LIFEN INC
Form 10KSB
March 11, 2003

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

FORM 10-KSB

[ ] Annual Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

[X] Transition Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from September 1, 2002 to December 31, 2002.

Commission File Number: 0-31152

LIFEN, INC.

(Name of Small Business Issuer in Its Charter)

Delaware	76-0585701
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

455 Market Street, Suite 1220, San Francisco, California 94105

(Address of Principal Executive Offices) (Zip Code)

(415) 543-1535

(Issuer's Telephone Number)

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act:

Title of class:	Name of each exchange on which registered:
Common Stock, $.0001 par value	None

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation B is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB [X]

Registrant had no revenues during its most current fiscal year.

Indicate the number of shares outstanding of each of issuer's classes of Common Stock, as of the latest practicable date. At February 28, 2003, 10,998,166 shares of Common Stock, $.0001 par value, were outstanding.

The aggregate market value of the voting stock held by non-affiliates of Registrant on February 28, 2003 was $29,628,343.

Transitional Small Business Disclosure Format (check one): Yes [ ] No [X]

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FORWARD LOOKING STATEMENTS

Some of the information contained in this Report may constitute forward-looking statements or statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on current expectations and projections about future events. The words "estimate", "plan", "intend", "expect", "anticipate" and similar expressions are intended to identify forward-looking statements which involve, and are subject to, known and unknown risks, uncertainties and other factors which could cause the Company's actual results, financial or operating performance, or achievements to differ from future results, financial or operating performance, or achievements expressed or implied by such forward-looking statements. Projections and assumptions contained and expressed herein were reasonably based upon information available to the Company at the time so furnished and as of the date of this filing. All such projections and assumptions are subject to significant uncertainties and contingencies, many of which are beyond the Company's control, and no assurance can be given that the projections will be realized. Potential investors are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

(A) Corporate History

The Company was incorporated under the laws of the state of Delaware on November 10, 1997. The Company continues to be a development stage company with no present commercial operations. In early 1999, the Company began development of a conceptual plan for a health and wellness related business, which has been further defined and expanded as discussed below. In 2002, the Company's business plan was extended to include the acquisition of specialized private companies in the healthcare services field that provide temporary healthcare professionals. These private companies, because of their smaller size, find it difficult to compete for limited funding, public exposure, and technology that can only be provided by critical mass.

During the period covered by this Report, the Company began implementation of its new strategic direction by opening initial discussions with several companies that meet the Company's desired acquisition criteria. Although there can be no assurances that these discussions will result in the consummation of one or more acquisitions, the Company remains confident that the strategic direction chosen remains sound. Toward this end, during the current reporting period, the Company entered into two consulting agreements regarding the identification of potential acquisitions. The Company entered into two additional consulting agreements on January 2 and January 22, 2003 for further identification of potential acquisitions. Refer to Financial Statements, Note 6, "Commitments and Contingencies."

(B) Business of Registrant

I. Overview of Acquisition of Temporary Healthcare Professional Staffing Companies

The Company's objective is to capitalize on an opportunity that currently exists in the healthcare industry by targeting the critical nursing shortage issue. There are many small companies that are addressing the rapidly expanding needs of the healthcare industry. Unfortunately, due to their relatively small capitalization, they are unable to maximize their potential, obtain outside capital or expand. By consolidating well-run small private companies into a larger public entity, the Company intends to facilitate access to capital, the acquisition of technology, and expanded distribution that, in turn, drive internal growth. There are a number of reasons why the Company has selected this focus:

- GROWTH - The $1.5 trillion healthcare industry shows no sign of slowing its growth, and the aging baby boomers will likely provide further fuel to escalating costs. The Centers for Medicare and Medicaid Services project that healthcare expenditures will grow at an annual rate of 7.1% for the next eight years.

- NEED - This significant industry-wide expansion provides an increased need for cost-efficient, quality solutions that improve the delivery capabilities of the current health care system. This need includes the availability of skilled healthcare workers for hospitals, physician offices, and assisted living centers.

- LIQUIDITY - While this environment is ideal for corporate opportunity, all of this is occurring in a very difficult market for private capital formation for small companies. Venture capital and other forms of private equity financing are difficult to attract, especially for service companies.

However, in spite of its size, the healthcare industry is predominantly served by small companies. The overwhelming majority of these companies have the following characteristics:

- Revenues ranging between $1 million and $10 million with modest profits
- Limited geographic focus
- Little, if any, utilization of technology
- Inability to invest in continuing education and other professional requirements to create employee loyalty and company differentiation
- Limited ability to attract professional management or investment capital
- Few avenues for liquidity

The Company intends to provide a platform for select companies in this environment to consolidate and create sufficient critical mass to provide access to capital and professional management, build a common technology backbone, open new markets, and reinvest in the professional staff to create a larger revenue opportunity. It will do so initially through acquisitions and then integration using technology for expense and operating synergy.

II. Temporary Healthcare Professional Staffing Division

A report published in July, 2002 by the U. S. Department of Health and Human Services indicates that by year 2020, the nation's registered nurse workforce will be 29% below projected requirements if current trends continue. This projected shortage results from a projected 40% increase in demand between 2000 and 2020 compared to a projected 6% growth in supply. Factors driving the growth in demand include an 18% increase in population, a larger proportion of elderly persons, and medical advances that increase the need for nurses. In contrast, the projected growth in supply is expected to reach a peak of only 10% by 2011 and then begin to decline as the number of nurses leaving the profession exceeds the number that enter. The factors causing the projected decline include an aging workforce, nurses leaving the profession for less stressful occupations, and decreasing number of nursing school enrollments.

Approximately 70% of the temporary healthcare staffing industry consists of nurse staffing and approximately 30% consists of related health, physician and other healthcare professionals. By 2010, this industry is projected to be a $46 billion market, a projected 20% annual growth rate.

The Company has identified opportunities to expand services in areas that are currently under-served by the temporary medical staffing industry. These areas include medical professionals for the health insurance industry, as well as specialty healthcare support workers such as tumor registrars.

The Company, which plans to operate this division under the trade name "Crdentia", believes that temporary staffing companies must consolidate in order to survive. The success of the large industry leaders is indicative of the efficiency, both in operations as well as capital formation, of this strategy. Small companies in this sector will increasingly be at a competitive disadvantage in the marketplace because technology and operating efficiency will soon be the key to survival.

Crdentia's Website

The Crdentia website is being designed to provide an overview of the business concept, the market opportunity with regard to the acquisition of temporary healthcare staffing companies, the conditions driving this special market and information regarding the nursing shortage.

The Crdentia website is currently under development, but may be viewed at www.crdentia.com.

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Competition

The temporary healthcare industry is highly competitive and the Company will compete with national, regional and local companies for acquisitions, virtually all of whom have greater financial resources and market recognition than the Company. In addition, the Company will be competing with established venture capital companies who seek to acquire similar temporary healthcare companies. Consequently, the Company will be competing with many other companies for both acquisition candidates and a share of the available market for each such acquired company and no assurance can be given that in the future the Company will be able to achieve an adequate position to achieve commercial success.

III. Wellness Division

The wellness industry is fragmented and encompasses a broad range of businesses that are focused on areas such as health, fitness, nutrition, and beauty. The industry includes medical practitioners and facilities, wellness centers, health and fitness clubs, spas, and manufacturers of traditional and alternative medical, nutritional and beauty related products.

The purpose of the Company's Wellness Division is to provide information on a subscription basis regarding professional services to improve the health, fitness, nutrition, and physical appearance of its clients through an integrated approach involving many potential therapies available. The Company intends to provide only services that do not require it to obtain medical licenses. The Company is not authorized or qualified to engage in any activity which may be construed or be deemed to constitute the practice of medicine and intends to be an independent supplier of non-medical services only.

If successful, the Company intends to expand this website to include other health problems that can be reduced by preventive measures, such as cardiac disease or arteriosclerosis.

The beginning phase of the business will include activities such as fund raising, establishing relationships with medical professionals and beauty experts, development of the website and a marketing program for wellness service provided to individual and corporate clients.

Wellness Website

The Wellness Division's website is being designed to provide consumers with a variety of healthcare content, including information on acute ailments, chronic illnesses, nutrition, fitness, and wellness, and access to medical databases, publications, and real-time medical news. In addition, the Company intends to offer various interactive communities consisting of chat support groups. The planned content to be provided on a website and the chat support groups will not require medical licensing on the part of the Company. The support groups will enable users to share experiences with others who face, or have faced, similar health conditions, making the entire group's experience available to each member.

The Wellness Division website is currently under development, but may be viewed at www.lifen.com.

The Company intends to develop relationships with established wellness providers who will provide their users easy access to the information and services offered on the Company's website. These relationships will provide the opportunity for broad exposure of the Company's brand, direct traffic to the Company's website, and permit the company to acquire and distribute related local content.

Competition

In regard to the Company's Wellness Division, a large number of companies compete for users, advertisers and other sources of on-line revenue. In addition, traditional media and healthcare companies compete for consumers both through traditional methods as well as through new internet initiatives. The competition for healthcare consumers will continue to increase as the internet grows as a commercial medium. The Company will be competing directly for advertisers and affiliates with numerous internet and non-internet businesses. The Company believes that competition in this marketplace will be based primarily on the quality and market acceptance of healthcare content, brand recognition, and the quality and market acceptance of new enhancements, features and tools. The Company's operations will compete with other health resource businesses that have a wellness-focused environment and provide consumers with access to traditional and alternative health information. Most of these competitors will have significantly greater financial and other resources, larger facilities, multiple locations, provide a wider array of services, more experience providing services, and have longer established relationships with buyers of such services than the Company.

IV. Government Regulation

Various federal, state and local laws regulate companies in the health care industry. The Company does not plan to offer healthcare services which are subject to such laws. Although management does not believe that any of the Company's current or planned operations are subject to existing federal or state regulations, it is possible that in the future new laws may be enacted that would have a material adverse impact upon the Company's then operations. In addition, it is possible that some of the companies that may be acquired by the Company will be subject to federal or state regulations with respect to their operations.

V. Risk Factors

Lack of Operating History and Earnings. The Company was formed in November, 1997, and has no operating history or revenues. Most recently, the Company has been engaged in the development of a new business plan and the search for funding in order to commence commercial operations. Therefore, the Company must be considered to be a "start-up" operation and subject to all the risks inherent in a new business venture, many of which are beyond the control of the Company, including the inability to implement successful operations, lack of capital to finance acquisitions and failure to achieve market acceptance.

