NMXS COM INC
Form 10KSB
April 16, 2003

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

Form 10-KSB

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2002

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to __________

Commission File Number: 333-30176

NMXS.com, INC.
(Exact name of Registrant as specified in charter)

DELAWARE	91-1287406
State or other jurisdiction of incorporation or organization	I.R.S. Employer I.D. No.

5041 INDIAN SCHOOL ROAD NE, SUITE 200, ALBUQUERQUE, NM	87110
(Address of principal executive offices)	(Zip Code)

Issuer's telephone number, including area code: (505) 255-1999

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

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

Check whether the Issuer (1) has filed all reports required to be filed by section 13 or 15(d) of the Exchange Act during the past 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.
(1) Yes [X] No [ ] (2) Yes [X] No [ ]

Check if disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. N/A

The issuer's revenues for the fiscal year ended December 31, 2002, were $1,658,000.

The aggregate market value of common stock held by non-affiliates of the issuer as of April 10, 2003, was $1,706,818, based upon the average bid and asked price on such date for the 20,080,213 common shares held by non-affiliates.

The number of shares outstanding of the issuer's common stock as of April 10, 2003, was 25,388,276.

Documents Incorporated by Reference: None

TABLE OF CONTENTS

PART I

Item 1.	Description of Business	5
Item 2.	Description of Property	14
Item 3.	Legal Proceedings	14
Item 4.	Submission of Matters to a Vote of Security Holders	15

PART II

Item 5.	Market for Common Equity and Related Stockholder Matters	15
Item 6.	Management's Discussion and Analysis	17
Item 7.	Financial Statements	24
Item 8.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	44

PART III

Item 9.	Directors and Executive Officers of the Registrant	44
Item 10.	Executive Compensation	45
Item 11.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	47
Item 12.	Certain Relationships and Related Transactions	49
Item 13.	Exhibits, List and Reports on Form 8-K	51
Item 14	Controls and Procedures	52

Forward-Looking Statements

This Form 10-KSB, including the section entitled "Management's Discussion and Analysis," contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements include our present expectations or beliefs concerning future events. We caution readers that such statements are necessarily based on certain assumptions, which are subject to risks and uncertainties that could cause actual results to materially differ from those contained in these forward-looking statements. Such forward-looking statements may include, without limitation, statements that we do not expect that lawsuits, commitments, including future contractual obligations, contingent liabilities, financing availability, or other matters will have a material adverse effect on our consolidated financial condition, statements concerning future capital needs and sources of such capital funding, future growth potential of our business, performance of our products, other similar expressions concerning matters that are not historical facts, and projections relating to our financial results.

We caution readers that such statements are necessarily based on certain assumptions, which are subject to risks and uncertainties that could cause actual results to materially differ from those contained in these forward-looking statements. Important factors that could cause such differences include, but are not limited to, rapid changes in technology relating to the Internet; the continued growth and use of the Internet; changes in government regulations; changes in our business strategies; market acceptance of our products; difficulty recruiting and retaining staff of sufficient technical caliber to provide adequate and on-going customer support and product maintenance and development; failure to successfully market our products; and catastrophic and universal hardware failure.

As a result of these and other factors, we may experience material fluctuations in future operating results on a quarterly or annual basis, which could materially and adversely affect our business, financial condition, operating results and stock price.

Readers should not place undue reliance on forward-looking statements, which reflect management's view only as of the date hereof. We undertake no obligation to publicly release revisions to these forward-looking statements that reflect events or circumstances after the date hereof or reflect the occurrence of unanticipated events.

4

PART I

ITEM 1. DESCRIPTION OF BUSINESS

Our History and Background

We were originally incorporated under the laws of the State of Utah on August 12, 1983, under the name "Raddatz Exploration, Inc." The name was changed to "Renaissance Guild, Inc." on February 16, 1984, and to "C.O.N.S.E.R.V.E Corporation" on October 3, 1985. On April 28, 1997, we changed domicile to the State of Delaware by merging into a Delaware corporation incorporated on October 14, 1980, under the name "Costs of Owning the Newest Systems of Energy Reduction are Virtually Eliminated, Inc." The name was changed to "Conserve, Inc." on May 11, 1999. On August 3, 1999, our corporate name was changed to "NMXS.com, Inc."

Through our wholly owned subsidiaries, New Mexico Software, Inc. and Working Knowledge, Inc., we develop and market proprietary Internet technology-based software for the management of digital high-resolution graphic images, video clips, and audio recordings. Through New Mexico Software we develop and market the software, and through Working Knowledge we provide data maintenance services related to the New Mexico Software digital asset management system.

What New Mexico Software Products Provide Customers

New Mexico Software operates as a business segment with the role of product development and support. Currently, New Mexico Software has developed a media asset management product called AssetWare. We market AssetWare in two ways; as a hosted application on the Internet, and as a highly customized application according to clients' specifications. A hosted application provides a customer access to the AssetWare product over the Internet. Customers log on to our server and use AssetWare to manage, view and distribute their media assets. The hosted application customers' media files are also stored on our server. Customers can choose the number of features needed for the particular business and are billed according to the number of features chosen and the amount of disk space the customer's media files will occupy. New Mexico Software has developed a product called MagZoom that allows magnified views of images on the Internet. MagZoom can be purchased as a hosted application or for local installation on a customer's web server.

In addition to the products we have developed based on our technology, we have cooperative agreements with other vendors to either incorporate their products with our product, or offer their products as an additional feature. For instance, we cooperate with manufacturers like Toshiba with whom we sell our software pre-loaded on their hardware.

Our Technology

We engineer products around a central core of unique Internet technology that makes it possible to rapidly view, distribute and manage media files such as graphic images, animation sequences and film clips. Characteristically, media files are very large, thus making them more time-consuming to view and distribute using conventional Internet technology. For instance, a media file such as an x-ray might be as large as 70mb. Conventional Internet technology moves the entire media file. Using a standard 56.6-kb modem connection, moving such a file would take more than 20 hours to load to a Netscape or Internet Explorer browser window if the Internet connection could be maintained that long, and if the browser did not crash. Using our technology that same 70mb file can be viewed in approximately 37 seconds over a 56.6-kb modem connection. If it is necessary to move the actual media file, our technology provides a highly expedited method of doing this as well. However, for many e-commerce and other common Internet uses, it is not necessary to move the file, only to view it. In addition, our viewing technology also provides several magnification features. One type of magnification makes it possible to magnify regions of interest in a graphic image by clicking on them with the computer mouse. The viewer can then move the mouse around to magnify different areas of the image. Another type of magnification provides the ability to click on the image to greatly magnify the entire image. By holding down the mouse button and moving the mouse, the viewer can then move the magnified image to fit in the screen. While the ability to magnify images over the Internet is not unique, our product differs from many others in that the viewer does not require any special software to perform these various types of magnification. The magnification capability is generated by our Internet technology on our server--a high speed computer that handles multiple streams of incoming and outgoing data--rather than being deployed as an application that must reside on the viewer's desktop computer. This means that e-commerce sites using our technology can offer their viewers the ability to examine products in detail without requiring them to download additional software.

Besides our viewing technology we also provide the ability to manage large numbers of media files in a visual database displaying small, thumbnail representations of the media. This database can be searched by natural language queries.

Our core technology is characterized by these additional features that also contribute to what we perceive to be marketplace advantages:

* Ability to use high-resolution graphics files large files with lots of detail as opposed to the low resolution files with indistinct detail used by conventional Internet technology.

* Ability to use a single image in multiple resolutions.

* Media stored using our unique technology has more modest storage requirements than media stored in conventional formats.

* Our technology works on MacIntosh, PC and UNIX computers. If a business has a network of these different types of computers it will work with combinations of these computers.

* Ability to print photographic quality images directly from the Internet. That is, images of the same quality that would normally require a color separation and professional printing process.

* The ability to create private, password required viewing salons on the Internet for the purposes of inter-business collaboration.

* Ability to convert existing images in other file formats such as computer aided design files and medical digital imaging and communications in medicine files to the file format used by our technology.

* Easy to use because it does not require any new software programs, only a familiarity with Netscape or Internet Explorer.

We employ programmers and engineers tasked with adding new features to our products and fixing any problems users might encounter. There are risks inherent in software development including unanticipated delays, technical problems that could mean significant deviation from original product specifications, and hardware problems. In addition, once improvements and bug fixes are deployed there is no assurance that they will work as anticipated or that they will be durable in actual use by customers.

During the years ended December 31, 2002 and 2001, our research and development costs were $176,000 and $279,000, respectively, none of the costs of which were borne directly by our customers.

Working Knowledge

Working Knowledge, Inc. provides services that are necessary to prepare, enter, and maintain the customer's data on our image management system. These include web design, database development, image scanning, asset uploading, and database support. In addition, Working Knowledge is able to serve the customer by utilizing the stored images to produce compact discs, digital prints, and large poster formats. These complementary services allow us to complete our cycle of comprehensive image management.

Marketing

Our primary sales and marketing efforts have been to develop alliances with large companies that help to bring our products to market using their sales forces and distribution channels. Our marketing focus has been in three principal fields. Approximately 80% of our

clients have been in the entertainment industry, approximately 10% have been in the medical field, and approximately 10% have been government agencies

* Medical AssetWare

New Mexico Software is developing many new products for medical asset management, including products from our core technology to new products from our strategic partner, BOSS. Boss is an application service provider which is developing an Internet based accounting system. We are combining their technology with our AssetWare digital asset management system. Together we are integrating products like Smart Doctor which manages patient record files, MagZoom, and accounting, patient rights management, and HIPAA compliant medical applications.

