maturity date of the secured promissory note was extended from October 21, 2002 until February 21, 2003. In consideration for the execution of the Note Extension Agreement, we released to Pinnacle Investment Partners, L.P. the 700,000 shares of our common stock that were being held in escrow to secure our obligations under the secured promissory note, and agreed to pay the following to Pinnacle on the maturity date: (i) $580,000 as payment in full of all principal and interest under the secured promissory note, and (ii) $25,000 as an extension fee. In order to secure our obligations under the secured promissory note as set forth in the Note Extension Agreement, we agreed to place in escrow and register for resale 1,200,000 shares of our common stock. In connection with the Note Extension Agreement transaction, we agreed to issue the following shares of our common stock to Delta Asset Management on the maturity date: (i) 160,000 shares of our common stock as a commission, and (ii) 165,000 shares of our common stock as an advisor fee.

The following table sets forth the name of the selling shareholders, the number of common shares that may be offered by the selling shareholders and the number of common shares to be owned by the selling shareholders after the offering. The table also assumes that each selling shareholder sells all common shares listed by its name.

The table below sets forth information as of March 31, 2003. The percentages indicated for the selling shareholders are based on 33,249,411 common shares issued and outstanding as of March 31, 2003. The percentage calculations for the selling shareholders do not include any common shares issuable upon the exercise of any currently outstanding warrants, options or other rights to acquire common shares, other than those that the selling shareholders beneficially own.

	Common Shares	**Common Shares**
	Offered in the Offering	**Owned After Offering**

Name of Shareholder	Number	Percentage	Number	Percentage
McKesson Corporation (11)	1,500,000	4.51%	0	0 %
Mako Capital (1)	18,000	*	0	0 %
Kevin Glodack	30,000	*	0	0 %
Dedales Investment holdings, S.A.(2)	1,241,778	3.74%	0	0 %
Michael Rosenbaum	300,000	*	0	0 %
Daniel A. Bachtle	200,000	*	0	0 %
Pinnacle Investment Partners, L.P.(3)	735,000	2.21%	0	0 %
Rosenburg, Proutt, Funk & Greenberg, LLP (4)	54,470	*	0	0 %
Hornblower Financial Corp.(5)	3,000	*	0	0 %
Orange West LLC(6)	12,000	*	0	0 %
Laurus Master Fund, Ltd.(7)	2,465,000	7.41%	0	0 %
Atlas Pearlman, P.A.(8)(9)	376,000	1.1%	40,000	*
Ralph Alexander Consulting Services, LLC(10)	179,720	*	0	0 %
CGA Strategic Investment Fund Limited(12)	3,824,419	11.5%	0	0 %
Global Capital Funding Group, L.P.(13)	500,000	1.5%	0	0 %
Haskin & Associates (14)	58,225	*	0	0 %
Compubill Systems Corporation, Inc.(15)	58,333	*	0	0 %
PCS Netcare, Inc.(16)	308,425	*	0	0 %
Warren R. Federgreen(17)	14,000	*	0	0 %
New Master Investments Limited(18)	525,000	1.57%	0	0 %
Anthony Tang(19)	746,995	2.23%	0	0 %
Dedales Investments Holdings(20)	1,102,768	3.32%	0	0 %
Barry Lewis(21)	25,000	*	0	0 %
Roland Wheeler(22)	325,000	*	0	0 %
Peter Rettman(23)	300,000	*	0	0 %
Larry and Elizabeth Hoch (JT)(24)	50,000	*	0	0 %
Jeff Shield(25)	15,000	*	0	0 %
Brian Pettersen(26)	143,000	*	0	0 %
Robert Katz(27)	10,000	*	0	0 %
Stanford and Ethel Gaffe(28)	100,000	*	0	0 %
Diane Rosencrantz(29)	100,000	*	0	0 %
National Securities Corp.(30)	200,000	*	0	0 %
Atlantic international Capital, Inc.(31)	50,000	*	0	0 %
Hornblower & Weeks, Inc.(32)	43,750	*	0	0 %
Brener International, LLC(33)	70,967	*	0	0 %
Martin Hodas(34)	105,000	*	0	0 %