Reliance Upon Management. Presently, the Company is totally dependent upon the personal efforts of its management team. The loss of any officer or director of the Company could have a material adverse effect upon the business and future prospects of the Company. The Company does not presently have key-man life insurance upon the life of any of its officers or directors. Further, all decisions with respect to management of Company affairs will be made exclusively by current management. The Company will also employ independent consultants to provide business and marketing advice. Such consultants have no fiduciary duty to the Company or its shareholders, and may not perform as expected. The success of the Company will, in significant part, depend upon the efforts and abilities of management, including such consultants as may be engaged in the future. Additionally, as the Company implements its planned expansion of commercial operations it will require the services of additional skilled personnel. There can be no assurance that the Company can attract persons with the requisite skills and training to meet their future needs or, even if such persons are available, that they can be hired on terms favorable to the Company. See "PART III, ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS".

Members of Management are Working with Other Companies. As discussed herein, all members of the Company's senior management team have other business interests that will require a portion of their time and efforts. Although management believes that it will be able to devote such time as is necessary for the proper management of the Company's business, it is possible that their obligations to these other business interests may interfere with or distract from the full performance of their duties as management of the Company. Management is committed to devoting substantially all of their time to the Company's business at such time, if any, that the Company consummates its first acquisition, at which time they anticipate hiring other members of the management team. There can be no assurance that these assumptions will prove accurate or that suitable personnel will be available to the Company on acceptable terms.

Another Company with which certain Members of Management Are Involved Also Seeks to make Acquisitions of Companies. The Company's CEO and CFO/

Secretary also hold similar positions in First Medical Resources Corp ("FMRC"). The current plans of FMRC involve the search for companies in distinct healthcare markets that are not competitive with the acquisitions planned by the Company. The Company is focused on making acquisitions on the provider side of the healthcare market while FMRC seeks to make acquisitions of companies on the payor side. As such, management does not believe that any conflict will arise in the foreseeable future. However, it is possible that the business direction of either the Company or FRMC could change in the future and that certain opportunities may be found by officers of the Company that would be appropriate for both companies. In such event, a potential conflict could arise with respect to which company the opportunity is presented first. Because of the potential for conflict, the Company's management believes it is unlikely that the Company will ever pursue opportunities to acquire payor side companies.

Company Growth is Dependent on the Successful Implementation of the Company's Business Plan. It is currently anticipated that the Company's future growth will result from the development of its planned operations, the completion of acquisitions and their subsequent integration into the Company's business, the development of brand awareness, the ability to develop strategic relationships, the ability to respond effectively to

competition, the development and upgrading of its future technology, the ability to attract and retain qualified personnel and the ability to obtain necessary financing on acceptable terms. Additionally, as the Company implements its business plan, there can be no assurance that there will not be substantial unanticipated costs and expenses associated with the start-up and implementation of such plan.

The Company's Financial Statements Contain a "Going Concern Qualification". The Company may not be able to operate as a going concern. The independent auditor's report accompanying the Company's financial statements contains an explanation that the Company's financial statements have been prepared assuming that the Company will continue as a going concern. Note 6 to these financial statements indicates that the Company is in the development stage and needs additional funds to implement its plan of operations. This condition raises substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. The Company's audit report and financial statements are included herein as "PART F/S".

Ability to Fund Business and Acquisition Strategy. The Company's business strategy will require that substantial capital investment and adequate financing be available to the Company for the completion of acquisitions, development and integration of operations and technology as needed. Should the Company be unable to obtain the amount of capital presently anticipated, the Company may be required to obtain financing through borrowings or the issuance of additional equity or debt securities, which could have an adverse effect on the value of the existing Common Stock to the current shareholders.

Growth of the Temporary Healthcare Professional Staffing Business is Dependent on the Successful Completion of Acquisitions. It is currently anticipated that growth of the temporary healthcare professional staffing business will result from acquisitions. The Company's acquisition plan depends on its ability to identify suitable candidates, effectively integrate acquired companies into its organization, retain personnel and customers in the acquired companies, and obtain necessary financing on acceptable terms. While the Company is in discussions with acquisition candidates, there can be no assurance that any acquisition will be consummated, that the operations, personnel or customers of any acquired company will be successfully integrated with those of the Company or that any organization will be profitable for the Company.

Risk Associated with Acquisitions. Any acquisition is accompanied by risks which include difficulty assimilating the operations and personnel of acquired businesses, maximizing the financial and strategic position of the Company through the successful incorporation and integration of acquired personnel and customers, maintaining uniform standards and preventing the impairment of relationships with employees and customers. Additionally, as the Company implements its business plan, there can be no assurance that there will not be substantial unanticipated costs and expenses associated with the start-up and implementation of such acquisition plan.

Uncertainty As To Management's Ability To Control Costs And Expenses. With respect to the planned business operations of the Company, management cannot accurately project or give any assurance, with respect to its ability to control development and operating costs and/or expenses in the

future. Consequently, even if the Company is successful in implementing its planned commercial operations (of which there can be no assurance), management still may not be able to control costs and expenses adequately, and such operations may generate losses.

Possible Adverse Effect of Government Regulations and Future Regulatory Changes Regarding Healthcare. Although the Company's planned operations are currently not subject to any regulations governing the acquisition of healthcare companies, it is possible that, in the future, such regulations may be legislated. Although it is difficult to predict the extent of any such future regulations, it is possible that future or unforeseen changes may have an adverse impact upon the Company's ability to continue or expand its operations as presently planned.

No Dividends. The Company has not paid any dividends to date nor, by reason of its present financial status and contemplated financial requirements, does it anticipate paying any dividends in the foreseeable future.

Competition. The Company is a start-up venture with no established commercial operations and no market recognition in either area of its business. As such, in all aspects of its planned operations, the Company will face significant competition from many companies virtually all of which are larger, better financed and have a significantly greater market recognition than the Company. See the discussion of competition contained in Item 1, "DESCRIPTION OF BUSINESS" above, for each of the Company's two divisions.

Liability For Information Services. Because content made available by third parties for the Company's Wellness Division website may be subsequently distributed to others, there is a potential that claims will arise against the Company for defamation, negligence or personal injury, or based on other theories due to the nature of such content. In addition, the Company could be exposed to liability with respect to the content and materials that may be posted by users in services offered by the Company. Although the Company intends to carry general liability insurance, the

Company's insurance may not cover potential claims of this type or may not be adequate to fully indemnify the Company. Any successful imposition of liability could have a material adverse effect on the Company's business, results of operations and financial condition.

Limited Public Market For Common Stock. The Company has received approval to list its common stock on the OTC Bulletin Board and trading of shares began on February 24, 2003. There currently is a very limited public market for the Company's common stock and no assurance can be given that a large public market will develop in the future. The Company's common stock may be thinly traded, if at all, even if the Company achieves full operation and has significant revenues.

Risks of Low-Priced Stocks And Possible Effect of "Penny Stock" Rules on Liquidity. The Company's stock is defined as a "penny stock" under Rule 3a51-1 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. In general, a "penny stock" includes securities of companies which are not listed on the principal stock exchanges or the National Association of Securities Dealers Automated Quotation System ("NASDAQ") or National Market System ("NASDAQ NMS") and

have a bid price in the market of less than $5.00; and companies with net tangible assets of less than $2,000,000 ($5,000,000 if the issuer has been in continuous operation for less than three years), or which have recorded revenues of less than $6,000,000 in the last three years. "Penny stocks" are subject to rule 15g-9, which imposes additional sales practice requirements on broker-dealers that sell such securities to persons other than established customers and "accredited investors" (generally, individuals with net worth in excess of $1,000,000 or annual incomes exceeding $200,000, or $300,000 together with their spouses, or individuals who are officers or directors of the issuer of the securities). For transactions covered by Rule 15g-9, a broker-dealer must make a special suitability determination for the purchaser and have received the purchaser's written consent to the transaction prior to sale. Consequently, this rule may adversely affect the ability of broker-dealers to sell the Company's common stock, and therefore, may adversely affect the ability of the Company's stockholders to sell common stock in the public market.

Shares Eligible for Future Sale. A total of 10,998,166 shares of common stock are issued and outstanding as of the date of this Report, of which in excess of 7,724,766 shares thereof are "restricted securities" as that term is defined under the Securities Act. Therefore, all such restricted shares must be held indefinitely unless subsequently registered under the Securities Act or an exemption from registration becomes available. One exemption which may be available in the future is Rule 144 adopted under the Securities Act. Generally, under Rule 144 any person holding restricted securities for at least one year may publicly sell in ordinary brokerage transactions, within a 3 month period, the greater of one (1%) percent of the total number of the Company's shares outstanding or the average weekly reported volume during the four weeks preceding the sale, if certain conditions of Rule 144 are satisfied by the Company and the seller. Furthermore, with respect to sellers who are "non-affiliates" of the Company, as that term is defined in Rule 144, the volume sale limitation does not apply and an unlimited number of shares may be sold, provided the seller meets a holding period of 2 years. Sales under Rule 144 may have a depressive effect on the market price of the Company's common stock, should a public market develop or continue for the Company's common stock.

Shares Eligible for Purchase. Subject to the terms and conditions of a Common Stock Purchase Agreement dated May 15, 2002 with James Durham and Malahide Investments, two of the Company's current stockholders, during the one year period beginning on the closing date of the Company's first acquisition, each party to the Agreement has the right to purchase at a purchase price of $0.0001 per share, up to a number of additional shares of common stock equal to twenty-five (25%) of the aggregate number of additional shares of common stock and other securities convertible into common stock issued in connection with any Acquisition (as defined in the agreement). In the event that the Company consummates an Acquisition, and the company issues additional shares of common stock, pursuant to the Agreement, such issuances may cause substantial dilution to the Company's stockholders and may have a depressive effect on the market price of the Company's securities, should a public market develop or continue for the company's shares of common stock.

Forward-Looking Statements. This document contains forward-looking statements. Readers are cautioned that all forward-looking statements involve risk and uncertainty. Although the Company believes that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and therefore, there

can be no assurance that the forward-looking statements included in this document will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by the Company or any other person that the objectives and plans of the Company will be achieved. (See "Forward Looking Statements", PART I).