New Mexico Software, through its MagZoom technology, can deliver even the highest resolution X-ray over the web in a matter of seconds, with no loss of resolution regardless of how close the client zooms. Management believes this technology has several advantages, including faster, more accurate readings, with fewer problems for the physician, less waiting time for the patient, and less cost for the insurance company. Each X-ray image can be permanently stored in a digital format, complete with detailed patient information and physician notes.

Our technology permits the information to be stored on a specially built server called a NAS (Network Appliance Server), which has as its core technology our AssetWare built into the server.

* Entertainment Industry; Television, Movie Studios, and Ad Agencies

We also provide digital asset management to the Hollywood entertainment studios. New Mexico Software provides software solutions for the management of large volumes of media of digital material sent over the Internet. These digital files include database management of graphic images, animation sequences, video clips, audio recordings, text, television program material, and educational films.

Our technology allows clients and their customers to access certain files themselves and limits their access to only those jobs the studio wants them to have. This is especially significant since we serve clients with multiple offices all over the world. We can allow our customer's customers to access marketing materials and archived data created at the studio instantly, securely, and at virtually no cost. In addition, our technology permits them to find what they need easily because of powerful cataloging features that can be accessed by keyword, color, texture or shape, or phonetic searching.

* Government

We also work with many government agencies and have developed for them an asset sharing multiple database technology that allows assets from different agencies to share information. Our technology permits agencies to upload one record for all divisions, which we believe would save money for the agency by eliminating duplication of the same file(s) by different divisions.

Customers

During the year ended December 31, 2002, we were dependent upon a small number of clients. Three of these clients accounted for approximately 67% of our gross revenues. Due to the nature of our business, we will continue to deal with a relatively small number of customers. However, we are working to expand our products and sales volume, and we anticipate that our reliance on any one or two customers will decrease.

Our Intellectual Properties

We have several proprietary aspects to our software that we believe make our products unique and desirable in the marketplace. Consequently, we regard protection of the proprietary elements of our products to be of paramount importance and we attempt to protect them by relying on trademark, service mark, trade dress, copyright and trade secret laws, and restrictions on disclosure and transferring of title. We have entered into confidentiality and non-disclosure agreements with our employees and contractors in order to limit access to, and disclosure of, our proprietary information. There can be no assurance that these contractual arrangements or the other steps taken by us to protect our intellectual property will prove sufficient to prevent misappropriation of our technology or to deter independent third-party development of similar technologies.

Although we do not believe that we infringe the proprietary rights of third parties, there can be no assurance that third parties will not claim infringement by us with respect to past, current, or future technologies. We expect that participants in our markets will be increasingly subject to infringement claims as the number of services and competitors in our industry grows. Any such claim, whether meritorious or not, could be time-consuming, result in costly litigation, cause service upgrade delays, or require us to enter into royalty or licensing agreements. Such royalty or licensing agreements may not be available on terms acceptable to us or at all. As a result, any such claim could have a material adverse effect upon our business, results of operations, and financial condition.

While we have commenced the process to protect our trade names, we have not completed the process. Thus, others could attempt to use trade names which we have selected. Such misappropriation of our brand identity could cause significant confusion in the highly competitive Internet technology marketplace and legal defense against such misappropriation could prove costly and time-consuming. As part of the brand identity creation process that

defines our products to be unique in the Internet technology marketplace and proprietary in nature, we have begun the process to protect certain product names and slogans as registered trademarks to designate exclusivity and ownership.

Although trademarked in the U.S., effective trademark, copyright or trade secret protection may not be available in every country in which our products may eventually be distributed. There can also be no assurance that the steps taken by us to protect our rights to use these trademarked names and slogans and any future trademarked names or slogans will be adequate, or that third parties will not infringe or misappropriate our copyrights, trademarks, service marks, and similar proprietary rights.

Government Regulation

Our company, operations, products, and services are all subject to regulations set forth by various federal, state and local regulatory agencies. We take measures to ensure our compliance with all such regulations as promulgated by these agencies from time to time. The Federal Communications Commission sets certain standards and regulations regarding communications and related equipment.

There are currently few laws and regulations directly applicable to the Internet. It is possible that a number of laws and regulations may be adopted with respect to the Internet covering issues such as user privacy, pricing, content, copyrights, distribution, antitrust and characteristics and quality of products and services. The growth of the market for online commerce may prompt calls for more stringent consumer protection laws that may impose additional burdens on companies conducting business online. Tax authorities in a number of states are currently reviewing the appropriate tax treatment of companies engaged in online commerce, and new state tax regulations may subject us to additional state sales and income taxes.

Because our services are accessible worldwide, other jurisdictions may claim that we are required to qualify to do business as a foreign corporation in a particular state or foreign country. Our failure to qualify as a foreign corporation in a jurisdiction where it is required to do so could subject us to taxes and penalties for the failure to qualify and could result in our inability to enforce contracts in such jurisdictions. Any such new legislation or regulation, or the application of laws or regulations from jurisdictions whose laws do not currently apply to our business, could have a material adverse effect on our business, results of operations, and financial condition.

How We Compete

The media asset management market is one of the newest in the rapidly growing information services industry. Competition at this time is broad with many vendors offering systems that have some comparable features as our current product. However, to our knowledge, few have comparable features for the management and distribution of images and to

10

the best of our knowledge none has the advanced viewing technology that we provide. We believe our viewing technology offers a competitive advantage over companies that offer just media asset management products.

Another competitive strategy we are using is offering our product as a hosted application. We believe that our strategy to provide AssetWare as a hosted application and our custom system design capabilities provide us a diversity of competitive market penetration opportunities.

An important development in the sales and marketing of our products occurred in 2002. In May, 2002 we started a new relationship with an existing customer, Toshiba America Information Systems. Toshiba and New Mexico Software are now marketing a product called the Digital Filing Cabinet. Originally, the product was to be called DoorS for which we had applied for a trademark. The trademark was granted in January 2003. However, it was later learned that a Swedish company, Telelogic, had used the name in commerce since 1993 for a type of software used by programmers. Although the name probably would not be a conflict for either of the two companies, it was decided that New Mexico Software would withdraw our use of the name, DoorS.

A Digital Filing Cabinet organizes, searches, retrieves, displays, archives and distributes digital content from a central repository. Further, it converts analog and digital files to all digital. It uses the Linux based operating system. The software handles photographs and images, email, electronic files, and paper documents. It includes a web server, database, firewall and search engine. The product receives faxes in digital and searchable Adobe PDF format. It can scan documents from high speed Fujitsu document scanners. Like AssetWare Professional version, the Digital Filing Cabinet can e-mail customized collection baskets of unlimited size - sending recipients a link and not an attachment. It also provides instantaneous distribution which reduces the cost of over-night courier services.

Additional features which are provided to the user of the Digital Filing Cabinet are:

* Fax and Scan documents into the database.
* Copy documents into the database with a network-enabled copier. (Toshiba, Canon, Kyocera, Sharp)
* Documents are automatically converted to Adobe PDF and scanned with New Mexico Software OCR technology.
* Document conversion from PDF to Word and Word to PDF.
* Improved search engine; quick search and Boolean search; and search entire database or search specific folders.
* Locate a document: type into the search field a keyword, name or invoice number off the document and that document is instantly retrieved and displayed.
* Users are assigned to groups, groups are given certain permissions (viewing, downloading, and emailing) and assigned to catalogs.
* Easy to set-up and user friendly.
* Upload and download original files of any size.

* Creates a Web site automatically with the customer simply providing the content.
* Creates thumbnails for all office file types.
* Ships with Open Office Suite and compatible with Microsoft Office 2003.
* Strong control environment and permission structure allows administrators to decide who has access to what content.
* Version control.
* Full Text Indexing for Office documents.
* Master/slave software to use multiple servers for backup on different IP addresses and different networks at different locations (requires second license). Ideal for disaster recovery programs.
* CD or DVD archiving. (In Beta)
* Search within CD or DVD without the need for a server connection. (In Beta)
* Search indexed words within PDF documents for content on the Internet or after downloaded. Print specific page from search page.
* Enhanced MagZoom. Cinemascope Loupe technology for reading documents and images.
* Scan preview of pages coming into the copier queue.
* Scan to a selected file folder.
* Create barcode templates for each directory and use separator pages to scan to the directory or sub-directory in which the documents belong.
* New Folder creation for ordinary users. Non administrative users can upload or delete files if given permissions.
* Turn OCR on/off. Turn Version Control on/off.
* Backup software for Exabyte Tape Backup Systems.

The program with Toshiba includes marketing funds, joint marketing and sales programs, trade show exposure, and an advertising program in Forbes Magazine and Forbes.com. The Forbes advertising program is being funded in part by Toshiba and the majority of the program is funded by sales of our software. The program has been prepaid to Forbes magazine with the first advertisements already appearing on Forbes.com and the magazine advertisements will start with one half page four color pages in the May or June 2003 issues. They will continue for several months to help build exposure for the program.

Another marketing effort was started with ITMC. IT Marketing Corporation is located in Austin, Texas. New Mexico Software is working with ITMC to distribute products built by Toshiba and New Mexico Software. In addition they are providing telemarketing assistance to help build the reseller distribution channel which will support the sales of the Toshiba/New Mexico Software Digital Filing Cabinet.