Charlee Wheeler(35)	5,000	*	0	0 %
Roland Wheeler, custodian for Kelsee Wheeler(36)	5,000	*	0	0 %
Roland Wheeler, custodian for Trayce Wheeler(37)	5,000	*	0	0 %
Shand Wheeler(38)	5,000	*	0	0 %
Aimee Wheeler(39)	5,000	*	0	0 %
Crosby Enterprises, Inc.(40)	50,000	*	0	0 %
Brian Petersen, as custodian for Angela Pettersen(41)	2,000	*	0	0 %
Perilakalathil Sreekumar(42)	100,000	*	0	0 %
Taylor Stuart Financial(43)	204,258	*	0	0 %
Pecuot Navigator Offshore, Inc.(44)	250,000	*	0	0 %
Pecout Scout Fund, L.P.(44)	250,000	*	0	0 %
Active Investors II, Ltd.(45)	700,000	2.11%	0	0 %
Active Investors III, Ltd.(46)	700,000	2.11%	0	0 %
Ronald Shapss(47)	50,000	*	0	0 %
Ronald Shapss, TTCC R. Shapss(48)	100,000	*	0	0 %
Fred Shapss(49)	25,000	*	0	0 %
Clique Holdings, LLC(50)	277,778	*	0	0 %
Brian Mikes(51)	50,000	*	0	0 %
Michael Jacks(51)	50,000	*	0	0%
Gary Shamano(51)	100,000	*	0	0 %
Debra Finnel(52)	50,000	*	0	0 %
Cameron Associates(53)	50,333	*	0	0 %
Thomas Trapasso(54)	100,000	*	0	0 %
Atlas Pearlman, P.A.(55)	100,000	*	0	0 %
Copira Invesstments, Inc.(56)	470,000	1.39%	0	0 %
GKN Securities Corp.(57)	282,000	*	0	0 %
Brandon Ross(57)	78.000	*	0	0 %
David Nussbaum(57)	94,000	*	0	0 %
Lisa McInnis(57)	4,000	*	0	0 %
Barry King(57)	4,000	*	0	0 %
Jorge Taubas(57)	8,000	*	0	0 %
Talisman Group(58)	15,000	*	0	0 %
Telluride Holdings(59)	6,666	*	0	0%
Laurus Master Fund Ltd. (60)	1,9 40,625	5.84%	-0-	0 %
Ralph Alexander Consulting Services (61)	178,869	*	-0-	0 %
Pinnacle Investment Partners, L.P. (62)	1,200,000	3.61	-0-	0%
Delta Asset Management (63)	325,000	*	-0-	0 %
National Securities, Inc. (64)	200,000	*	-0-	0%
Cameron Associates, Inc. (65)	100,000	*	-0-	0%

* represents less than 1% of the issued and outstanding shares as of March 3 1 ,200 3 .

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(1)

Daniel A. Bachtle has investment and voting control over the shares of common stock held by Mako Capital.

(2)

Charles Tapp has investment and voting control over the shares of common stock held by Dedales Investment Holdings, S.A. Dedales has agreed not to sell the shares for a period of two years without our prior written consent.

(3)

Chris Janis has investment and voting control over the shares of common stock held by Pinnacle Investment Partners, L.P. 700,000 of the shares have been pledged to Pinnancle to secure our obligations under a promissory note we issued to Pinnacle on February 21, 2002.

(4)

Benjamin Rosenberg has investment and voting control over the shares of common stock held by Rosenburg, Proutt, Funk & Greenberg, LLP.

(5)

John Rooney and Eric Ellenhorn have investment and voting control over the shares of common stock held by Hornblower Financial Corp.

(6)

Joe Banle has investment and voting control over the shares of common stock held by Orange West LLC.