(C) Reports to Security Holders

The public may read and copy any materials filed with the SEC at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of that SEC internet site is www.sec.gov. The Company's websites are currently under development, but may be viewed as discussed in ITEM 1, Section II and Section III.

ITEM 2. DESCRIPTION OF PROPERTY

The Company is located at 455 Market Street, Suite 1220, San Francisco, California 94105, which office was acquired in September, 2002. Its telephone number is (415) 543-1535. The Company's offices consist of a sublease dated September 26, 2002, for 2,487 square feet of office space from City National Bank. The term of the sublease is from October 30, 2002 until July 31, 2004. The monthly rent is $4,559.50 and the Company paid the sum of $45,595 as the advance rent payment for ten prepaid months and the additional sum of $9,119 as a security deposit.

The Company currently has no material assets, and the Company does not own any real property.

ITEM 3. LEGAL PROCEEDINGS

Neither the Company, nor any of its officers or directors, is a defendant in any litigation except as noted in the next paragraph. To the knowledge of management, there is no litigation currently pending or contemplated against the Company or any of its officers or directors in their capacity as such.

Mr. James D. Durham, Chairman and CEO of the Company, previously served as Chairman and Chief Executive Officer of QuadraMed Corporation until June 12, 2000 and continued as a Director of QuadraMed until July 31, 2001. Following a restatement of its financial statements by QuadraMed in October 2002, several holders of the common stock of QuadraMed purporting to represent a class of similarly aggrieved stockholders filed lawsuits against QuadraMed and certain directors and senior officers. These suits allege that during the period from April 19, 1999 to October 16, 2002 QuadraMed and certain officers and directors violated Section 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and the rules promulgated thereunder by the Securities and Exchange Commission including Rule 10b-5. Of four such complaints filed, one names Mr. James D. Durham as a defendant. These actions are only at a preliminary stage and no answers have been interposed by any party thereto.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There have been no matters submitted to a vote of security holders during the period from September 1, 2002 to December 31, 2002 through the solicitation of proxies or otherwise.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company has received approval to list its common stock on the OTC Bulletin Board, and trading of such shares began on February 24, 2003. There currently is a very limited public market for the Company's common stock and no assurance can be given that a large public market will develop in the future. The Company's common stock may be thinly traded, if traded at all, even if the Company achieves full operation and has significant revenue.

As of the date of this report, there were 72 record holders of the Company's common stock

The Company has no outstanding options or warrants to purchase, or securities convertible into, shares of the Company's common stock. On December 31, 2002, there were 10,998,166 shares issued and outstanding, and as of the date of this Report, 7,724,766 shares of the Company's common stock that may be eligible for future sale by shareholders pursuant to Rule 144 under the Securities Act (See "RISK FACTORS, Shares Eligible for Future Sale"). There are no shares of the Company's common stock that are currently being publicly offered, or proposed to be publicly offered.

Subject to the terms and conditions of a Common Stock Purchase Agreement, executed effective May 15, 2002, two of the Company's stockholders, James Durham and Malahide Investments, during the one year period beginning on the closing date of the Company's first acquisition, have the right to purchase at a purchase price of $0.0001 per share, a number of additional shares of common stock equal to twenty-five percent (25%) of the aggregate number of additional shares of common stock and other securities convertible into common stock issued in connection with any Acquisition (as defined in the Agreement). Refer to Form 8-K dated August 21, 2002, which is incorporated herein by reference.

Subsequent to the period covered by this Report, on March 5, 2003 the Company executed a Promissory Note in favor of one of its shareholders, Gable International Holdings, Ltd., in the principal amount of $100,000 in exchange for cash in the same amount. This Promissory Note accrues interest at 12% per annum, and matures on June 13, 2003, at which time the principal plus accrued interest are payable in full. If the Company should default on this Note, interest will accrue at 18% per annum as of the date of default. The Company paid another shareholder, Atlantic International Capital Holdings, $5,000 as a transaction fee for securing this loan.

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The Company has not paid any cash dividends since its inception and does not anticipate paying dividends in the foreseeable future. It is anticipated that earnings, if any, will be retained for the operation of the Company's business.

The following transactions describe the sale of unregistered securities by the Company during the four-month transition period ended December 31, 2002. All of the shares were sold privately by the Company and not offered to the public, and were not registered under the Securities Act of 1933 (the "Act"), as amended, in reliance on the exemption provided by Section 4(2) of the Act. All shares listed below were sold as restricted shares.

At the Company's Board Meeting on October 22, 2002, the Board approved the issuance of 100,000 shares of the Company's common stock to each of the directors of the Company: Robert Kenneth, Joseph M. De Luca and Robert P. Oliver. Said shares were valued at $.007 per share, vest over a three year period with a vesting start date of October 22, 2002, and were issued in exchange for services previously provided to the Company. All of the 300,000 shares were issued as restricted securities, and the certificates bear the customary restrictive legend under Rule 144 of the Act. The issuance of such shares of common stock was not approved by the Company's stockholders.

Also, at the Board Meeting on October 22, 2002, the Board approved the issuance of 399,931 and 299,949 shares of common stock to Pamela Atherton, President, and Lawrence M. Davis, Chief Financial Officer and Secretary, respectively. Said shares were valued $0.0067 per share, vest over a four year period with a vesting start date of November 1, 2002 and were issued in exchange for services previously provided to the Company. The total of these 699,880 shares were issued as restricted, and the certificates will bear the customary restrictive legend under Rule 144 of the Act.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the audited financial statements and notes thereto included in this report, and Management's Discussion and Analysis of Financial Condition and Results of Operations and Risk Factors contained in the Company's Annual Report on Form 10-KSB for the Company's former fiscal year ended August 31, 2002 as filed with the Securities and Exchange Commission on November 27, 2002.

Change of Fiscal Year End

On October 22, 2002, the Company's Board of Directors approved a change in the Company's fiscal year end from August 31st to December 31st, as reported in Form 8-K filed on November 6, 2002. This change became effective on December 31, 2002 and this Form 10-KSB for the four-month period, from September 1, 2002 to December 31, 2002, is being filed to comply with transition reporting requirements.

Results of Operations

The Company did not have any revenue during the four-month period ended December 31, 2002, or during the comparable period for the prior year, and has not had any revenue since its inception in November 1997.

For the four-month period ended December 31, 2002 and 2001, the total loss for the Company was $207,178 and $21,580, respectively. From inception, November 10, 1997, through December 31, 2002, the total loss was $662,347. These losses resulted from the Company's start-up expenses, business plan development, initial market research activities, and initial website development, and were funded by the private placement sale of shares of Common Stock. No assurance can be made that the Company will be able to raise additional funds through the private placement sale of its securities.

The audit report accompanying the Company's financial statements for the four-month period ended December 31, 2002 and 2001 contains a going concern qualification because the Company is in the development stage and needs additional capital to begin commercial operations. Refer to "RISK FACTORS" and the audit report and financial statements contained in "PART F/S".

For the four-month period ended December 31, 2002, the total loss for the Company was $207,178 compared to a loss of $21,580 for the comparable prior fiscal year period ended December 31, 2001, an increased loss of $185,598. This increased loss resulted from increased consulting expenses of $124,420, which are primarily attributable to the cost of hiring a Chief Executive Officer and Chief Financial Officer. Professional fees increased by $29,715 in the four-month period ended December 31, 2002, primarily as a result of increased legal fees incurred for enhanced corporate governance commensurate with more stringent external reporting requirements for public companies. Administrative expenses increased by $9,703 as the Company relocated to new offices and incurred the expense of computers, telephone systems, and other related expenses. Market research expense increased $17,852 as the Company engaged the services of several consulting firms to identify the names of businesses that met the Company's target acquisition criteria.

In regard to its capital requirements for the next twelve months, additional funding will be required and the Company plans to meet its immediate capital needs through private equity or debt financing. Issuing additional equity will result in dilution to the existing shareholders.

The Company is considered to be a development stage enterprise because it has not yet generated revenue from the sale of products or services. There have been no business operations since the date of incorporation. Since its inception, the Company has devoted all of its efforts to business research and development, the preparation of a business plan, discussions with potential acquisition candidates, the discussion of specific services to be offered, marketing considerations, planning development of a website, discussions regarding strategic alliances and the search for sources of capital to fund its efforts.

In addition to the Company's projected expenses and cash flow, financing requirements will depend on other factors, such as the progress of its market research and development, acquisition costs, any changes resulting from continuing research, development of new technology, and the economic impact of competition. The Company's future long-term capital requirements will depend significantly on the rate of its business growth, the introduction of services, and the success of such services after they are introduced. Projections of future long-term cash needs are subject to substantial uncertainty.

Liquidity and Capital Resources

At December 31, 2002, the Company had cash totaling $125,462. The Company's management is engaged in raising additional capital to execute its business plan. There can be no assurance that the Company will be able to raise the amount of capital required to meet its objectives.

Plan of Operations

The Company's success in achieving profitability will depend on its ability to consummate acquisitions of healthcare companies, to implement its marketing strategy and to achieve a revenue stream from the sale of products and services, while not exceeding budgeted expenses. During the implementation of its business plan, the Company will be subject to all of the risks inherent in an emerging business, including the need to provide reliable and effective products and services, to develop marketing expertise, and to generate sales. In the event that the Company's projected market does not develop as anticipated, the Company's business, financial condition and results of operations could be materially adversely affected.

During the next twelve months, the Company intends to perform the activities required to establish its business operations, as described in "ITEM 1 (B) Business of Issuer". In executing its current plans, the Company's objectives will include the following:

- Find healthcare companies to acquire and consummate acquisitions
- Develop brand awareness
- Build an operations structure to support the business
- Develop management information systems and technology to support operations
- Attract and retain qualified personnel

According to the Company's estimates, between $1,000,000 and $3,000,000 will be needed through the twelve months ending December 31, 2003 to establish these business operations, not including revenues from operations, which are not expected to materialize in significant amounts until the second or third calendar quarters of 2003 at the earliest. As a result, the Company's ability to remain solvent in the coming year will primarily depend on its ability to raise additional equity capital.