We believe that establishing and maintaining brand identity of our products and services is critical to attracting new customers and retaining our customer base of large corporations. The importance of brand recognition will continue to increase as new competitors enter the digital asset management marketplace. Promotion and enhancement of our brands will depend largely on our success in continuing to provide high quality service and developing leading edge

12

products and this cannot be assured. If businesses do not associate our product names or brands with high quality, or if we introduce new products or services that are not favorably received, we will run the risk of compromising our product line and decreasing the attractiveness of our products to potential new customers. In addition, to attract and maintain customers and to promote our products in response to competitive pressures, we may find it necessary to increase our financial commitment substantially to create and maintain product loyalty among our customers. If we are unable to provide high quality services, or otherwise fail to promote and maintain our products, or if we incur excessive expenses in an attempt to improve our services, or promote and maintain our products, our business, results of operations, and financial condition could be adversely affected.

Other, better financed companies may be developing similar products as ours which could compete with our products. Such competition could materially adversely affect our financial condition. Although we have been established for eight years, our initial product was not marketed until 1998. There may exist better-capitalized companies on a parallel development path with similar products addressing our target markets. While the Internet technology marketplace is extremely competitive, we have anticipated a first-to-market advantage with our products. However, other highly capitalized companies that have recognized the absence of digital image management products could overwhelm our first-to-market advantage with expensive and expansive media blitzes that create the perception of a dominant market presence and/or superior products. If we are unsuccessful in addressing these risks and uncertainties, our business, results of operations, and financial condition will be materially and adversely affected.

We are continuing to develop our core products using a mix of readily available open source software development tools. Knowledgeable competitors may be able to deduce how we have assembled our code base and be able to develop competing products. The principal advantage in utilizing open source tools is the extremely high degree of portability they ensure. Migrating our products from one operating system or hardware base to another is more easily accomplished by avoiding proprietary development tools. The risk factor inherent in the use of such freely available tools is the fact that a sophisticated competitor might be able to imitate our work and produce similar functionality. Our product has two unique and highly desirable features for e-commerce, medical, and other commercial applications. Our product offers the ability to magnify details in high-resolution graphic images. Our product also allows rapid transmission of a portion of such an image based on user input, significantly enhancing the responsiveness of the system to deliver images over the Internet. The ability to perform these operations is based on a specific graphic image file format. We recognize that these significant features of our product could be a target for imitation. Any such imitation, should it occur, could have material adverse effects on our business, operations, and financial condition.

Copyrights and Trademarks

We have four copyright registrations, one which was effective June 18, 2001, and three federal trademark applications which were filed in January 2000. The copyright is for our

13

MagZoom product. Three additional trademarks were granted in 2002 and they are: for the names "AssetWare," "Real Time Real Organized Real Simple," and "The Look and Feel of e-Commerce."

Employees

As of April 10, 2003, we had 13 employees, including 7 in systems engineering and quality assurance; 4 in administration and sales; and 2 in scanning and site development. We offer and share in the cost of health and dental insurance. A stock option plan and a stock issuance plan for employees and others were adopted on August 3, 1999, and July 27, 2001, respectively. The competition for qualified personnel in our industry and geographic location is intense, and there can be no assurance that we will be successful in attracting, integrating, retaining and motivating a sufficient number of qualified personnel to conduct our business in the future. We have never had a work stoppage, and no employees are represented under collective bargaining agreements. We consider our relations with our employees to be good. From time to time, we also utilize services of independent contractors for specific projects or to support our research and development effort.

ITEM 2. DESCRIPTION OF PROPERTY

We lease a 6,002 square foot facility in Albuquerque, New Mexico, at a cost of approximately $8,253 per month, increasing to approximately $8,503 beginning August 1, 2003. The lease expires approximately July 31, 2004. The facility provides both administration and engineering offices. It is in close proximity to the location of the servers, and the two locations are networked together by fiber optics. The current space provides adequate room for expansion. It also contains an advanced telephone system which will provide the capability needed to provide adequate customer telephone support.

We have also leased approximately 1,200 square feet of office space in Santa Monica, California, to house the Working Knowledge, Inc. operations. The lease term commenced June 8, 2000, and expires on June 8, 2003. Current monthly lease payments are $3,337. We intend to renew this lease prior to termination. If we are unable to renew the lease with terms satisfactory to us, we believe similar space would be available at comparable rates.

ITEM 3. LEGAL PROCEEDINGS

Neither our parent company nor any of its subsidiaries, or any of their properties, is a party to any pending legal proceeding. We are not aware of any contemplated proceeding by a governmental authority. Also, we do not believe that any director, officer, or affiliate, any owner of record or beneficially of more than five percent of the outstanding common stock, or security holder, is a party to any proceeding in which he or she is a party adverse to us or has a material interest adverse to us.

Nevertheless, we are delinquent in payment to a number of service or product providers, any one of which could institute legal proceedings against us in the future. In particular, we are in a dispute with Sun Microsystems, Inc. This dispute involves computer equipment previously used by us. The term on the lease of the equipment expired in 2002. Sun claims that we owed them $18,000 at December 31, 2002, plus approximately $7,000 per month for lease payments, and we claim that the lease expired and we over-paid Sun by $50,000. Management is actively working with Sun and the other creditors to settle the amounts owed or negotiate more favorable payment terms. There is no assurance that management will be successful in settling these accounts or renegotiating payment terms. If we are unsuccessful in doing so, the enforcement of collection of the amounts owed could have a material negative impact on our business.

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

No matters were submitted to a vote of the security holders during the fourth quarter ended December 31, 2002.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

Our stock is currently quoted on the OTC Bulletin Board under the symbol "NMXS." The table below sets forth for the periods indicated the high and low sales prices as reported on the Internet. These quotations reflect inter-dealer prices, without retail mark-up, mark-down, or commission and may not necessarily represent actual transactions.

	Quarter	High	Low
FISCAL YEAR ENDED DECEMBER 31, 2001	First	$1.00	$0.28
	Second	$0.93	$0.15
	Third	$0.65	$0.45
	Fourth	$0.50	$0.26
FISCAL YEAR ENDED DECEMBER 31, 2002	First	$0.40	$0.32
	Second	$0.50	$0.20
	Third	$0.26	$0.17
	Fourth	$0.23	$0.17
FISCAL YEAR ENDING DECEMBER 31, 2003	First	$0.19	$0.05

Our shares are subject to Rule 15g-9 under the Exchange Act. That rule imposes additional sales practice requirements on broker-dealers that sell low-priced securities designated as "penny stocks" to persons other than established customers and institutional accredited investors. The SEC's regulations define a "penny stock" to be any equity security that has a market price less than $5.00 per share or with an exercise price of less than $5.00 per share, subject to certain exceptions. Currently our stock is a penny stock. We cannot assure you that our shares will ever qualify for exemption from these restrictions. For transactions covered by this rule, 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, the rule may affect the ability of broker-dealers to sell our shares and may affect the ability of holders to sell their shares in the secondary market.

Shareholders

As of April 10, 2003, there were 356 holders of record of our common shares. Such number of record owners was determined from our shareholders' records maintained by our transfer agent and does not include beneficial owners of our common stock held in the name of various security holders, dealers and clearing agencies.

Dividends

We did not declare any cash dividends on our common stock during the years ended December 31, 2002 and 2001. We have no plans to pay any dividends to the holders of our common stock.

Sales of Unregistered Securities

During the fourth quarter ended December 31, 2002, the following securities were sold by us without registering the securities under the Securities Act:

* In October 2002 we issued 300,000 shares of common stock to twenty investors, nine of whom were accredited, for gross proceeds of $20,000. The shares were offered to persons who attended our open house held on October 4, 2002. The shares were issued without registration under the Securities Act by reason of the exemption from registration afforded by the provisions of Rule 506 of Regulation D. Each of the investors received a term sheet containing the same type of information which would have been included in a prospectus. Each of the investors acknowledged the investment nature of the securities issued and consented to the imposition of restrictive legends upon the certificates evidencing the shares and the warrants. The investors did not enter into the transaction as a result of or subsequent to any advertisement, article, notice, or other communication published in any newspaper, magazine, or similar media or broadcast on television or radio, or presented at any seminar or meeting. Each investor was also afforded the opportunity to ask questions of our management and to receive answers concerning the

terms and conditions of the transaction. No underwriting discounts or commissions were paid in connection with such issuance.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

We are a leading provider of digital asset management solutions. We provide full ASP services for content owners to better manage the digital lifecycle of intellectual property which includes digitizing, encoding, storing, managing, licensing, and distributing digital files in government, medical, entertainment, and IT markets. Our core product, AssetWare, is an enterprise-level platform that manages digital assets, which is anything digital that a company or organization would consider an asset. It manages assets by creating catalogs, or groups of assets, catalog hierarchies, users, user groups, and user permissions. The assets are managed by our database that maintains both the membership of the asset in a catalog, or catalogs, and information about the asset. AssetWare's main user interface is a web browser, which makes it accessible and more intuitive to a greater number of users. AssetWare can be run on Solaris, IBM, Windows, or Linux operating systems.

During third quarter of 2002 our engineers upgraded our customized technology which will permit the installation of a high-speed 6Ghz "Triage" data cluster. This will provide increased speed, redundancy, failover capability, and load balancing to our AssetWare enterprise database. The new system will also help balance image and data processing server side loads. Management believes this upgrade is a normal part of the business of the company and will allow us to remain competitive in this industry. We have begun offering this upgrade to its software. However, management is unable to assess the specific effect, if any, this new technology will have on our business or on future revenue generated from the sale of the AssetWare software.