(7)

David Grin and Eugene Grin have investment and voting control over the shares of common stock held by Laurus Capital Management, LLC, which is the control person of the shares held by Laurus Master Fund, Ltd. 1,200,000 shares of common stock have been pledged to Laurus as security for certain convertible notes.

(8)

Charles B. Pearlman has investment and voting control over the shares of common stock held by Atlas Pearlman, P.A.

(9)

Shares issued in consideration of services rendered since December 2001.

(10)

Ralph Alexander has investment and voting control over the shares of common stock held by Ralph Alexander Consulting Services, LLC

(11)

The shares have been pledged to McKesson by us as security for our obligations to McKesson under a certain guarantee agreement.

(12)

Lewis N. Lester has investment and voting control over the shares of our common stock held by GCA Strategic Investment Fund Limited.

(13)

Lewis N. Lester has investment and voting control over the shares of our common stock held by Global Capital Funding Group, L.P.

(14)

Includes 58,225 shares of common stock underlying warrants exercisable at $.687 per share. Warrants are exercisable until June 8, 2004. Warrants were issued in June 1998 as commission for debt financing we received in which Haskings & Associates served as our placement agent.

(15)

The 58,333 shares of common stock were issued pursuant to a settlement reached in connection with a disputed billing agreement.

(16)

The 308,425 shares of common stock were received upon conversion of the balance of a promissory note in the amount of $500,000 in favor of PCS Netcare.

(17)

The 14,000 shares of common stock were issued under a settlement agreement with Dr. Warren R. Federgreen.

(18)

Includes 250,000 shares of common stock issued under a private placement dated August 31, 2000 of our common stock at $1.30 per share. Also includes 50,000 shares of common stock underlying warrants exercisable at $3.00 per share. Includes 50,000 shares of common stock underlying warrants exercisable at $4.00 per share. Includes 50,000 shares of commonstock underlying warrants exercisable at $5.00 per share. Includes 50,000 shares of common stock underlying warrants exercisable at $6.00 per share. These warrants were issued under the private placement described in this footnote. In addition, amount includes 50,000 shares of common stock we will issue upon the conversion ofa $50,000 promissory note held by New Master Investment and 25,000 shares of common stock underlying warrants exercisable at $1.50 per share which were issued to New Master Investment under the $50,000 promissory note. The promissory note was payable in full on May 22, 2001.

(19)

Includes an aggregate of 221,995 shares of common stock to be received upon conversion of $150,000 non-negotiable promissory note due June 11, 2001. Also includes 75,000 shares of common stock underlying warrants exercisable at $1.00 per share issued in connection with the $150,000 non-negotiable promissory note. Includes 50,000 shares of common stock to be received upon conversionof $50,000 non-negotiable promissory note due May 22, 2001. Also includes 25,000 shares of common stock underlying warrants exercisable at $1.50 per share issued in connection with the $50,000 non-negotiable promissory note. Includes 250,000 shares of common stock to be received upon conversion of $250,000 non-negotiable promissory note due May 13, 2001. Also includes 125,000 shares of common stock underlying warrants exercisable at $1.50 per share issued in connection with the $250,000 non-negotiable promissory note.

(20)

Represents 1,102,768 shares of common stock received for the conversion of promissory notes in the aggregate amount of $1,646,501.

(21)

Represents 25,000 shares of common stock that were purchased from Dedales Investments Holdings in a private transaction. We were not a party to this transaction.

(22)

Includes 100,000 shares of common stock that were purchased from Dedales Investments Holdings in a private transaction. We were not a party to this transaction. Includes 200,000 shares of common stock purchased at $1.00 per share under a stock purchase agreement with our company in January 2001. Includes 25,000 shares received after conversion of a promissory note.

(23)

Includes 100,000 shares of common stock that were purchased from Dedales Investments Holdings in a private transaction. We were not a party to this transaction. Also includes 200,000 shares of common stock purchased at $1.00 per share under a stock purchase agreement with our company in January 2001.