Capital commitments for the next twelve months are minimal, and the Company believes that additional funds raised through various equity offerings should be sufficient to meet the Company's obligations for that period and until the various planned activities described herein are able to create significant cash flow. The Company has received an audit opinion which includes a "going concern" risk. The Company is aware of this risk and plans to raise any necessary capital through the sale of additional equity. If additional capital is not readily available, the Company will be forced to scale back its development activities until its income will exceed its expenses. Although this will slow the Company's development, it will allow for the Company's survival. Notwithstanding the foregoing, there is substantial doubt regarding the Company's ability to continue as a going concern, and as such, the Company is substantially dependent upon its ability to raise sufficient capital to cover its development costs.

The Company plans to perform market research and development during the next twelve months regarding such considerations as additional definition of services to be offered, and pricing of services. The Company's planned business does not require the purchase of plants, factories, extensive capital equipment, or inventory.

The Company has no employees as of the date of this Report. The Company intends to hire employees during the next twelve months as its business plan is executed, which will be dependent on the Company's ability to raise the required funds. In the interim, the Company will rely on its management to perform the activities required for preliminary business development. The failure to attract and retain the required personnel would have a material adverse effect on the Company's business and results of operations.

ITEM 7. FINANCIAL STATEMENTS

Audited financial statements for the four-month transition period ended December 31, 2002 and 2001 are submitted herein as PART F/S on Pages F-1 to F-15.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS

None.

PART III

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS

Name	Age	Position
James D. Durham	55	Chief Executive Officer and Chairman of the Board
Pamela G. Atherton	53	President
Lawrence M. Davis	54	Chief Financial Officer and Secretary
Robert J. Kenneth	66	Director
Robert P. Oliver	75	Director
Joseph M. De Luca	46	Director

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The Company's previous Officers and Directors resigned effective August 16, 2002.

The Company's Restated Certificate of Incorporation adopted on August 15, 2002 changed the election of Directors, such that; the Directors are classified into three classes, with the first such class holding office until the first annual meeting of stockholders; the second class holding office until the second annual meeting of stockholders; and the third class holding office until the third annual meeting of stockholders. Each class of Directors will be elected for a three year term.

The initial Class I Directors are vacant. The initial Class II Directors are Joseph M. De Luca and Robert P. Oliver. The initial Class III Directors are James D. Durham and Robert J. Kenneth.

The Officers are appointed by, and serve at the will of, the Board of Directors. There are no family relationships among the Directors and Officers of the Company. On October 22, 2002, an Audit Committee was formed consisting of three Directors: Joseph M. De Luca, Robert J. Kenneth and Robert P. Oliver. There are at present no other committees of the Board of Directors.

Officers and Directors

James D. Durham, Chief Executive Officer and Chairman of the Board

Mr. James D. Durham has been Chief Executive Officer and the Chairman of the Board of the Company since August, 2002. Mr. Durham has also been Chief Executive Officer and a Director of First Medical Resources Corporation, a publicly held company, since March, 2002.

In 1999, Mr. Durham co-founded Market Insite Group, Inc., which offers an exclusive web-based scoring and correlation algorithm to match business with their customers. Mr. Durham also founded ChartOne, Inc. to offer web-based storage and retrieval capabilities for medical records, which has over 1,000 hospital customers. In 1993, Mr. Durham founded QuadraMed Corporation, a public company, which offers a suite of software products and services focused on the financial and clinical needs of hospitals. In 1986, in a turn-around situation, Mr. Durham became CEO of Knowledge Data Systems, which was then in bankruptcy, and restructured the company, which returned to profitability and later was sold to Ameritech.

From 1971 to 1979, Mr. Durham served in a variety of positions at Medicus Corporation, and became President and Chief Financial Officer of a subsidiary of the company. During this period, Mr. Durham founded the first company in the healthcare industry to use personal computers, which later became a public company as Medicus Systems Corporation.

Mr. Durham has a Bachelors Degree in Industrial Engineering from the University of Florida, graduating with high honors, and has a Masters Degree in Business Administration from UCLA. He is a Certified Public Accountant, licensed in the State of Illinois.

Pamela G. Atherton, President

Ms. Atherton was appointed President of the Company in August, 2002 by the Company's CEO and her appointment was ratified by the Board of Directors in October, 2002.

Ms. Atherton has over 25 years experience in the healthcare industry.

Her career includes time as a corporate executive with a large national HMO, as well as ten years as Chairman and CEO of two healthcare services organizations. Ms. Atherton began her career at Humana, Inc., where she served from 1982 to 1992. She held numerous field and corporate positions and was the corporate director of Nursing/Allied Heath Recruitment and Retention from 1988 to 1992. In that role, she led the nursing and allied health recruitment for hospitals nationwide. Her creative solutions to recruitment and retention were featured in Modern Healthcare and numerous other trade publications. From 1992 to 1997, Ms. Atherton served as Chief Executive Officer of Resource Factor, a privately held female business enterprise that she founded, which specialized in per diem and mobile nurse/ allied health staffing. After securing venture capital, the company expanded into two additional satellite offices. Ms. Atherton led the sale of those businesses in 1997. From 1996 to 2000, Ms. Atherton served as Chairman and Chief Executive Officer of Aperture Credentialing, Inc., a company she founded which provides data management of physician information for provider credentialing. The company also provided nurses nationwide, to perform physician office site visits and HEDIS data collection. Since 2000, Ms. Atherton has continued to serve as Vice Chairman of Aperture's Board of Directors. Since 2001, Ms. Atherton has led the commercial division of Appriss, Inc., a pioneering voice application service provider. Her division specializes in providing innovative voice solutions for the healthcare industry. These applications assist the industry in enabling access to mission critical information over the telephone using human speech. Ms. Atherton formed Crois, Inc., in 2000 as a consulting company specializing in healthcare services and staffing. She has served as a consultant to the company.

Ms. Atherton graduated, magna cum laude, from Kentucky Southern College and holds a Masters Degree from the University of Louisville. Ms. Atherton is a Woodrow Wilson Fellow and has been honored as a female business owner as well as an innovative entrepreneur and community leader.

Lawrence M. Davis, Chief Financial Officer and Secretary

Mr. Lawrence M. Davis was appointed Chief Financial Officer of the Company in August, 2002 by the Company's CEO and his appointment was ratified by the Board of Directors in October, 2002. Mr. Davis has performed CFO level services for First Medical Resources Corporation, a publicly held company, since July, 2002. He also serves as a director and treasurer of Sawhorse Enterprises, Inc., a privately held ecommerce company, and serves on the Board of two non-profit organizations.

Mr. Davis has more than 25 years experience as a financial executive. From January 1999 to present, Mr. Davis has served as an independent financial consultant, providing consulting services to numerous software and technology companies in preparing for financing events including initial public offerings and venture financings. Such consulting services included

creating financial reporting systems, designing and implementing long-range financial forecasts, and providing advice regarding cash management and all aspects of corporate administration. From March 1997 to August 1998, Mr. Davis was the corporate controller and interim CFO of FirstAmerica Automotive, Inc., a publicly held consolidator of automotive dealerships. This company was formed as the result of a reverse merger into a "shell" while simultaneously raising $250 million in debt financing from GE Capital for the purpose of financing seven acquisitions. In 1998, this company was sold to Sonic Automotive. Previously, Mr. Davis served as the CFO of The

Nalley Companies, another consolidator of automotive dealerships, where he arranged for its sale to Asbury Automotive. Other professional experience has included serving as a senior credit officer and commercial lender with Citicorp, controllership of the U.S. subsidiary of LeasePlan Holland N.V., Europe's largest automotive leasing company, and as a member of the audit staff of Arthur Andersen. He also served as a Regular Army officer in tank battalions in the former Federal Republic of Germany and stateside.

Mr. Davis earned his MBA and BS (accounting) from Auburn University, and a BS (mechanical engineering and Russian language) from the U.S. Military Academy at West Point, New York. He is licensed as a Certified Public Accountant by the State of Georgia.

Robert J. Kenneth, Director

Mr. Kenneth has been active in the healthcare industry for 34 years. He is the founder of Kenneth Associates, a leading provider of staffing and professional services to hospitals and physicians in California, focused on on-site billing staff and management as well as off-site billing services with a goal of reducing accounts receivable. Mr. Kenneth has also served on the Board of Trustees of St. Francis Memorial Hospital where he was a member of the Investment Committee, Chairman of the Budget and Finance Committee and Chairman of the Retirement and Personnel Committee. Mr. Kenneth also serves on the Board of Overseers for the University of California School of Nursing. Mr. Kenneth is also a Director of Nurses Network Inc., a San Francisco based nurse staffing agency. Mr. Kenneth is also a member of the Healthcare Financial Management Association, the American Guild of Patient Accounts Managers, and is the author of numerous articles and publications. He is a regular speaker for healthcare professional organizations and has served as an expert witness before the U.S. House of Representatives Ways and Means Committee.

Mr. Kenneth earned his Bachelors Degree in Business Administration from Roosevelt University in Chicago and a Masters Degree in Business Administration from Golden Gate University.

Robert P. Oliver, Director

Mr. Oliver is presently the Chief Executive Officer of CorDev Financial, Inc., a privately held company specializing in growth-oriented CEO consulting and mergers and acquisitions. While in this position he has served as the principal negotiator for over 25 acquisitions or divestitures. Mr. Oliver's management experience has encompassed a wide variety of manufacturing, retail, service, and distribution companies. Mr. Oliver previously served as head of the Culligan International development group where he led an innovative and active plan of acquiring Culligan dealers.

Subsequently, he served as co-managing partner for Anne Klein & Co. where he launched the Anne Klein retail operation. Mr. Oliver has also served in a variety of management positions in computer service and software, automotive manufacturing and distribution, publishing, international pipeline construction, and real estate development. Mr. Oliver has served as a member of the Board of Directors of a number of manufacturing, software and service companies and presently is a board member of AMCAL, Inc., Calpine Containers, Inc., North American Imports, Inc., and, ex officio, Willitts Designs International, Inc.

Mr. Oliver is a graduate of the U.S. Naval Academy and served five years as a surface and submarine naval officer. He has been a long-time member of the Young Presidents Organization and its graduate group, World Presidents Organization, and has been a guest lecturer to several graduate schools of business.