AssetWare is offered in a number of configurations, including the following: AssetWare-hosted model; AssetWare-licensed model; AssetWare-E-commerce module; AssetWare-For Kiosks; AssetWare-Workgroup; AssetWare-Rapid Deployment; AssetWare-For Government; and AssetWare-Source Code API. We also now offer two lower-end versions of AssetWare called Digital Filing Cabinet to smaller users providing a concurrent user system for from 25 to 100 concurrent users.

During third quarter of 2002, we finalized the arrangements to preload our Linux-based Digital Filing Cabinet software, formerly available only on our AssetWare enterprise software, on Toshiba's Magnia SG20 and Z series servers. Management believes this arrangement is designed to appeal to small business and consumers who desire to organize, store, find, and manage information at a reasonable cost. Management is unable to determine at this time the effect, if any, this will have on our business.

Through the third quarter of 2001 our focus was on research and development and testing of our software. Beginning in the fourth quarter of 2001 we commenced production and marketing of the Digital Filing Cabinet. Although we continue to perform research and development, these activities are currently limited to upgrading the existing product, creating new features requested by clients, and matching the product to various OEM hardware. Also, since the core product is now available for mass distribution, we intend to reduce the amount of custom programming previously performed and focus on marketing our core products.

We presently realizes revenues from four primary sources: (i) software maintenance; (ii) custom programming; (iii) license fees; and (iv) scanning and related services. Two of these revenue streams, license fees and software maintenance, are directly related. With each sale of our products, the end user enters into a license agreement for which an initial license fee is paid. The license agreement also provides that in order to continue the license, the licensee must pay an annual software maintenance fee for which the party receives access to product upgrades and bug fixes or product patches. Management is in the process of standardizing the license fees on its products and also establishing a standard maintenance fee based on a fixed percentage of the initial license fee. In the past, license and maintenance fees were established on an individual client basis. We are currently in the second year of several of these initial license agreements which accounts for the increase in revenue generated from software maintenance. Management anticipates that this source of revenue will continue to increase as more products are sold. During the initial stage of product development, we focused more on custom programming for clients and, with the completion of our core product, will perform less customized services, which could result in a continued decline in this source of revenue. Scanning services are performed by Working Knowledge at its site in Santa Monica, California. With management's focus on marketing our core products, less attention has been devoted to developing this segment of our business. Management anticipates that these services will be reserved in the future primarily for customers of our core products, although revenue could be generated from unsolicited customers.

Cost of services consist primarily of engineering salaries and supplies, and compensation-related expenses, as well as hardware purchases and equipment rental. General and administrative expenses consist primarily of salaries and benefits of personnel responsible for business development and operating activities, and include corporate overhead expenses. Corporate overhead expenses relate to salaries and benefits of personnel responsible for corporate activities, including acquisitions, administrative, and reporting responsibilities. We record these expenses when incurred.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amount of assets and liabilities, revenues and expenses, and related disclosure of contingent

assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, and potentially result in materially different results under different assumptions and conditions. We believe that there are no critical accounting policies which would have a material impact on our financial presentation.

Notwithstanding the foregoing, we recognize revenue from sales of proprietary software which do not require further commitment from us upon shipment. During 2002 we shipped software under a contract with Physicians Telehealth Network ("PTN") and recognized $500,000 in license fees from the sale. The agreement with PTN provides for the licensing of the technology for $500,000, which amount was recorded as income during 2002; however, as of the date of filing this report, none of the proceeds from this sale had been received from PTN.

Year Ended December 31, 2002, Compared to Year Ended December 31, 2001

A summary of operating results for the years ended December 31, 2002 and 2001 is as follows:

	2002 Amount	2002 % of Revenue	2001 Amount	2001 % of Revenue
Revenues	$ 1,658,000	100%	$ 1,279,000	100%
Cost of services	527,000	31.8%	487,000	38.1%
Gross profit	1,131,000	68.2%	792,000	61.9%
General & administrative	1,386,000	83.6%	2,723,000	212.9%
Research & development	176,000	10.6%	279,000	21.8%
Impairment of goodwill	22,000	1.3%	-	-
	1,584,000	95.5%	3,002,000	234.7%
Other income (expense)	(69,000)	(4.2)%	(30,000)	(2.3)%
Net income (loss)	$ (522,000)	(31.5)%	$ (2,240,000)	(175.1)%

	2002	2001
Earnings (loss) per share:	$ (0.02)	$ (0.10)

19

Revenues. Total revenues increased 29.6%, or $379,000, for the year ended December 31, 2002, as compared to the same period in the prior year (the "comparable prior year period"). These revenues were generated from the following four revenue streams:

* Revenues generated by software maintenance increased 163%, or $653,000, for the year ended December 31, 2002, as compared to the comparable prior year period. This increase is attributable to the increase in the number of license agreements with continuing annual maintenance fee provisions. This increase was also due in part to a single contract with Physicians Telehealth Network (PTN) from which we recognized revenue of $500,000 in license fees during the first half of this year. The agreement with PTN provides for the licensing of the technology for $500,000, which amount was booked as revenue in the first half of this year. The agreement, dated June 15, 2002, called for a down payment by PTN of $25,000 and the balance in 90 days. Neither the down payment nor any of the balance has been paid by PTN. In February, 2003 PTN assets were acquired by a group of investors headed by Kurt Grossman. PTN assets, including contract rights, trade secrets, and intellectual property, have been acquired by a new corporation named Doctors Telehealth Network (DTN). DTN also assumed the obligation to pay the $500,000 under the original PTN agreement. PTN was unable to fulfill its original contract with New Mexico Software and this significantly delayed the deployment of their network. Mr. Grossman, also an investor in our company, reconfirmed his intention to work with New Mexico Software to develop the latest generation of AssetWare Medical for DTN. Prior to year-end, we had

booked the $500,000 as license fee revenue. Support, maintenance, and development costs related to this contract are estimated at $500,000 and will be governed by a separate agreement, which management hopes to complete during the first half of 2003. Management anticipates that revenues in this category will continue to increase, although there is no assurance that they will increase at the current rate.

* Custom programming revenue decreased 73%, or $287,000, for the year ended December 31, 2002, as compared to the comparable prior year period. This decrease was primarily due to a shift from providing customized software services to marketing of developed software products. Management anticipates that the decrease in revenue from custom programming will continue.

* Revenues generated by license fees decreased 44.2%, or $138,000, for the year ended December 31, 2002, as compared to the comparable prior year period. This decrease is primarily attributable to the fact that we did not enter into any new significant licenses during the year. The renewal fees under our license agreements are substantially lower than the initial license fee paid when the license is first entered into with the client. We anticipate in the future that sales of licenses will be static but will be broader to a larger customer base.

* Revenue generated by scanning services decreased 46.4%, or $65,000, for the year ended December 31, 2002, as compared to the comparable prior year period. Although

20

management anticipates that revenues generated by Working Knowledge will remain consistent or even increase modestly in the future, the services provided by Working Knowledge will generally be limited to our existing or future clients and will not be our primary focus. However, Working Knowledge will continue to accept unsolicited work.

* Other revenue was generated by commissions from Sprint, consulting services for data base design, and other miscellaneous items. Revenue generated by these other services increased 635% or 216,000, for the year ended December 31, 2002, as compared to the comparable prior year period. The Sprint agreement was terminated by both parties and a settlement of monies owed by both parties was agreed to in late January 2003. The agreement calls for New Mexico Software to make a total of $16,000 in payments to Sprint. Payments will be made over a period of 16 months at the rate of $1,000 per month.

Cost of Services. Cost of services increased 8.2%, or $40,000, for the year ended December 31, 2002, as compared to the comparable prior year period. Cost of services as a percentage of revenues decreased to 31.8% for the year ended December 31, 2002 from 38.1% for the comparable prior year period. This decrease was primarily due to a decrease in salaries and compensation previously associated with the development of our AssetWare software in the comparable prior year period. During the first year ended December 31, 2002, this product went into production which required less expense. Management believes this current percentage is more indicative of the percentage of costs associated with revenues in the future, but until we have been in the active marketing phase for a longer period, management is unable to yet determine to what extent this percentage may change in the future.

General and Administrative. General and administrative expenses decreased 49.1%, or $1,337,000, for the year ended December 31, 2002, as compared to the comparable prior year period. This decrease was primarily attributable to the reduction in the number of employees and the change of auditors. General and administrative expenses as a percentage of revenues were 83.6% for the year ended December 31, 2002, as compared to 212.9% for the comparable prior year period. Management believes this current percentage is more indicative of the percentage of general and administrative costs associated with revenues in the future, but until we have been in the active marketing phase for a longer period, management is unable to yet determine to what extent this percentage may change in the future.

Research and Development. Research and development expenses decreased 36.9%, or $103,000, for the year ended December 31, 2002, as compared to the comparable prior year period. This decrease was primarily due to the completion of the development of our core software products during the last quarter of 2001 and the refocusing of research and development to upgrading the existing products to remain competitive in the industry.

Other Income. Interest income decreased 80%, or $4,000, for the year ended December 31, 2002, as compared to the comparable prior year period. Interest expense increased 28.6%, or $10,000, for the year ended December 31, 2002, as compared to the comparable year period.

21

The increase in interest income was attributable to the increase in the interest expense due to additional promissory notes sold by us. The loss on disposal of fixed assets was attributable to the return of the Sony Petasite equipment. This equipment had been sold to us by Sony for a custom project which was completed during the period. Although Sony had invoiced us for the equipment, the invoice had not been paid, so that with the return of the equipment, we realized no additional cash. Rather it received a credit on the invoice, less a restocking fee and other costs charged by Sony and nominal transportation expenses.