(24)

The 50,000 shares of common stock were purchased at $1.00 per share under a stock purchase agreement with our company in January 2001.

(25)

The 15,000 shares of common stock were purchased at $1.00 per share under a stock purchase agreement with our company in January 2001.

(26)

Includes 45,000 shares of common stock which were purchased at $1.00 per share under a stock purchase agreement with our company in January 2001. Also includes 98,000 shares of commons tock to be received upon conversion of $75,000 non-negotiable promissory note due March 6, 2004.

(27)

The 10,000 shares of common stock were purchased at $1.00 per share under a stock purchase agreement with our company in January 2001.

(28)

The 100,000 shares of common stock were purchased at $1.00 per share under a stock purchase agreement with our company in January 2001.

(29)

The 100,000 shares of common stock were purchased at $1.00 per share under a stock purchase agreement with our company in January 2001.

(30)

Includes 200,000 shares of common stock underlying warrants issued to National Securities Corporation in consideration of financial advisory and consulting services provided to our company. Warrants to purchase 100,000 shares of our common stock are exercisable at $1.10 per share and the remaining warrants to purchase 200,000 shares of our common stock are exercisable at $1.50. Of the warrants exercisable at $1.50, half vest on June 27, 2001 and the remaining warrants vest September 28, 2001. All warrants expire on March 27, 2004.

(31)

Includes 25,000 shares of common stock issued and 25,000 shares to be issued to Atlantic International Capital, Inc. in consideration for acting as a financial advisor. The balance of 25,000 shares will be issued based upon performance criteria.

(32)

The 43,750 shares were issued pursuant to a consulting agreement.

(33)

Includes 27,500 shares of common stock purchased at $1.20 under a stock purchase agreement with our company in March 2001. Also includes 26,800 shares of common stock to be received upon conversion of $67,000 non-negotiable promissory note due March 30, 2004 and 16,667 shares of common stock underlying warrants issued under the promissory note. The warrants are exercisable at prices ranging from $2.50 to $4.00 per share and expire March 30, 2004.

(34)

The 105,000 shares of common stock were purchased at $1.19 per share under a stock purchase agreement with our company in March 2001.

(35)

Includes 5,000 shares of common stock issued upon conversion of the non-negotiable promissory note reflected in note 22.

(36)

Includes 5,000 shares of common stock issued upon conversion of the non-negotiable promissory note reflected in note 22.

(37)

Includes 5,000 shares of common stock issued upon conversion of the non-negotiable promissory note reflected in note 22.

(38)

Includes 5,000 shares of common stock issued upon conversion of the non-negotiable promissory note reflected in note 22.

(39)

Includes 5,000 shares of common stock issued upon conversion of the non-negotiable promissory note reflected in note 22.

(40)

The 50,000 shares of common stock will be issued upon conversion of a $37,500 non-negotiable promissory note due March 6, 2004.

(41)

The 2,000 shares of common stock were issued upon conversion of the non-negotiable promissory note reflected in note 13.

(42)

The 100,000 shares of common stock were received under a settlement and mutual release agreement entered into on March 19, 2001 between Perilakalathil Sreekumar and our company.

(43)

Includes 200,000 shares of common stock underlying warrants issued under a financial advisory and consulting agreement entered into on March 1, 2001. The warrants are exercisable until March 1, 2004 and are exercisable at $1.00 per share. Also includes 4,258 shares of common stock underlying warrants issued to Taylor Stuart Financial in connection with a financing agreement. These warrants are exercisable at $1.20 per share.

(44)

Includes 250,000 shares of common stock which were purchased under a stock purchase agreement dated April 2000, for an aggregate of 500,000 shares at $1.85 per share.

(45)

The 700,000 shares of common stock were purchased at $1.80 per share under a stock purchase agreement with our company in April 2001.

(46)

The 700,000 shares of common stock were purchased at $1.80 per share under a stock purchase agreement with our company in April 2001.