Joseph M. De Luca, Director

Mr. De Luca has provided consulting services in addition to serving in line, interim or turnaround management positions in the healthcare industry for over 22 years. His experience includes healthcare information technology suppliers, healthcare delivery systems, academic medical centers, payor and physician organizations. His clients include the nation's largest investor owned financially integrated delivery system, the nation's largest non-profit financially integrated delivery system, and the nation's largest delegated risk physician organization. His professional continuum also includes futurist, research and publication activities. In 1996, Mr. De Luca co-founded Healthcare Investment Visions LLC, a research, business development and management consultancy located in the San Francisco Bay Area. The firm is committed to providing objective, visionary services within the context of current healthcare information and medical technology trends, adoption and market conditions. Between 1985 and 1995, Mr. De Luca was the founder and President of JDA, a consulting firm providing information systems strategy, vendor selection, development, implementation and management services to healthcare provider organizations. In 1995, JDA was acquired by Science Applications International Corporation. Between 1984 and 1985, Mr. De Luca served as a senior manager with Computer Synergy Inc., a public company who developed hospital information systems. His duties included corporate strategy development, sales and marketing support, financial systems product management, and operational finance. Between 1980 and 1984, Mr. De Luca was a manager with the Management Information Consulting Division of Arthur Andersen (now Accenture), responsible for healthcare information systems consulting services to provider and payor organizations. Mr. De Luca is a fellow of the American College of Healthcare Executives ("ACHE"), and was recently awarded the ACHE Regent's Senior Leadership Award for service to the community. Mr. DeLuca is a frequent speaker at high-profile regional and national conferences, a lecturer for university programs, and is the author of numerous manuscripts and books.

Mr. De Luca holds a Master Degree of Arts-Health Services Administration from the University of Wisconsin, Madison, and graduated from Lawrence University, Appleton, Wisconsin with a Bachelors Degree in Biology, with high honors.

Under Section 16(a) of the Securities Exchange Act of 1934, as amended, the directors and officers of the Company and any person who owns ten percent or more of the Company's common stock are required to report their initial ownership of the Company's common stock and any subsequent changes in that ownership to the SEC on Forms 3, 4, and 5. Such reporting persons are also required by SEC regulations to furnish the Company wih copies of all such reports that they file in accordance with Section 16(a).

To the Company's knowledge, based solely upon a review of the copies of such reports furnished to the Company and representations made to the Company, no other reports were required, during and with respect to the transitional period ended December 31, 2002 and all reporting persons have timely complied with all filing requirements applicable to such persons.

Conflict of Interest

As discussed herein, all members of the Company's senior management team have other business interests that will require a portion of their time and efforts. Although management believes that it will be able to devote such time as is necessary for the proper management of the Company's business, it is possible that their obligations to these other business interests may interfere with or distract from the full performance of their duties as management of the Company. Management is committed to devoting substantially all of their time to the Company's business at such time, if any, that the Company consummates its first acquisition, at which time they anticipate hiring other members of the management team. There can be no assurance that these assumptions will prove accurate or that suitable personnel will be available to the Company on acceptable terms.

The Company's CEO and CFO/Secretary also hold similar positions in First Medical Resources Corp ("FMRC"). The current plans of FMRC involve the search for companies in distinct healthcare markets that are not competitive with the acquisitions planned by the Company. The Company is focused on making acquisitions on the provider side of the healthcare market while FMRC seeks to make acquisitions of companies on the payor side. As such, management does not believe that any conflict will arise in the foreseeable future. However, it is possible that the business direction of either the Company or FRMC could change in the future and that certain opportunities may be found by officers of the Company that would be appropriate for both companies. In such event, a potential conflict could arise with respect to which company the opportunity is presented first. Because of the potential for conflict, the Company's management believes it is unlikely that the Company will ever pursue opportunities to acquire payor side companies.

ITEM 10. EXECUTIVE COMPENSATION

The Company paid consulting fees of $66,667 to its Chairman of the Board/CEO and $18,350 to its CFO/Secretary during the four-month period ended December 31, 2002. The Company's President has not received any compensation as of the date of this Report, and will not receive any compensation until an acquisition has been consummated by the Company.

On August 14, 2002, the Company entered into an Employment Agreement for period of two years with its Chairman and CEO, which provides for a base salary of $200,000 per year. From this date until such date as additional funding may be obtained, the Chairman/CEO will be compensated as an independent consultant at a rate of $8,333.33 payable semi-monthly.

At the Company's Board Meeting on October 22, 2002, the Board approved the issuance of 100,000 restricted shares of common stock to each of the Company's three Directors in consideration for services previously provided and 399,931 and 299,949 restricted shares of common stock to the Company's President and CFO/Secretary, respectively, in consideration for services previously provided. The issuance of such shares of Common Stock was not approved by the Company's Stockholders. Refer to "Part II, Item 5, Market for Registrant's Common Equity and Related Stockholder Matters."

There are no other written agreements between the Company and any other of its Officers and Directors, and there are no agreements with Directors for the payment of Directors fees. The Company does not have any pension plan, profit sharing plan, or similar plans for the benefit of its

Directors, Officers or employees.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

At the Company's Board Meeting on October 22, 2002, the Board approved the issuance of 100,000 restricted shares of common stock to each of the Company's three Directors in consideration for services previously provided and 399,931 and 299,949 restricted shares of Common Stock to the Company's President and CFO/Secretary, respectively, in consideration for services previously provided. The issuance of such shares of common stock was not approved by the Company's stockholders. Refer to "Part II, Item 5, Market for Registrant's Common Equity and Related Stockholder Matters."

The following table sets forth, as of December 31, 2002, the end of the Company's fiscal year, information with respect to; (1) any person known by the Company to own beneficially more than five (5%) percent of the Company's common stock, based on 10,998,166 shares issued and outstanding as of the end of December 31, 2002, (2) common stock owned beneficially by each Officer or Director of the Company, and (3) the total of the Company's common stock owned beneficially, directly or indirectly, by the Company's Officers and Directors.

Name and Address of Beneficial Owner (1)	Number of Shares Owned (2)	Percent of Class
James D. Durham and Sandra J. Durham, JTWROS (2)(4)* 455 Market Street, Suite 1220 San Francisco, CA 94105	980,000	9.81 %
Paine Weber, Custodian for the IRA FBO James Durham (2)(5)* 455 Market Street, Suite 1220 San Francisco, CA 94105	40,000	0.36 %

Name and Address of Beneficial Owner (1)	Number of Shares Owned (2)	Percent of Class
Malahide Investments (6) P.O. Box 170, Churchill Building Grand Turk Turks & Caicos Islands	980,000	8.91 %
Robert Gordon 444 Madison Avenue, Ste. 2904 New York, NY 10022	760,000	6.91 %
Parthian Securities 36 Boulevard Helvetique 1207 Geneva, Switzerland	704,286	6.40 %
John Messina (7) 11 Wyman Street Rye Brook, NY 10573	616,000	5.60 %
Pamela Atherton (2)(8)* 455 Market Street, Suite 1220 San Francisco, CA 94105	399,931	3.64 %

Lawrence M. Davis (2)(8)* 455 Market Street, Suite 1220 San Francisco, CA 94105	299,949	2.73 %
Robert J. Kenneth (2)(9)* 455 Market Street, Suite 1220 San Francisco, CA 94105	100,000	0.91 %
Robert P. Oliver (2)(9)* 455 Market Street, Suite 1220 San Francisco, CA 94105	100,000	0.91 %
Joseph M. DeLuca (2)(9)* 455 Market Street, Suite 1220 San Francisco, CA 94105	100,000	0.91 %
Officers and Directors as a group (6 persons)(3)	2,019,880	18.37 %

* Officer and/or Director

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(1) Persons known by the Company to own beneficially more than five percent (5%) of the Company's Common Stock.
(2) Common Stock owned beneficially by each Officer and Director of the Company.
(3) The total number of shares of the Company's Common Stock owned beneficially, directly or indirectly, by the Officers and Directors of the Company as a group.
(4) Shares owned by James D. Durham, CEO and Chairman of the Board of the Company, and his wife, Sandra J. Durham, as Joint Tenants with Rights of Survivorship.
(5) James D. Durham, CEO and Chairman of the Board of the Company is the beneficiary of Paine Webber as custodian of these shares.
(6) James D. Durham is an advisor to Malahide Investments but has no beneficial interest in the shares of the Company owned by Malahide Investments.

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(7) John Messina is the brother of Joseph J. Messina, sole Officer and Director of Wilmont Holdings Corp., a corporate shareholder of the Company. John Messina does not have voting or dispositive control over the shares held by Wilmont Holdings Corp.
(8) Shares vest over a four year period, with a vesting start date of November 1, 2002. Refer to PART II, Item 5, "MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS."
(9) Shares vest over a three year period, with a vesting start date of October 22, 2002. Refer to PART II, Item 5, "MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS."

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company's Chief Executive Officer and Chief Financial Officer also hold similar positions with First Medical Resources Corporation ("FMRC"). The Company advanced certain moving and equipment installation costs for the benefit of itself and FMRC. That portion advanced for the benefit of FMRC was repaid in full to the Company in December, 2002. (See Note 5 to Financial Statements, Related Party Transactions.)

During the four-month period ended December 31, 2002, the Company paid consulting fees totaling $20,000 to Ameristar Group Incorporated ("Ameristar"). Ameristar is an affiliate of Remsen Group, Ltd. and Wilmont Holdings Corp., two corporate shareholders of the Company. (See Note 5 to Financial Statements, Related Party Transactions.)

On October 30, 2002 the Company entered into an agreement with a consulting firm to generate a list of businesses that met the Company's acquisition criteria. The Company agreed to pay the consulting firm $14,250 for these services plus an additional $42,750 for each business identified by the consulting firm that was acquired by the Company. To date, no businesses identified by the consulting firm have resulted in a consummated acquisition. The Company paid $5,000 of the $14,250 liability to the consulting firm during the fiscal quarter ended November 30, 2002.

On November 15, 2002, the Company entered into an agreement with a consultant to identify businesses that met the Company's acquisition criteria. The Company agreed to pay the consultant five per cent of the first $1,000,000 in the aggregate purchase price paid by the Company to the seller. This percentage declines by one per cent for each additional $1,000,000 in aggregate purchase price paid by the Company to the seller at which time the consultant is paid one per cent of the excess of $5,000,000 in aggregate purchase price. To date, no businesses identified by the consultant have resulted in a consummated acquisition, and this agreement was terminated effective February 25, 2003. Should such a transaction occur with a company identified by the consultant during the period of time that this agreement was in effect, the consultant's fee will be paid 75% in cash less the $14,250 paid to the consulting firm previously referenced and 25% in the Company's common stock based upon the average closing price of the stock over the previous 20 days prior to the date of consummation.