Liquidity and Capital Resources

Our negative cash flow continues to be of concern to management. As discussed below, we suffer from a lack of available cash to meet our continuing operating requirements. Amounts due a number of suppliers for services and products remain delinquent which may cause these parties to seek legal action against us to collect delinquent accounts. At December 31, 2002, we had trade accounts payable in the amount of $307,401, of which $67,179 were current, $18,182 were between 31 and 60 days delinquent, $5,992 were between 61 and 90 days delinquent, and $211,212 were over ninety days delinquent. The four largest creditors include our former auditor ($91,255), Sprint Data Services ($14,000), another former auditor ($11,878.00), and legal counsel ($8,605). Management continues to work with our creditors and to seek additional sources of capital, but there is no assurance that it will be successful, or that additional capital can be obtained at rates or terms favorable to us. We also continue to accrue the salary of the president, which at December 31, 2002, was an aggregate of $109,003. Payroll taxes due at December 31, 2002, were $145,827, excluding penalties and interest. Our inability to pay or settle these obligations, especially the amount due to the IRS, could have a material negative impact on our business and could affect our ability to continue as a going concern.

Accounts receivable increased from $469,000 in 2001 to $643,000. Of the total increase, $500,000 is due to the receivable from PTN. Taking into account this single account receivable, receivables have decreased significantly from last year. Management believes this is due to better collection methods initiated during the year and the completion of more projects.

Operating activities generated $76,000 of cash for the year ended December 31, 2002, as compared to operating activities using $321,000 of cash for the comparable prior year period. The decrease in the use of cash was primarily due to lower operating expenses and decreased salaries, some of which was a result of completing much of the development stage of the AssetWare product, and in a significant increase in accounts payable and accrued expenses. There was a significant decrease in deferred revenue from hosting activities provided by a change in sales methodology where sales of licenses are immediately included in revenue instead of a term contract over a period of time which required deferral of revenue. In addition, because we did not have access to available cash for payroll during the period, we paid employee salaries and outside consulting fees with equity based compensation.

Investing activities used $354,000 of cash for the year ended December 31, 2002, as compared to $49,000 for the comparable prior year period. The increase in the cash used for

investing activities for the year ended December 31, 2002, was primarily attributable to the disposal of the Sony Petasite equipment.

Financing activities provided $260,000 in cash for the year ended December 31, 2002, as compared to financing activities providing $413,000 for the comparable prior year period. The decrease in cash provided by financing activities was primarily attributable to a reduction in funds borrowed by us. Of the cash provided by financing activities for the year ended December 31, 2002, $63,000 of the total amount was attributable to loans from two individuals who are acquaintances of management. On April 23, 2002, we issued a one year convertible promissory note to one of these individuals for $50,000 with a fixed sum of interest of $5,000. The note is convertible into shares of common stock at the rate of one share for each $0.25 of principal and imputed interest due on the conversion date. The remaining $13,000 was advanced to us without a promissory note and is deemed due on demand. Also, $148,000 was attributable to net proceeds from a private stock offering of shares of common stock and Series D warrants. In September 2002 we issued 1,346,545 shares of common stock and 1,346,545 Series D Warrants for gross proceeds of $148,120. The Series D Warrants are exercisable at $0.21 per share at any time prior to July 22, 2009. In October 2002 we issued 300,000 shares of common stock to twenty investors for gross proceeds of $20,000.We also reduced the amount due on our line of credit during this period by $50,000. Also during the year we used the proceeds of a certificate of deposit used as security on a loan from Bank of the West to retire the loan.

Management anticipates that our primary uses of capital in the future periods will be allocated to satisfy delinquent obligations and for working capital purposes. Our business strategy is to achieve growth internally through continued sale of licenses for our AssetWare products, and maintenance of these licenses, and externally through the sale of potentially dilutive securities. We may also continue to incur debt as needed to meet our operating needs. In addition, we may be forced to issue additional equity compensation to employees and outside consultants to meet payroll and pay for needed legal and other services.

At December 31, 2002, we had an outstanding balance on a line of credit with Los Alamos National Bank which was originally due on July 24, 2002. The outstanding principal amount due at that date was $300,000, plus interest of $10,545. We negotiated a three month extension on the repayment of the outstanding balance of the line of credit by reducing the principal amount of the debt with the payment of $50,000 and the payment of the interest due on July 24, 2002. We were able to negotiate an extension of the amount due on the line of credit until April 24, 2003, by paying $25,000 of the principal amount due and $4,555 in interest due at October 24, 2002. The principal balance due for this line of credit is now $225,000. We and the bank have negotiated another six month extension by the payment of $25,000 on or before April 24, 2003. Our inability to retire this debt, negotiate an extension of the payment amount and/or date, or obtain an alternative loan would likely have a material negative impact on our business, and could impair our ability to continue operations if the bank foreclosed on the note.

We do not currently have material commitments for capital expenditures and do not anticipate entering into any such commitments during the next twelve months. Our current

23

commitments consist primarily of lease obligations for office space. There is no assurance that our capital resources are sufficient to meet our present obligations and those to be incurred in the normal course of business for the next twelve months. If we are unable to secure additional sources of capital, or significantly increase revenues from operations, it may not be able to continue operating.

24

ITEM 7. FINANCIAL STATEMENTS

Beckstead and Watts, LLP
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Board of Directors
NMXS.com, Inc. and Subsidiaries
Albuquerque, New Mexico

We have audited the Balance Sheets of NMxS.com, Inc. and Subsidiaries (the "Company"), as of December 31, 2002 and 2001, and the related Statements of Operations, Stockholders' Equity, and Cash Flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on my audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we 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 financial statement presentation. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that my audit provides a reasonable basis for my opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NMXS.com, Inc. and Subsidiaries as of December 31, 2002 and 2001, and the results of its operations and cash flows for the years then ended, in conformity with generally accepted accounting principles in the United States of America.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note A to the financial statements, the Company has had limited operations and have not commenced planned principal operations. This raises substantial doubt about its ability to continue as a going concern. Management's plan in regard to these matters are also described in Note A. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Beckstead and Watts, LLP

February 6, 2003

25

NMXS.com, Inc. and Subsidiaries
Consolidated Balance Sheets

	December 31, 2002	December 31, 2001
Assets		
Current assets:		
Cash and equivalents	$ 39,000	$ 57,000
Restricted cash	-	42,000
Accounts receivable, net	643,000	469,000
Estimated earnings in excess of billings on uncompleted contract	-	18,000
Prepaid expenses and other assets	42,000	50,000
Officer advances	1,000	32,000
Total current assets	725,000	668,000
Furniture, equipment and improvements, net	226,000	652,000
Security deposits	39,000	54,000
Goodwill, net	75,000	97,000
	$ 1,065,000	$ 1,471,000
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 315,000	$ 680,000
Deferred revenue	318,000	424,000
Notes payable	287,000	337,000

Total current liabilities	920,000	1,441,000
Stockholders' equity:		
Preferred stock, $0.001 par value, 500,000 shares authorized, no shares issued and outstanding as of 12/31/02 and 12/31/01, respectively	-	-
Common stock, $0.001 par value, 50,000,000 shares authorized, 24,757,726 and 22,116,784 shares issued and outstanding as of 12/31/02 and 12/31/01, respectively	24,000	22,000
Additional paid-in capital	8,185,000	7,550,000
Retained (deficit)	(8,064,000)	(7,542,000)
	145,000	30,000
	$ 1,065,000	$ 1,471,000

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

26

NMXS.com, Inc. and Subsidiaries
Consolidated Statements of Operations

	For the years ended December 31,	
	2002	2001
Revenue		
Software maintenance	$ 1,053,000	$ 400,000
Custom programming	106,000	393,000
License fees	174,000	312,000
Scanning services	75,000	140,000
Other	250,000	34,000
	1,658,000	1,279,000
Operating costs and expenses:		
Cost of services	527,000	487,000
General and administrative	1,386,000	2,723,000
Research and development	176,000	279,000
Impairment of goodwill	22,000	-
Total operating costs and expenses	2,111,000	3,489,000
Net operating (loss)	(453,000)	(2,210,000)
Other income (expense):		
Interest income	1,000	5,000
Interest (expense)	(45,000)	(35,000)
(Loss) on disposal of fixed assets	(25,000)	-
Total other income (expense)	(69,000)	(30,000)

Net (loss)	$ (522,000)	$ (2,240,000)
Weighted average number of common shares outstanding - basic and fully diluted	23,270,000	21,520,000
Net (loss) per share - basic and fully diluted	$ (0.02)	$ (0.10)