(47)

The 50,000 shares of common stock were purchased at $1.60 per share under a stock purchase agreement with our company in April 2001.

(48)

The 100,000 shares of common stock were purchased at $1.60 per share under a stock purchase agreement with our company in April 2001.

(49)

The 25,000 shares of common stock were purchased at $1.60 per share under a stock purchase agreement with our company in April 2001.

(50)

The 277,778 shares of common stock were purchased at $1.80 per share under a stock purchase agreement with our company in April 2001.

(51)

Includes warrants to purchase 100,000 shares of common stock which were issued under a consulting agreement with an aggregate of warrants to purchase 200,000 shares of common stock entered into on April 11, 2001. The warrants are exercisable at $4.00 per share.

(52)

Includes 50,000 shares of common stock underlying options received and exercised.

(53)

The 50,333 shares of common stock were received as compensation for advisory services in connection with our private placement in early 2001.

(54)

Includes 100,000 shares of common stock underlying options that have been exercised.

(55)

Includes 100,000 shares of common stock underlying options received for services provided that are exercisable at $1.00 per share.

(56)

May include up to 3,000,000 shares in connection with the equity line and includes 470,000 shares issuable upon exercise of warrants at $1.88 per share of common stock.

(57)

Includes shares issuable upon exercise of warrants at $1.88 per share.

(58)

Includes 15,000 shares issuable upon exercise of warrants at $1.85 per share.

(59)

The 6,666 shares were for payment of professional services.

(60)

David Grin and Eugene Grin have investment and voting control over the shares of common stock beneficially held by Laurus Capital Management, LLC, which is the control person of Laurus Master Fund Ltd.

(61)

Ralph Alexander has investment and voting control over the shares of common stock held by Ralph Alexander Consulting Services, LLC.

(62)

Chris Janis has investment and voting control over the shares of common stock held by Pinnacle Investment Partners, L.P.

(63)

Christopher Janis has investment and voting control over the shares of common stock held by Delta Asset Management.

(64)

Peter Rettman has investment and voting control over the shares of common stock held by National Securities, Inc.

(65)

C. Rodney O Conner has investment and voting control over the shares of common stock held by Cameron Associates, Inc.

PLAN OF DISTRIBUTION

The selling security holders and any of their pledgees, assignees and successors-in- interest may, from time to time, sell any or all of their shares of common stock on any stock exchange, market or trading facility on which the shares are traded or in private transactions. These sales may be at fixed or negotiated prices. The selling security holders may use any one or more of the following methods when selling shares:

ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;

block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;

purchases by a broker-dealer as principal and resale by the broker-dealer for its account;

an exchange distribution in accordance with the rules of the applicable exchange;

privately negotiated transactions;

short sales;

broker-dealers may agree with the selling security holders to sell a specified number of such shares at a stipulated price per share;

a combination of any such methods of sale; and

any other method permitted pursuant to applicable law.

The selling security holders may also sell shares under Rule 144 under the Securities Act, if available, rather than under this prospectus. Broker-dealers engaged by the selling security holders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the selling security holders (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated. The selling security holders do not expect these commissions and discounts to exceed what is customary in the types of transactions involved.

The selling security holders may from time to time pledge or grant a security interest in some or all of the shares or common stock or warrants owned by them and, if they default in the performance of their secured obligations, the pledgees or secured parties may offer and sell the shares of common stock from time to time under this prospectus, or under an amendment to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act of 1933 amending the list of selling security holders to include the pledgee, transferee or other successors in interest as selling security holders under this prospectus.

The selling security holders also may transfer the shares of common stock in other circumstances, in which case the transferees, pledgees or other successors in interest will be the selling beneficial owners for purposes of this prospectus.

The selling security holders and any broker-dealers or agents that are involved in selling the shares may be deemed to be underwriters within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. The selling security holders have informed us that they do not have any agreement or understanding, directly or indirectly, with any person to distribute the common stock.