Subsequent to the period covered by this Report, on January 2, 2003, the Company entered into an Agreement with Health Care Investment Visions, LLC ("HCIV"). Under the terms of this Agreement, HCIV will provide non-exclusive advisory services to the Company related to identifying and evaluating potential acquisition candidates. The Company agreed to pay HCIV

seven (7%) percent of the first $1,000,000 of the aggregate purchase price paid by the Company to the seller. This percentage declines by one percent for each additional $1,000,000 in aggregate purchase price paid by the Company to the seller at which time HCIV is paid one (1%) percent of any amount in excess of $5,000,000 in aggregate purchase price. Should such a transaction occur, HCIV's fee will be paid with the Company's common stock based upon the average closing price of the stock over the previous 20 days. To date, no business identified by HCIV has resulted in a consummated acquisition. Mr. Joseph M. DeLuca, Chief Executive Officer of HCIV, is also a Director of the Company and a member of its audit committee.

Also, subsequent to the period covered by this Report, on January 22, 2003 the Company entered into an agreement with a consulting firm to generate a list of businesses headquartered in Florida that met the Company's acquisition criteria. The Company agreed to pay the consulting firm $7,500 for these services plus an additional $22,500 for each business identified by the consulting firm that was acquired by the Company. To date, no businesses identified by the consulting firm have resulted in a consummated acquisition, and no portion of the fee has been paid.

Subsequent to the period covered by this Report, on March 5, 2003 the Company executed a Promissory Note in favor of one of its shareholders, Gable International Holdings, Ltd., in the principal amount of $100,000 in exchange for cash in the same amount. This Promissory Note accrues interest at 12% per annum, and matures on June 13, 2003, at which time the principal plus accrued interest are payable in full. If the Company should default on this Note, interest will accrue at 18% per annum as of the date of default. The Company paid another shareholder, Atlantic International Capital Holdings, $5,000 as a transaction fee for securing this loan.

ITEM 13. EXHIBITS, LISTS, SCHEDULES, AND REPORTS ON FORM 8-K

(a) 1. The following documents are filed in PART F/S, as a part of this report on pages F-1 to F-13:

Auditors Report of Sanford Feibusch, C.P.A., P.C. Dated February 5, 2003;

Balance Sheet as of December 31, 2002;

Statement of Operations and Consolidated Statement of Operations for the Four-Month Transition Period Ended December 31, 2002 and 2001, and from Inception, November 10, 1997 to December 31, 2002;

Statement of Stockholders' Equity and Consolidated Statement of Stockholders' Equity for the Four-Month Transition Period Ended December 31, 2002 and 2001, and from Inception, November 10, 1997 to December 31, 2002;

Statement of Cash Flow and Consolidated Statement of Cash Flows for the Four-Month Transition Period Ended December 31, 2002 and 2001, and from Inception, November 10, 1997 to December 31, 2002;

Notes to Financial Statements.

2. Financial Statement Schedules - None.

All applicable information is contained in the financial statements or notes thereto.

3. Exhibits and Material Contracts.

Exhibits required to be filed are listed below and except where incorporated by reference, immediately follow the Financial Statements.

Exhibit Number	Description
3.1	Restated Certificate of Incorporation is incorporated herein by reference from the exhibit with the same number to our current report on Form 8-K filed with the Commission on August 21, 2002.
3.2	Restated Bylaws are incorporated herein by reference from the exhibit with the same number to our current report on Form 8-K filed with the Commission on August 21, 2002.

10.1	Restricted Stock Issuance Agreement with Pamela Atherton, President, dated November 1, 2002.
10.2	Restricted Stock Issuance Agreement with Lawrence M. Davis, Chief Financial Officer and Secretary, dated November 1, 2002.
10.3	Restricted Stock Issuance Agreement with Robert J. Kenneth, Director, dated October 22, 2002.
10.4	Restricted Stock Issuance Agreement with Robert P. Oliver, Director, dated October 22, 2002.
10.5	Restricted Stock Issuance Agreement with Joseph M. DeLuca, Director, dated October 22, 2002.
10.6	Common Stock Purchase Agreement dated May 15, 2002 is incorporated herein by reference from Exhibit Number 10.1 to our current report on Form 8-K filed with the Commission on August 21, 2002.
10.7	Agreement with L.E.K. Consulting LLC dated October 30, 2002 for consulting services regarding identification of acquisition candidates.
10.8	Agreement with Jeffrey W. Rose dated November 15, 2002 for consulting services regarding identification of acquisition candidates.
10.9	Agreement with Health Care Investment Visions, LLC dated January 2, 2003 for consulting services regarding identification of acquisition candidates.
10.10	Agreement with L.E.K. Consulting, LLC dated January 22, 2003 for consulting services regarding identification of acquisition candidates in Florida.

10.11	Promissory Note with Gable International Holdings, Ltd. dated March 5, 2003.

(b) Reports on Form 8

Form 8-K filed on November 6, 2002 Re: change of Registrant's fiscal year end from August 31st to December 31st, such change to take effect on December 31, 2002. This change was approved by the Board of Directors on October 22, 2002 and registrant is filing herein on Form 10-KSB the report covering the transition period from September 1, 2002 to December 31, 2002.

ITEM 14. CONTROLS AND PROCEDURES

Subsequent to December 31, 2002 and prior to the filing of this Report, the Company conducted an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures under the supervision of, and with the participation of, its management, including the Chief Executive Officer and Chief Financial Officer. Based on that evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that its disclosure controls and procedures were effective at December 31, 2002, and during the period prior to the execution of this Report. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to December 31, 2002.

PART F/S

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lifen, Inc.

I have audited the accompanying balance sheet of Lifen, Inc. (A Development Stage Company) as of December 31, 2002 and the related statement of operations, stockholders' equity and cash flow for the four months then ended and for the period from November 10, 1997 (inception) to December 31, 2002. These Financial Statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly in all material respects, the financial position of Lifen, Inc. as of December 31, 2002 and results of operations, changes in stockholders' equity and cash flows for the four months then ended and from November 10, 1997 (inception) to December 31, 2002, in conformity with generally accepted accounting principles.

The accompanying Financial Statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 8 to the Financial Statements, the Company is in the development stage and needs additional funds for them to implement their plan of operations. This condition raises substantial doubt about its ability to continue as a going concern. Management's plans regarding this matter are also described in Note 8. The Financial Statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Sanford H. Feibusch

Certified Public Accountant

Monsey, New York
February 5, 2003

LIFEN, INC.
(A DEVELOPMENT STAGE COMPANY)

BALANCE SHEETS

ASSETS

Current Assets:	December 31, 2002	December 31, 2001
Cash	$ 125,463	$ 206
Prepaid Expenses	33,126	143,201
Total Current Assets:	158,589	143,407
Long Term Assets:		
Fixed assets, net of accumulated depreciation of $377 and $156	6,418	864
Prepaid rent	36,476	-
Website development, net of amortization of $292	3,208	-
Security deposit	9,119	-
Total Long Term Assets:	55,221	864
TOTAL ASSETS	$ 213,810	$ 144,271
LIABILITIES & STOCKHOLDERS' EQUITY		
Liabilities:		
Accounts Payable	$ 49,569	$ -
Accrued Liabilities	4,144	4,865
Total Liabilities:	53,713	4,865
Stockholders' Equity:		
Preferred Stock, par value $.0001 Authorized 10,000,000 shares, No shares issued and outstanding	-	-
Common Stock, par value $.0001 Authorized 50,000,000 shares Issued and outstanding 10,998,166 shares and 7,424,000 shares	1,100	743
Additional paid in Capital, net of costs incurred in obtaining financing	821,344	367,239
Accumulated deficit during development stage	(662,347)	(228,576)
Total Stockholder's Equity:	160,097	139,406
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$ 213,810	$ 144,271

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

LIFEN, INC.
(A DEVELOPMENT STAGE COMPANY)

STATEMENT OF OPERATIONS
FOR THE FOUR MONTHS ENDED DECEMBER 31
AND FROM INCEPTION NOVEMBER 10, 1997 TO DECEMBER 31, 2002

	Four Months Ended December 31, 2002	Four Months Ended December 31, 2001	From Inception Nov. 10, 1997 to December 31, 2002
Revenue:	$ -	$ -	$ -
Expenses:			
Market Research	17,852	-	42,852
Consulting	131,757	7,337	283,123
Write Off of Offering Costs	-	-	15,546
Professional Fees	29,715	-	77,770
Rent and Occupancy	9,236	6,100	41,236
Administrative	17,703	8,000	87,703
Cancellation of Management Service Agreement	-	-	94,165
Other Operating Expenses	915	143	19,952
Total Expenses	207,178	21,580	662,347
Net Loss before Provision For Income Taxes	(207,178)	(21,580)	(662,347)
Provision for Income Taxes	-	-	-
Net Loss	(207,178)	(21,580)	(662,347)
Basic Loss per Share	$ (0.02)	$ (0.00)	
Weighted Average Number Shares Outstanding	10,514,620	7,198,000	

The Accompanying Notes are an integral part of these Financial Statements.