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

27

NMXS.com, Inc. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity

	Common Stock		Additional Paid-in Capital	Retained (Deficit)	Total Stockholder Equity
	Shares	Amount			
Balance forward December 31, 2000	20,733,836	$ 20,000	$ 6,071,000	$ (5,302,000)	$ 789,0000
Issuance of shares previously issuable	75,000				-
Sale of common stock, net	287,500		115,000		115,000
Issuance of common stock for personal guarantee	250,000		188,000		188,000
Issuance of common stock for salaries	46,396		22,000		22,000
Issuance of stock options for services			399,000		399,000
Issuance of warrants for services			225,000		225,000
Issuance of common stock for services	724,052	2,000	410,000		412,000
Fair value of services provided by founder			120,000		120,000
Net (loss) For the year ended December 31, 2001				(2,240,000)	(2,240,000)
Balance, December 31, 2001	22,116,784	22,000	7,550,000	(7,542,000)	30,000
Issuance of shares previously issuable	21,946				-
Issuance of common stock					

for salaries	42,349		15,000		15,000
Issuance of common stock for services	29,497		212,000		212,000
Issuance of common stock for services	492,480	1,000	90,000		91,000
Issuance of common stock for severance	34,422		13,000		13,000
Issuance of common stock for salaries	148,082		53,000		53,000
Issuance of common stock for services	103,305		58,000		58,000
Issuance of common stock for salaries	122,316		27,000		27,000
Sale of common stock, net	1,346,545	1,000	147,000		148,000
Sale of common stock, net	300,000		20,000		20,000
Net (loss) For the year ended December 31, 2002				(522,000)	(522,000)
Balance, December 31, 2002	24,757,726	$ 24,000	$ 8,185,000	$ (8,064,000)	$ 145,000

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

28

NMXS.com, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

	For the years ended December 31,	
	2002	2001
Cash flows from operating activities		
Net (loss)	$ (522,000)	$ (2,240,000)
Adjustments to reconcile net (loss) to net cash (used) by operating activities:		
Common stock issued for salaries	108,000	-
Common stock issued for services	205,000	434,000
Stock options issued for services	156,000	399,000
Warrants issued for services	-	225,000
Fair value of services provided by founder	-	120,000
Depreciation	100,000	104,000
Provision for bad debt	-	23,000
Amortization of goodwill	22,000	30,000
Amortization of gurantee fee	-	176,000
Loss on disposal of fixed assets	25,000	-
Changes in:		

Accounts receivable	(174,000)	(269,000)
Estimated earnings in excess of billings on uncompleted contracts	18,000	165,000
Prepaid expenses and other assets	8,000	24,000
Officer advances	31,000	18,000
Accounts payable and accrued expenses	365,000	170,000
Deferred revenue	(266,000)	300,000
Net cash (used) by operating activities	76,000	(321,000)
Cash flows from investing activities		
Acquisition of fixed assets	(369,000)	(8,000)
Security deposits	15,000	(41,000)
Net cash (used) by investing activities	(354,000)	(49,000)
Cash flows from financing activities		
Proceeds from notes payable	100,000	350,000
Repayment of note payable	(50,000)	(50,000)
Net proceeds from the issuance of common stock	168,0000	115,000
Restricted cash	42,000	(2,000)
Net cash provided by financing activities	260,000	413,000
Net increase (decrease) in cash equivalents	(18,000)	43,000
Cash equivalents - beginning	57,000	14,000
Cash equivalents - ending	$ 39,000	$ 57,000
Supplemental disclosures:		
Interest paid	$ -	$ 24,000
Income taxes paid	$ -	$ -
Non-cash transactions:		
Issuance for a note payable	$ -	$ 188,000
Number of shares issued for services	-	250,000
Obligation for acquisition of fixed assets	-	337,000

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

29

NMXS.com INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

NOTE A - ORGANIZATION AND OPERATIONS

NMXS.com, Inc. and its wholly-owned subsidiaries New Mexico Software, Inc. ("NMS") and Working Knowledge, Inc. ("WKI") (collectively "the Company"), each operating as a business segment that develop and market proprietary internet technology-based software for the management of digital high-resolution graphic images, video clips and audio recordings. The Company believes that its software has applications for the media, advertising, publishing, medical, entertainment, e-commerce and university markets.

In August 1999, the Company effected a reverse merger in which NMXS.com, Inc. acquired all of the outstanding common stock of NMS.

NMS, a New Mexico corporation, was formed in April 1996. NMS develops and markets proprietary internet technology-based software.

During April 2000, the Company purchased 100% of the capital stock of WKI, a Kansas corporation located in California, for a total price of $152,000. The business combination has been accounted for using the purchase method. Tangible assets purchased were of nominal value. WKI provides services which are necessary to prepare, enter, and maintain the customer's data on the Company's digital asset management system. The Company recorded goodwill of $150,000 in connection with the acquisition. The accompanying financial statements include the results of operations of WKI commencing April 1, 2000 (date of acquisition).

The Company has commenced principal business operations and conducts its operations in the United States. Subsequent to September 30, 2001, the Company is no longer in the development stage.

There is no assurance that the Company's marketing efforts will be successful, or that the Company will achieve the necessary sales volume to sustain operations. The Company has incurred net losses and negative cash flows from operations since its inception. In addition, the Company operates in an environment of rapid change in technology and is dependent upon the services of its employees and its consultants. If the Company is unable to increase its sales volume, the Company would require additional funding and there is no assurance that such funding will be available to the Company under acceptable conditions. If such events do not occur, it is unlikely that the Company could continue its business.

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplates continuation of the Company as a going concern and realization of assets and settlement of liabilities and commitments in the normal course of business. The Company will continue to require the infusion of capital until operations become profitable. During 2003, the Company anticipates increasing revenues and continuing to monitor their expenses primarily in the area of compensation. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All material inter-company accounts and transactions have been eliminated.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[2] Revenue recognition:

Revenue from proprietary software sales that does not require further commitment from the company is recognized upon shipment. Maintenance contract revenue is recognized on a straight-line basis over the life of the respective contract. Revenue from custom software development, which is generally billed separately from the Company's proprietary software, is recognized based on its percentage of completion. Revenue recognized under percentage of completion contracts are generally based upon specific milestones achieved as specified in customer contracts. The Company also derives revenue from the sale of third party hardware and software. Consulting revenue is recognized when the services are rendered. License revenue is recognized ratably over the term of the license.

Due to uncertainties inherent in the estimation process it is at least reasonably possible that completion costs for contracts in progress will be further revised in the near-term.

The cost of services, consisting of staff payroll, outside services, equipment rental, communication costs and supplies, is expensed as incurred.

[3] Cash and cash equivalents:

The Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

[4] Furniture, equipment and improvements:

Furniture, equipment and improvements are recorded at cost. The cost of maintenance and repairs is charged against results of operations as incurred. Depreciation is charged against results of operations using the straight-line method over the estimated economic useful life. Leasehold improvements are amortized on a straight-line basis over the life of the related lease.

[5] Income taxes:

The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined on the basis of the differences between the tax basis of assets and liabilities and their respective financial reporting amount ("temporary differences") at enacted tax rates in effect for the years in which the differences are expected to reverse.

[6] Per share data:

The basic and diluted per share data has been computed on the basis of the net loss available to common stockholders for the period divided by the historic weighted average number of shares of common stock. Weighted average number of shares in 2002 and 2001 also includes 0 and 29,946 shares issuable as of December 31, 2002 and 2001, respectively. The 29,946 shares were issued in March 2002. All potentially dilutive securities have been excluded from the computations since they would be antidilutive, however, these dilutive securities could potentially dilute earnings per share in the future.

[7] Research and development expenses:

Costs of research and development activities are expensed as incurred.

NMXS.com INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[8] Advertising expenses:

The Company expenses advertising costs which consist primarily of direct mailings, promotional items and print media, as incurred. Advertising expenses amounted to $15,348 and $21,000 for the years ended December 31, 2002 and 2001, respectively.

[9] Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

[10] Stock-based compensation:

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("FAS 123") allows companies to either expense the estimated fair value of stock options and warrants, or to continue following the intrinsic value method set forth in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") but disclose the pro forma effects on net loss had the fair value of the options and warrants been expensed. The Company has elected to apply APB 25 in accounting for grants to employees under its stock based incentive plans. Equity instruments issued to non-employees are measured based on their fair values.

[11] Software development:

The Company accounts for computer software development costs in accordance with Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed". As such, all costs incurred prior to the product achieving technological feasibility are expensed as research and development costs. Technological feasibility is generally achieved upon satisfactory beta test results. Upon achieving technological feasibility, programming costs are capitalized and amortized over the economic useful live which is estimated to be two years. There were no capitalized software development costs as of December 31, 2002 and 2001.

[12] Rental expense:

The Company has recognized the total minimum rental payments due under the lease on a straight-line basis over the lease term. As of December 31, 2001, the Company has a prepaid rent asset of $7,000.

32

NMXS.com INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

[13] Goodwill:

The Financial Accounting Standards Board ("FASB") recently issued Statements of Financial Accounting Standards Nos. 141 "Business Combinations", 142 "Goodwill and Other Intangible Assets" and 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 141", "SFAS 142" and "SFAS 144"). All of these pronouncements are effective for fiscal years beginning after December 31, 2001. Under SFAS 141, a company must use the purchase method of accounting for all business acquisitions. SFAS 142 requires a company to periodically evaluate for impairment (as opposed to amortize) goodwill and intangible assets.

Goodwill resulting from the acquisition of Working Knowledge, Inc., accounted for as a purchase, was being amortized on a straight-line basis over 5 years through December 31, 2001. The Company adopted SFAS No. 142 effective January 1, 2002 and as such, will test the goodwill balance for impairment at least on an annual basis. Such analysis will be based upon the expected future cash flows of Working Knowledge, Inc. There was $22,000 and $0 as impairment of goodwill as of December 31, 2002 and 2001.

Amortization of $30,000 has been included in general and administrative expenses for the year ended December 31, 2001.

SFAS 144 supercedes SFAS 121. Management does not expect SFAS 144 to have a material impact on the consolidated financial statements.