We are required to pay all fees and expenses incident to the registration of the shares. We have agreed to indemnify the selling security holders against certain losses, claims, damages and liabilities, including liabilities under the

Securities Act.

SHARES ELIGIBLE FOR FUTURE SALE

As of March 31, 2003, we have 33,249,411 shares of common stock issued and outstanding. This does not include shares that may be issued upon exercise of options or warrants.

We cannot predict the effect, if any, that market sales of common stock or the availability of these shares for sale will have on the market price of our shares from time to time. Nevertheless, the possibility that substantial amounts of common stock may be sold in the public market could negatively damage and affect market prices for our common stock and could damage our ability to raise capital through the sale of our equity securities.

INDEMNIFICATION OF OFFICERS AND DIRECTORS

The Florida Business Corporation Act (the "Corporation Act") permits the indemnification of directors, employees, officers and agents of Florida corporations. Our Articles of Incorporation (the "Articles") and Bylaws provide that we shall indemnify its directors and officers to the fullest extent permitted by the Corporation Act.

The provisions of the Corporation Act that authorize indemnification do not eliminate the duty of care of a director, and in appropriate circumstances equitable remedies such as injunctive or other forms of non-monetary relief will remain available under Florida law. In addition, each director will continue to be subject to liability for (a) violations of criminal laws, unless the director had reasonable cause to believe his conduct was lawful or had no reasonable cause to believe his conduct was unlawful, (b) deriving an improper personal benefit from a transaction, (c) voting for or assenting to an unlawful distribution and (d) willful misconduct or conscious disregard for our best interests in a proceeding by or in the right of a shareholder. The statute does not affect a director's responsibilities under any other law, such as the Federal securities laws.

The effect of the foregoing is to require us to indemnify our officers and directors for any claim arising against such persons in their official capacities if such person acted in good faith and in a manner that he reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to our directors, officers or persons in control pursuant to the foregoing provisions, we have been informed that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the act and is therefore unenforceable.

LEGAL MATTERS

The validity of the securities offered by this prospectus will be passed upon for us by Adorno & Yoss, P.A., 350 East Las Olas Boulevard, Suite 1700, Fort Lauderdale, FL 33301, Florida. Atlas Pearlman, P.A. owns options to purchase 100,000 shares of common stock.

EXPERTS

The consolidated balance sheets as of December 31, 2002 and 2001, and the related consolidated statements of operations, changes in stockholders' equity (accumulated deficit), and cash flows for each of the three years in the period ended December 31, 2002, are included herein in reliance on the reports of Kaufman, Rossin & Co., P.A., independent accountants, given on the authority of that firm as experts in accounting and auditing.

ADDITIONAL INFORMATION

We have filed with the SEC the registration statement on Form S-1 under the Securities Act for the common stock offered by this prospectus. This prospectus, which is a part of the registration statement, does not contain all of the information in the registration statement and the exhibits filed with it, portions of which have been omitted as permitted by SEC rules and regulations. For further information concerning us and the securities offered by this prospectus, we refer to the registration statement and to the exhibits filed with it. Statements contained in this prospectus as to the content of any contract or other document referred to are not necessarily complete. In each instance, we refer you to the copy of the contracts and/or other documents filed as exhibits to the registration statement, and these statements are qualified in their entirety by reference to the contract or document.

The registration statement, including all exhibits, may be inspected without charge at the SEC's Public Reference Room at 450 Fifth Street, N.W. Washington, D.C. 20549, and at the SEC's regional offices located at the Woolworth Building, 233 Broadway, New York, New York 10279 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of these materials may also be obtained from the SEC's Public Reference at 450 Fifth Street, N.W., Room 1024, Washington D.C. 20549, upon the payment of prescribed fees. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

The registration statement, including all exhibits and schedules and amendments, has been filed with the SEC through the Electronic Data Gathering, Analysis and Retrieval system, and are publicly available through the SEC's Web site located at http://www.sec.gov.