LIFEN, INC.
(A DEVELOPMENT STAGE COMPANY)

STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
FROM INCEPTION NOVEMBER 10, 1997 TO DECEMBER 31, 2002

	Common Stock Par Value $.0001		Additional Paid-In Capital	Retained (Deficit)
	Shares	Amount		
January 1998 - Shares Issued For Services @ $.0001 Per Share	2,250,000	$ 225	$ -	$ -
Loss for Year Ended August 31, 1998	-	-	-	(511)

Balance - August 31, 1998	2,250,000	225	-	(511)
October 1998 Shares Issued For Services @ $.0001 Per Share	2,750,000	275	-	-
Cancellation of Shares Issued October 1998 @ $.0001 Per Share	(2,750,000)	(275)	-	-
November 1998 Shares Issued For Services Net of Expenses @ $.05 Per Share	500,000	50	23,250	-
March 1999 Shares Issued For Services @ $.0001 Per Share	2,325,200	232	-	-
Loss for the Year Ended August 31, 1999	-	-	-	(41,133)
Balance - August 31, 1999	5,075,200	507	23,250	(41,644)
March 2000 Shares Issued For Services @ $.0001 Per Share	1,219,800	122	-	-
April 2000 Shares Issued Private Placement @ $1.00 Per Share	45,000	5	44,995	-
Loss for Year Ended August 31, 2000	-	-	-	(43,733)
Balance - August 31, 2000	6,340,000	$ 634	$ 68,245	$ (85,377)

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

LIFEN, INC.
(A DEVELOPMENT STAGE COMPANY)

STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT) (Continued)
FROM INCEPTION NOVEMBER 10, 1997 TO DECEMBER 31, 2002

	Common Stock Par Value $.0001		Additional Paid-In	Retained
	Shares	Amount	Capital	(Deficit)
Balance August 31, 2000	6,340,000	$ 634	$ 68,245	$ (85,377)
October 2000 Shares Issued For Services @ $.0001 Per Share	660,000	66	-	-
October 2000 Shares Issued Private Placement @ $1.00 Per Share	10,000	1	9,999	-
November 2000 Shares Issued Private Placement @ $.50 per Share	10,000	1	4,999	-
November 2000 Shares Issued				

	Shares	Amount	Additional Paid-In Capital	Retained (Deficit)
Private Placement @ $.50 per Share	20,000	2	9,998	-
January 2001 Shares Issued Private Placement @ $.50 per Share	48,000	5	23,995	-
May 2001 Shares Issued Private Placement @ $.50 per Share	500,000	50	249,950	-
Less Shares Returned July 2001 @$.0001 per Share	(530,000)	(53)	53	-
Loss for the Twelve Months Ended August 31, 2001	-	-	-	(121,619)
Balance - August 31, 2001	7,058,000	$ 706	$ 367,239	$(206,996)

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

LIFEN, INC.
(A DEVELOPMENT STAGE COMPANY)

STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT) (Continued)
FROM INCEPTION NOVEMBER 10, 1997 TO DECEMBER 31, 2002

	Common Stock Par Value $.0001		Additional Paid-In	Retained
	Shares	Amount	Capital	(Deficit)
Balance August 31, 2001	7,058,000	$ 706	$ 367,239	$(206,996)
November 2001 Shares Issued For Services @ $.0001 per Share	366,000	37	-	-
August 2002 Shares Issued Private Placement @ $.70 per Share	574,286	57	402,093	-
August 2002 Shares Issued Private Placement @ $.05 per Share	2,000,000	200	99,800	-
Costs of Private Placement	-	-	(54,455)	-
Loss for the Twelve Months Ended August 31, 2002	-	-	-	(248,173)
Balance - August 31, 2002	9,998,286	$1,000	$ 814,677	$(455,169)
October 2002 Shares Issued For Services @ $.07 per Share	300,000	30	2,070	-
November 2002 Shares Issued For Services @ $.067 per Share	699,880	70	4,597	-
Loss For The Four Months Ended				

December 31, 2002	-	-	-	(207,178)
Balance - December 31, 2002	10,998,166	$1,100	$ 821,344	$(662,347)

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

LIFEN, INC.
(A DEVELOPMENT STAGE COMPANY)

STATEMENT OF CASH FLOWS
FOR THE FOUR MONTHS ENDED DECEMBER 31
AND FROM INCEPTION NOVEMBER 10, 1997 TO DECEMBER 31, 2002

	Four Months Ended December 31, 2002	Four Months Ended December 31, 2001	From Incept Nov. 10, 19 December 31
Operating Activities:			
Net (Loss)	$ (207,178)	$ (21,580)	$ (66
Adjustments to reconcile net (loss) to Net cash used in operating activities:			
Market Research	-	-	2
Consulting	6,767	-	1
Depreciation and amortization	669	80	
Changes in operating assets & liabilities:			
Accounts payable & accrued expenses	(28,996)	-	5
Prepaid expenses & other current assets	(30,426)	(8,680)	(3
Net Cash Flows from Operating Activities:	(259,165)	(30,360)	(60
Investing Activities:			
Purchase of fixed assets	(6,795)	-	(
Long term prepaid expenses	(45,595)	-	(4
Acquisition of intangible assets	(3,500)	-	(
Disposal of Equipment	-	-	
Net Cash Flows from Investing Activities:	(55,890)	-	(5
Financing Activities:			
Common Stock Issued	-	37	84
Offering Expenses	-	-	(5
Net Cash Flow from Financing Activities	-	37	78
Net cash (decrease)/increase for period	(315,055)	(30,323)	12
Cash at beginning of period	440,517	30,529	

Cash at end of period	$ 125,462	$ 206	$ 12

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

LIFEN, INC.
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

Note 1. Organization

Lifen, Inc. (the "Company") was incorporated under the laws of the State of Delaware on November 10, 1997 under the name Digivision International, Ltd. The Company's name was changed to Lifen, Inc. on June 22, 2000. To date, the Company has had no commercial operations and has been engaged in the development of its business plan, market research, initial website development, and seeking initial financing in order to commence commercial operations.

Note 2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant estimate relates to the valuation allowance in connection with deferred tax assets. Actual results could differ from those estimates.

Fixed Assets

Fixed assets are stated at cost. Depreciation is provided for utilizing the straight-line method over the estimated useful life of the asset. The cost of maintenance and repairs is charged to operations as incurred.

Accounting for Impairment of Long-Lived Assets

In accordance with SFAS 121, the Company has adopted a policy of recording an impairment loss on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. Adoption of this statement will not have an impact on these financial statements.

Organization Costs

The Company has adopted SOP 98-5, "Reporting on the Costs of Start-up Activities", which requires that all costs of start-up activities and organization costs be expensed as incurred. The Company expects that the adoption of SOP 98-5, which is effective for fiscal years beginning after December 15, 1998, will not have a material effect on its financial statements.

LIFEN, INC.
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

Website Development

In March 2000, the Emerging Issues Task Force issued No. 00-02 ("EITF 00-02"), "Accounting for Website Development Costs." EITF 00-02 states that all costs relating to software used to operate a website and relating to development of initial graphics and web page design should be accounted for using Statement of Position ("SOP") 98-1. Under this SOP, costs incurred in the preliminary project stage should be expensed as incurred, as should most training and data conversion costs. External direct costs of materials and services and internal direct payroll-related costs should be capitalized once certain criteria are met. EITF 00-02 is effective for all fiscal quarters beginning after June 30, 2000. The Company's accounting policy for internal-use software, as required by SOP 98-1, incorporated the requirements of EITF 00-02. To date, no significant costs have been incurred.

Income Taxes

The Company records deferred income taxes using the liability method. Under the liability method, deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial statement and income tax basis of the Company's assets and liabilities. An allowance is recorded, based on currently available information, when it is more likely than not that any or all of a deferred tax asset will not be realized. The provision for income taxes includes taxes currently payable, if any, plus the net change during the period presented in deferred tax assets and liabilities recorded by the Company.

Per Share Data

The Company has adopted the standards set by the Financial Accounting Standards Board and computes earnings per share data in accordance with SFAS No. 128 "Earning per Share." The basis per share data has been computed on the loss for the period divided by the historic weighted average number of shares of common stock outstanding. There are no potentially dilutive securities which would be included in computation of fully diluted earnings per share.

Note 3. Income Taxes

There is no provision for Federal or State Income Taxes for the four-month period ended December 31, 2002 and 2001, since the Company has incurred losses from inception. Additionally, the Company has reserved fully for any potential tax benefits resulting from its carryforward operating losses. Deferred tax assets at December 31, 2002 and 2001 consist of the following:

LIFEN, INC.
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

	2002	2001
Net operating loss carryforward	$ 249,700	$ 111,000
Valuation allowance	(249,700)	(111,000)
	-0-	-0-

As of December 31, 2002, the Company has net operating loss carryfoward of approximately $662,000 which expire in various years from 2012 through 2017.

Note 4. Common Stock

During January, 1998, the Company issued 2,250,000 shares of its common stock to two founders of the Company for services valued at $225.

During October, 1998, the Company issued 2,750,000 shares of its common stock to four individuals for services to be performed. The agreement was canceled and the shares of common stock were returned and canceled.

During November, 1998, the Company completed a private placement offering of its common stock, Pursuant to Rule 504 under Regulation D, the Company issued 500,000 shares of its common stock in satisfaction of $25,000 owed to four parties who had performed services on behalf of the Company.

During March, 1999, the Company issued 2,325,200 shares of its common stock to eight parties for services performed on behalf of the Company, valued at $232.

During March, 2000, the Company issued 1,219,800 to ten parties for services performed on behalf of the Company, valued at $122.

During April 2000, the Company sold 45,000 shares of its common stock at $1.00 per share to three investors in a private placement, pursuant to Rule 504 under Regulation D, and received total proceeds of $45,000.

During October, 2000, the Company issued 660,000 shares of its common stock to six individuals for consulting services performed, valued at $.0001 per share, or $66. Also during October, 2000, the Company sold 10,000 shares of its Company stock to one investor at $1.00 per share. The Company received $5,000 in cash and services totaling $5,000.

LIFEN, INC.
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

In November 2000, the Company sold 30,000 shares of its common stock to two individual investors at a price of $.50 per share and received total proceeds of $15,000.

In January 2001, the Company sold 48,000 shares of its common stock to five individual investors at a price of $.50 per share and received total proceeds of $24,000.

In May 2001, the Company sold 500,000 shares of its common stock to one individual investor at a price of $.50 per share. The Company received proceeds in the amount of $100,000 in May, 2001, $50,000 in June, $50,000 in July, and $50,000 in August, 2001, for a total of $250,000. These shares were sold in reliance on the exemption provided by Section 4(2) of the Act.

In July 2001, 530,000 shares of the Company's common stock were returned to the Company for no consideration and were cancelled.

In November, 2001, the Company issued 366,000 shares of its common stock to nine parties who had performed services on behalf of the Company. The shares were issued in consideration of debt owed by the Company, at the agreed upon rate of $.0001 per share, and the shares were sold in reliance on the exemption provided by Section 4(2) of the Act.

In August, 2002, the Company sold 574,286 shares of its common stock to one foreign investor at a price of $.70 per share and received total proceeds of $402,000. The shares were sold pursuant to Regulation S promulgated under the Securities Act of 1933, as amended.