NOTE C - RESTRICTED CASH

As of December 31, 2001, the Company renewed a certificate of deposit in the amount of $42,000 to collateralize a note payable. Interest is compounded on a quarterly basis at an annual percentage yield of 3.875%. As of December 31, 2002, there was no restricted cash.

NOTE D - FURNITURE, EQUIPMENT, AND IMPROVEMENTS

Furniture, equipment, and improvements as of December 31, 2002 consisted of the following:

Computers	$ 270,000
Furniture, fixtures and equipment	172,000
Leasehold improvements	83,000
	525,000
Accumulated depreciation	(298,000)
	227,000

NOTE E - NOTE PAYABLE

During January 2001, the Company borrowed $300,000. The loan is collateralized by substantially all of the Company's assets and personally guaranteed by an officer of the Company. Additional collateral was provided by a letter of credit issued by a then unrelated third party (Note F). The letter of credit expired on January 19, 2002. The note was renewed with a due date of July 24, 2002 at a current interest rate of 7%. On July 24, 2002, the Company paid $50,000 of principal and $10,525 of interest. The remaining $250,000 of principal was extended to October 24, 2002 at a current interest rate of 7%. On October 24, 2002 the Company paid $25,000 of principal and

$4,555 of interest. The remaining $225,000 of principal was extended until April 24, 2003 at a current interest rate of 7%. As of December 31, 2002, the Company had a balance due of $225,000.

NOTE F - CAPITAL TRANSACTIONS

Common stock:

During the year ended December 31, 2001, the Company effected the following stock transactions:

During January, the Company borrowed $300,000 for working capital purposes. The loan is collateralized by substantially all of the Company's assets and personally guaranteed by an officer of the Company as well as a then unrelated third party. The third party was issued 250,000 shares of the Company's common stock valued at approximately $187,500 in exchange for the personal guarantee. Approximately $176,000 has been included in general and administrative expenses in the statement of operations for the year ended December 31, 2001.

During May, the Company sold 287,500 shares of its common stock for $115,000.

The Company compensated two employees in lieu of cash in the form of the Company's common stock. The Company issued 46,396 shares of its common stock to these employees, and approximately $22,000 is included in the statement of operations for the year ended December 31, 2001.

In July, the Company issued 75,000 shares of common stock to it's Chief Executive Officer (Note H)

The Company issued 724,052 shares and has 29,946 shares issuable of its common stock for various legal and other professional services. Approximately $405,000 has been included in the statement of operations for the year ended December 31, 2001.

On July 27, 2001 the Board of Directors adopted the 2001 Stock Issuance Plan. On February 5, 2002, the Board of Directors amended the plan to increase the number of shares available under the plan from the original 800,000 to 1,600,000. The plan provides for a stock issuance program under which, at the sole discretion of the plan administrator, eligible persons may be issued shares of our common stock by the immediate purchase of such shares or as a bonus for either past service to our company, or any of its subsidiaries, or as an incentive to accept employment or a board position with our company or any of its subsidiaries.

During the year ended December 31, 2002, the Company effected the following stock transactions:

During February, the Company compensated four employees in the form of the Company's common stock as additional compensation. The Company issued 42,349 shares of its common stock to these employees, and approximately $15,000 is included in the statement of operations for the three months ended March 31, 2002.

The Company issued 51,443 shares, including 21,946 shares which had been issuable at December 31, 2001, for legal expenses and sales commission advances. A total of 13,512 shares for legal expenses are shown as issuable at March 31, 2002. In addition, 227,941 shares are shown as issuable as payment for consulting services rendered during 2001.

The Company issued 574,509 shares for legal and consulting services during the three months ended June 30, 2002, 256,853 of which were shown as issuable at March 31, 2002. Approximately $91,000 of expense is included in the statement of operations for the three months ended June 30, 2002. No shares are shown as issuable at June 30, 2002.

During April, the Company compensated five employees in the form of the Company's common stock as a severance package. A total of 34,422 shares were issued to these employees, and approximately $13,000 was included in the statement of operations for the three months ended June 30, 2002.

34

NMXS.com INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

NOTE F - CAPITAL TRANSACTIONS (CONTINUED)

Common stock: (continued)

During April and May, the Company compensated all its employees in the form of the Company's common stock in lieu of payroll. A total of 148,082 shares of the Company's common stock were issued to these employees, and approximately $53,000 was included in the statement of operations for the three months ended June 30, 2002.

During the three months ended September 30, 2002, the Company issued 103,304 shares for legal and consulting services. Approximately $18,000 was included in the statement of operations for that period.

In July, the Company compensated all its employees in the form of the Company's common stock in lieu of payroll. A total of 122,316 shares were issued to these employees, and approximately $27,000 was included in the statement of operations for the three months ended September 30, 2002.

In September, the Company sold 1,346,545 shares of its common stock for $148,000.

In December, the Company sold 300,000 shares of its common stock for $20,000.

Warrants:

In conjunction with the closing of the reverse merger (Note A), the Company declared a distribution of 1,000,000 Series A warrants at the rate of one warrant for each 5.3 common shares held by the stockholders of record as of the beginning of business on August 3, 1999. The warrants have an exercise price of $1.25 per share and a three year contractual life from date of issuance. The warrants are redeemable by the Company for $0.01 per warrant subject to 30 days written notice at any time the closing bid price of the stock equals or exceeds 300% of the exercise price of the warrant for ten consecutive trading days. The warrants became issuable on November 14, 2000, the date the Company's Form SB-2 filing was declared effective. As a result, the Company recorded a warrant dividend valued at $1,153,000, the fair value of the warrants on the effective date. The fair value was estimated using the Black-Scholes pricing model. The following assumptions were used in computing the fair value of the warrant dividend: risk free interest rate of 5.7%, zero dividend yield, volatility of the Company's common stock 218% and an expected life of three years. The warrants were issued on January 25, 2001.

In January and February of 2000, the Company issued 1,090,000 Series B warrants in connection with a private placement offering. The Series B warrants are exercisable for a period of up to five years from the date of issuance.

On February 20, 2001, the Company entered into a stock swap agreement with a principal corporate stockholder (a public company). The agreement provides for the exchange of cashless assignable Series C warrants to purchase 1,500,000 shares of the Company's common stock at an exercise price of $.50 per share for 150,000 restricted shares of the stockholder's common stock. The transaction was recorded as an investment valued at $225,000, which represented the market value of the stockholder's common stock exchanged on the date of the agreement (See Note L).

In September, the Company issued 1,346,545 warrants in conjunction with the sale of the 1,346,545 shares above at the rate of one warrant for each common share. The warrants have an exercise price of $0.21 per share and a seven year contractual life from date of issuance. The fair value of the warrants has been estimated on the date of grant using the Black-Scholes option pricing model. The weighted average fair value of these warrants was $0.17. The following assumptions were used in computing the fair value of these warrants: weighted average risk-free interest rate of 4.05%, zero dividend yield, volatility of the Company's common stock of 122% and an expected life of the warrants of seven years. Approximately $2,000 of expense was included in the statement of operations for the three months ended September 30, 2002.

NOTE F - CAPITAL TRANSACTIONS (CONTINUED)

Warrants: (continued)

No warrants have been exercised through December 31, 2002.

Stock options:

Disclosures required by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), including pro forma operating results had the Company prepared its financial statements in accordance with the fair value based method of accounting for stock- based compensation prescribed therein are shown below. Exercise prices and weighted-average contractual lives of stock options outstanding as of December 31, 2001 are as follows:

Options Outstanding			Options Exercisable		
Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Prices	Number Exercisable	Weighted Average Exercise Price
$0.17-$0.30	97,000	9.83	$0.17	0	$0.00
$0.31-$0.50	1,215,000	8.66	$0.38	60,000	$0.31
$0.54-$0.83	790,000	3.45	$0.71	330,000	$0.72
$1.25-$2.13	460,000	7.54	$1.66	361,000	$1.75

Summary of Options Granted and Outstanding:

	For the Years Ended December 31,			
	2002		2001	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options:				
Outstanding at beginning of year	2,202,000	$0.77	1,593,000	$1.33
Granted	332,000	$0.29	1,739,000	$0.47
Cancelled	(2,000)	$1.25	(1,130,000)	$0.09
Outstanding at end of year	2,553,000	$0.63	2,202,000	$0.77

The fair value of each option granted prior to 2000 has been estimated on the date of grant using the Black-Scholes option pricing model. The weighted average fair value of the options granted during 1999 was $2.42. The following weighted average assumptions were used in computing the fair value of option grants for 1999: weighted average risk-free interest rate of 5.50%; zero dividend yield, volatility of the Company's common stock of 40% and an expected life of the options of five years. The options vest ratably over a five year period.

NOTE F - CAPITAL TRANSACTIONS (CONTINUED)

Stock options: (continued)

During the year ended December 31, 2001, the Company granted the following stock options:

In January 2001, the Company granted 83,000 stock options to employees with an exercise price of $.77, equal to the fair value of the common stock, with a contractual life of ten years and a two year vesting period, 50% at the end of each one year period from the date of grant, 25,000 of such options have been cancelled. The fair value of the options has been estimated on the date of grant using the Black- Scholes option pricing model. The weighted average fair value of these options was $.77. The following assumptions were used in computing the fair value of these option grants: weighted average risk-free interest rate of 6.05%; zero dividend yield, volatility of the Company's common stock of 218% and an expected life of the options of ten years.