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METROPOLITAN HEALTH

NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

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METROPOLITAN HEALTH NETWORKS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

MARCH 31, 2003 AND DECEMBER 31, 2002

March 31, 2003

December 31, 2002

ASSETS

(Unaudited)

(Audited)

CURRENT ASSETS		
Cash and equivalents	$ 439,451	$ 399,614
Accounts receivable, net of allowances	3,766,514	3,498,945
Inventory	1,146,183	1,221,592
Other current assets	722,416	535,397
TOTAL CURRENT ASSETS	6,074,564	5,655,548

CERTIFICATES OF DEPOSIT restricted	900,000	850,000
CERTIFICATES OF DEPOSIT RECEIVABLE restricted	100,000	150,000
PROPERTY AND EQUIPMENT, net	1,286,179	1,159,981
GOODWILL, net	1,992,133	1,992,133
OTHER ASSETS	332,230	351,249
TOTAL ASSETS	$ 10,685,106	$ 10,158,911

LIABILITIES AND DEFICIENCY IN ASSETS

CURRENT LIABILITIES

Advances from HMO	$ 877,245	$ 1,666,953
Accounts payable	5,239,377	4,299,322
Accrued expenses	1,055,374	1,651,961
Current maturities of capital lease obligations	129,246	126,220
Current maturities of long-term debt	2,113,316	

2,234,521

Payroll taxes payable

4,021,670

3,805,598

TOTAL CURRENT LIABILITIES

13,436,228

13,784,575

CAPITAL LEASE OBLIGATIONS

65,525

122,416

LONG-TERM DEBT

3,002,510

3,120,213

COMMITMENTS AND CONTINGENCIES

DEFICIENCY IN ASSETS:

Preferred stock, par value $.001 per share; stated value $100 per share;

10,000,000 shares authorized; 5,000 issued and outstanding

500,000

500,000

Common stock, par value $.001 per share; 80,000,000 shares authorized;

33,249,411 and 31,376,822 issued and outstanding, respectively

33,249

31,376

Additional paid-in capital

29,978,100

29,660,886

Accumulated deficit

(35,924,389)

(36,640,086)

Securities issued for services to be rendered

(406,117)

	(420,469)	
TOTAL DEFICIENCY IN ASSETS	(5,819,157)	(6,868,293)
TOTAL LIABILITIES AND DEFICIENCY IN ASSETS	$ 10,685,106	$ 10,158,911

See accompanying notes unaudited

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METROPOLITAN HEALTH NETWORKS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2003 AND 2002

	March 31, 2003 (Unaudited)	March 31, 2002 (Unaudited)
REVENUES		

Medical services	$	36,876,548	$	34,420,822
Pharmacy sales, net of intersegment sales		3,906,563		3,114,233
		40,783,111		37,535,055
EXPENSES				
Direct medical costs		31,559,691		29,447,618
Cost of sales		2,822,845		2,249,197
Payroll, payroll taxes and benefits		2,894,220		2,980,392
Medical supplies		428,586		21,889
Depreciation and amortization		188,623		193,588
Consulting expense		443,727		582,356
General and administrative		1,361,476		1,432,231
TOTAL EXPENSES		39,699,168		36,907,271
INCOME BEFORE OTHER INCOME (EXPENSE)		1,083,943		627,784
OTHER INCOME (EXPENSE):				
Interest and penalty expense		(388,204)		(158,744)
Other income		19,958		24,626
TOTAL OTHER INCOME (EXPENSE)		(368,246)		(134,118)
INCOME FROM CONTINUING OPERATIONS		715,697		493,666
DISCONTINUED OPERATIONS:				
Loss from operations of discontinued operations		-		(41,803)
NET INCOME	$	715,697	$	451,863
Weighted average number of common shares outstanding		32,273,745		28,656,864
Income from continuing operations	$	0.02	$	0.02
Loss from discontinued operations				