In August, 2002, the Company sold 2,000,000 shares of its common stock to two investors at a price of $.05 per share and received total proceeds of $100,000, pursuant to a Common Stock Purchase Agreement, executed effective May 15, 2002.

In October, 2002, the Company authorized issuance of 300,000 restricted shares of the Company's common stock, 100,000 shares to each of three directors in exchange for providing services to the Company as a member of the Board of Directors, which were valued at $700 ($0.007 per share) for each of the three directors.

In November, 2002, the Company authorized issuance of 399,931 restricted shares of the Company's common stock to the Company's President and 299,949 restricted shares of the Company's common stock to the Company's Chief Financial Officer and secretary. These shares will be issued in exchange for providing services as officers of the Company, which were valued at $2,666.66 and 2,000.00, respectively.

LIFEN, INC.
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

Note 5. Related Party Transactions

The Company's Chief Executive Officer and Chief Financial Officer also hold similar positions with First Medical Resources Corporation ("FMRC"). When the Company was relocated to its new office in October, 2002, certain moving and equipment installation costs were incurred. These costs were advanced by the Company for the benefit of itself and FMRC. That portion advanced for the benefit of FMRC was repaid in full to the Company in December 2002.

Ameristar Group Incorporated ("Ameristar") is a corporation that is an affiliate of two corporate shareholders of the Company and is considered to be a related party. During the quarter ended November 30, 2002, the Company paid Ameristar consulting fees totaling $15,000.

During the first quarter of fiscal 2002, the Company reached agreement with Ameristar to provide the Company with management services needed for its continuing development. Accordingly, on November 1, 2001, a Management Services Agreement was executed with Ameristar to provide consulting services, office space, and administrative services for a two-year period. The monthly cost of these services is $5,500, consisting of $2,500 for consulting services, $1,000 for rent, and $2,000 for administrative services. The consulting services include such activities as business plans; introductions to financial community; strategic planning; evaluation of potential business relationships, such as joint ventures, mergers and acquisitions; business projections; review of marketing plans; and general advisory and management services as required.

Effective August 15, 2002, the Management Services Agreement with Ameristar was terminated in accordance with a Termination Agreement executed between the Company and Ameristar on that date. As part of the Termination Agreement, the debt owed to the Company by Ameristar in the amount of $94,165 was cancelled in full payment of compensation owed to Ameristar for additional services provided to the Company.

On March 5, 2003 the Company executed a Promissory Note in favor of one of its Shareholders in the principal amount of $100,000. This Promissory Note accrues interest at 12% per annum, and matures on June 13, 2003, at which time the principal plus accrued interest are payable in full. If the Company should default on this Note, interest will accrue at 18% per annum as of the date of default. The Company paid a different Shareholder $5,000 as a transaction fee for securing this loan.

Note 6. Commitments and Contingencies

On August 14, 2002, the Company entered into an Employment Agreement for period of two years with its Chairman and CEO, which provides for a base salary of $200,000 per year. From this date until such date as additional funding may be obtained, the Chairman/CEO will be compensated as an independent consultant at a rate of $8,333.33, payable semi-monthly.

On September 26, 2002, the Company entered into a sublease as successor in interest to premises at 455 Market Street, San Francisco, California. The premise includes 2,487 square feet of office space and furniture. The term of the lease is through July 31, 2004 with a monthly rental through the term of the lease of $4,559.50. The first, second, and final eight months of the lease were prepaid as an inducement to the lessee to enter into this sublease.

On October 30, 2002 the Company entered into an agreement with a consulting firm to generate a list of businesses that met the Company's acquisition criteria. The Company agreed to pay the consulting firm $14,250 for these services plus an additional $42,750 for each business identified by the consulting firm that was acquired by the Company. To date, no businesses identified by the consulting firm have resulted in a consummated acquisition. The Company paid $5,000 of the $14,250 liability to the consulting firm during the current reporting period.

On November 15, 2002, the Company entered into an agreement with a consultant to identify businesses that met the Company's acquisition criteria. The Company agreed to pay the consultant five per cent of the first $1,000,000 in the aggregate purchase price paid by the Company to the seller. This percentage declines by one per cent for each additional $1,000,000 in aggregate purchase price paid by the Company to the seller at which time the consultant is paid one per cent of the excess of $5,000,000 in aggregate purchase price. To date, no businesses identified by the consultant has resulted in a consummated acquisition, and this agreement was terminated effective February 25, 2003. Should such a transaction occur with a company identified by the consultant during the period of time that this agreement was in effect, the consultant's fee will be paid 75% in cash less the $14,250 paid to the consulting firm previously referenced and 25% in the Company's common stock based upon the average closing price of the stock over the previous 20 days prior to the date of consummation.

Note 7. Concentration of Credit Risk

The Company maintains a bank account at one bank as of December 30, 2002 with a balance of $125,463 on deposit, only $100,000 of which is insured under Federal law.

LIFEN, INC.
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

Note 8. Going Concern

Lifen, Inc. is considered to be a development stage company. Since inception, the Company has been engaged in the development of its business plan, market research, initial website development and seeking financing in order to commence commercial operations. At December 31, 2002, the Company had incurred losses during the development stage of $662,347. $37,499 of the cumulative losses have been non-cash services in exchange for common stock in the Company. The balance of the losses, $624,848, was funded by the private placements of common stock, which totaled $784,995, net of placement costs, as of December 31, 2002.

Management recognizes the need to raise additional funds to continue its planned operations. Primary to the Company's solvency in the coming year is the sale of additional equity in the Company, continuing the Company's strategy of funding development through additional equity financing. These funds will be used to manage working capital requirements and to fund ongoing development costs. Capital commitments for the next twelve months are minimal, and additional funds raised through private placements should be sufficient to meet the Company's obligations for that period and until the various planned activities are able to create significant cash flow. The Company plans to raise any necessary capital through the sale of additional equity.

If additional capital is not readily available, the Company will be forced to scale back its development activities such that its income will exceed its expenses. Although this will greatly slow the Company's development, it will allow for the Company's survival. Notwithstanding the foregoing, there is substantial doubt regarding the Company's ability to continue as a going concern, and as such, the Company is substantially dependent upon its ability to raise sufficient capital to cover its development costs.

Note 9. Supplemental Disclosure to Cash Flow Statement

	For Four Months Ended Dec. 31, 2002	For Four Months Ended Dec. 31, 2001	From Inception Nov. 10, 1997 to Dec. 31, 2002
Cash paid during the period for:			
Interest	-	-	-
Income Taxes	-	-	-
Non Cash Transactions:			
Common stock issued for consulting services and market research	6,767	37	37,449

LIFEN, INC.
(A DEVELOPMENT STAGE COMPANY)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

Note 10. Subsequent Events

On January 2, 2003, the Company entered into an Agreement with a consulting firm to identify and evaluate potential acquisition candidates. Should such a transaction occur, the fee will be paid with the Company's stock based upon the average closing price of the stock over the previous 20 days. To date, no business identified by the consulting firm has resulted in a consummated acquisition. The Chief Executive Officer of the consulting firm is also a Director of the Company and a member of its audit committee.

Also, subsequent to the period covered by this Report, on January 22, 2003 the Company entered into an Agreement with a consulting firm to generate a list of businesses headquartered in Florida that met the Company's acquisition criteria. The Company agreed to pay the consulting firm $7,500 for these services plus an additional $22,500 for each business identified by the consulting firm that was acquired by the Company. To date, no businesses identified by the consulting firm have resulted in a consummated acquisition, and no portion of the fee has been paid.

On February 21, 2003, the Company received approval from the National Association of Securities Dealers ("NASD") to permit shares of its common stock to be traded on the Over The Counter Bulletin Board. The first trade occurred on February 24, 2003.

On March 5, 2003 the Company executed a Promissory Note in favor of one of its Shareholders in the principal amount of $100,000. This Promissory Note accrues interest at 12% per annum, and matures on June 13, 2003, at which time the principal plus accrued interest are payable in full. If the Company should default on this Note, interest will accrue at 18% per annum as of the date of default. The Company paid a different Shareholder $5,000 as a transaction fee for securing this loan.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

LIFEN, INC.

Dated: March 10, 2003 By: /s/ James D. Durham
James D. Durham
Chief Executive Officer and
Chairman of the Board

Dated: March 10, 2003 By: /s/ Pamela G. Atherton
Pamela G. Atherton
President

Dated: March 10, 2003 By: /s/ Lawrence M. Davis
Lawrence M. Davis
Chief Financial Officer and
Secretary

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

Dated: March 10, 2003 By: /s/ Robert J. Kenneth
Robert J. Kenneth
Director

Dated: March 10, 2003 By: /s/ Robert P. Oliver
Robert P. Oliver
Director

Dated: March 10, 2003 By: /s/ Joseph M. DeLuca

Joseph M. DeLuca
Director

CERTIFICATE PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Lifen, Inc. (the "Company") on Form 10-KSB for the transitional four-month period ended December 31, 2002, as filed with the Securities and Exchange Commission (the "Report"), each of the undersigned, in the capacities and on the dates indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: March 10, 2003 By: /s/ James D. Durham

James D. Durham
Chief Executive Officer and
Chairman of the Board

Dated: March 10, 2003 By: /s/ Lawrence M. Davis

Lawrence M. Davis
Chief Financial Officer and
Secretary

CERTIFICATION PURSUANT TO RULE 13a-14 AND 15d-14
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, James D. Durham, Chief Executive Officer and Chairman of Board of Lifen, Inc., certify that:

1. I have reviewed this annual report on Form 10-KSB of Lifen, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and we have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days of the filing date of this annual report (the "Evaluation Date"); and

(c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: March 10, 2003 By: /s/ James D. Durham

James D. Durham
Chief Executive Officer and
Chairman of the Board

CERTIFICATION PURSUANT TO RULE 13a-14 AND 15d-14
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Lawrence M. Davis, Chief Financial Officer and Secretary of Lifen, Inc., certify that:

1. I have reviewed this annual report on Form 10-KSB of Lifen, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and we have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days of the filing date of this annual report (the "Evaluation Date"); and

(c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: March 10, 2003 By: /s/ Lawrence M. Davis

Lawrence M. Davis
Chief Financial Officer and
Secretary