During March, 2001, the Company granted 60,000 stock options for legal services to a member of the Board of Directors with an exercise price of $.3125, equal to the fair value of the common stock, with a contractual life of five years and a thirty day vesting period from the date of grant. The fair value of the options has been estimated using the Black- Scholes option pricing model. The weighted average fair value of these options was $.3125. The following assumptions were used in computing the fair value of these option grants: weighted average risk-free interest rate of 4.64%; zero dividend yield, volatility of the Company's common stock of 247% and an expected life of the options of five years. Options valued at approximately $19,000 were earned and are included in general and administrative expense for the year ended December 31, 2001.

During April, 2001, the Company granted 300,000 stock options for outside consulting services with an exercise price of $.28, equal to the fair value of the common stock, with a contractual life of five years, exercisable as of the date of grant. The fair value of the options has been estimated on the date of grant using the Black-Scholes option pricing model. The options were forfeited as of December 31, 2001 and no expense has been recognized for 2001.

During April, 2001, the Company granted 100,000 stock options for outside consulting services with an exercise price of $.39, $.11 more than the fair value of the common stock, with a contractual life of ten years and a two year vesting period, 50% at the end of each one year period from the date of grant. The fair value of the options has been estimated on the date of grant using the Black-Scholes option pricing model. The weighted average fair value of these options was $.28. The following assumptions were used in computing the fair value of these option grants: weighted average risk-free interest rate of 5.14%; zero dividend yield, volatility of the Company's common stock of 247% and an expected life of the options of ten years. An expense of approximately $10,000 is included in general and administrative expense for the year ended December 31, 2001 for the estimated value of the options over the period services are to be received.

During April 2001, the Company granted 300,000 stock options to an employee with an exercise price of $.50, $.25 over the fair value of the common stock, with a contractual life of ten years and a two year vesting period, 50% at the end of each one year period from the date of grant. The fair value of the options has been estimated on the date of grant using the Black-Scholes option pricing model. The weighted average fair value of these options was $.25. The following assumptions were used in computing the fair value of these option grants: weighted average risk-free interest rate of 6.05%; zero dividend yield, volatility of the Company's common stock of 247% and an expected life of the options of ten years.

NOTE F - CAPITAL TRANSACTIONS (CONTINUED)

Stock options: (continued)

During April, 2001, the Company granted 60,000 stock options for professional services with an exercise price of $.61, equal to the fair value of the common stock, with a contractual life of five years, exercisable as of the date of grant. The fair value of the options has been estimated on the date of grant using the Black-Scholes option pricing model. The weighted average fair value of these options was $.61. The following assumptions were used in computing the fair value of these option grants: weighted average risk- free interest rate of 4.76%; zero dividend yield, volatility of the Company's common stock of 247% and an expected life of the options of five years. An expense of approximately $36,000 is included in general and administrative expense for the year ended December 31, 2001, for the estimated value of options over the period services are to be received.

During June 2001, the Company granted 35,000 stock options to an employee with an exercise price of $1.49, $.84 over the fair value of the common stock, with a contractual life of ten years and a vesting period of 50% at the end of five months and 50% at the end of seventeen months. The fair value of the options has been estimated on the date of grant using the Black-Scholes option pricing model. The weighted average fair value of these options was $.65. The following assumptions were used in computing the fair value of these option grants: weighted average risk-free interest rate of 6.05%; zero dividend yield, volatility of the Company's common stock of 247% and an expected life of the options of ten years.

During July 2001, the Company granted 100,000 stock options to an employee with an exercise price of $.54, equal to the fair value of the common stock, with a contractual life of ten years and a vesting period of 50% at the end of five months and 50% at the end of seventeen months. The fair value of the options has been estimated on the date of grant using the Black-Scholes option pricing model. The weighted average fair value of these options was $.54. The following assumptions were used in computing the fair value of these option grants: weighted average risk-free interest rate of 6.05%; zero dividend yield, volatility of the Company's common stock of 247% and an expected life of the options of ten years.

During October 2001, the Company granted 650,000 stock options to three employees, 450,000 options with an exercise price of $.34, and 200,000 options with an exercise price of $.70, all equal to the fair value of the common stock, with a contractual life of ten years and a two year vesting period, 50% at the end of each one year period from the date of grant. The fair value of the options has been estimated on the date of grant using the Black-Scholes option pricing model. The weighted average fair value of these options was $.45. The following assumptions were used in computing the fair value of these option grants: weighted average risk- free interest rate of 4.57%; zero dividend yield, volatility of the Company's common stock of 222% and an expected life of the options of ten years.

During October, 2001, the Company granted 50,000 stock options for outside consulting services with an exercise price of $.34, equal to the fair value of the common stock, with a contractual life of ten years and a two year vesting period, 50% at the end of each one year period from the date of grant. The fair value of the options has been estimated on the date of grant using the Black-Scholes option pricing model. The weighted average fair value of these options was $.34. The following assumptions were used in computing the fair value of these option grants: weighted average risk- free interest rate of 4.57%; zero dividend yield, volatility of the Company's common stock of 222% and an expected life of the options of ten years. An expense of approximately $1,000 is included in general and administrative expense for the year ended December 31, 2001, for the estimated value of options over the period services are to be received.

38

NMXS.com INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

NOTE F - CAPITAL TRANSACTIONS (CONTINUED)

Stock options: (continued)

During the year ended December 31, 2002, the Company granted the following stock options:

In January 2002, the Company granted 53,000 stock options to employees with an exercise price of $.34, equal to the fair value of the common stock, with a contractual life of ten years and a two year vesting period, 50% at the end of each one year period from the date of grant. The fair value of the options has been estimated on the date of grant using the Black-Scholes option pricing model. The weighted average fair value of these options was $.34. The following assumptions were used in computing the fair value of these option grants: weighted average risk-free interest rate of 5.04%, zero dividend yield, volatility of the Company's common stock of 222% and an expected life of the options of ten years.

During January 2002, the Company granted 3,000 stock options for outside consulting services with an exercise price of $.34, equal to the fair value of the common stock, with a contractual life of ten years and a two year vesting period, 50% at the end of each one year period from the date of grant. The fair value of the options has been estimated on the date of grant using the Black-Scholes option pricing model. The weighted average fair value of these options was $.34. The following assumptions were used in computing the fair value of these option grants: weighted average risk-free interest rate of 5.04%, zero dividend yield, volatility of the Company's common stock of 222% and an expected life of the options of ten years.

During February 2002, the Company granted 200,000 stock options to an employee with an exercise price of $.34, equal to the fair value of the common stock, with a contractual life of ten years and a two year vesting period, 50% at the end of each one year period from the date of grant. The fair value of the options has been estimated on the date of grant using the Black-Scholes option pricing model. The weighted average fair value of these options was $.34. The following assumptions were used in computing the fair value of these option grants: weighted average risk-free interest rate of 4.91%, zero dividend yield, volatility of the Company's common stock of 222% and an expected life of the options of ten years.

In August 2002, the Company granted 103,125 stock options to an employee with an exercise price of $0.17, equal to the fair value of the common stock, with a contractual life of ten years and a 21 month vesting period. The fair value of the options has been estimated on the date of grant using the Black-Scholes option pricing model. The weighted average fair value of these options was $0.16. The following assumptions were used in computing the fair value of these option grants: weighted average risk-free interest rate of 4.42%, zero dividend yield, volatility of the Company's common stock of 122%, and an expected life of the options of ten years.

Stock options: (continued)

The following table summarizes the pro forma operating results of the Company for December 31, 2002 had compensation costs for the stock options granted to employees been determined in accordance with the fair value based method of accounting for stock based compensation as prescribed by SFAS No. 123.

Proforma net loss available to common stockholders	($406,000)
Proforma basic and diluted loss per share	($0.02)

As of December 31, 2002, the Company has reserved 884,865 shares of its common stock for issuance upon exercise of stock options and warrants.

NOTE G - INCOME TAXES

The Company accounts for income taxes using the liability method, under which deferred tax liabilities and assets are determined based on the difference between the financial statement carrying amounts and the tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse.

As of December 31, 2002, the Company had net operating loss carryforwards of approximately $4,000,000, which expire in varying amounts between 2016 and 2021. Realization of this potential future tax benefit is dependent on generating sufficient taxable income prior to expiration of the loss carryforward. The deferred tax asset related to this potential future tax benefit has been offset by a valuation allowance in the same amount. The amount of the deferred tax asset ultimately realizable could be increased in the near term if estimates of future taxable income during the carryforward period are revised.

The difference between the statutory federal income tax rate on the Company's pre-tax loss and the Company's effective income tax rate is summarized as follows:

	2002	2001
Statutory federal income tax rate	(34.0%)	(34.0%)
Increase in valuation allowance	34.0%	34.0%
Other	0.0%	0.0%
Effective income tax rate	0.0%	0.0%

NOTE H - RELATED PARTY TRANSACTIONS

Officer advances:

Represents advances to the Chief Executive Officer who is a principal stockholder of the Company which bears interest at 7% per annum. During 2001, repayments of $25,000 were made by the principal stockholder which was offset by advances of $4,000 plus interest earned but not paid of $3,000. The amount was charged against interest expense and accrued payroll.

Rent:

In May 2000, the Chief Executive Officer, who is a principal stockholder of the Company, transferred 75,000 shares to a lessor of the Company for future rent obligations and certain leasehold improvements. As a result of this transaction, the Company recognized a credit to additional paid-in capital of $109,000, representing the fair value of the stock transaction. The Company issued 75,000 replacement shares to this individual in July 2001.

NOTE I - COMMITMENTS

Leases:

The Company leases office space, equipment and an automobile under operating leases. Future minimum lease payments as of December 31, 2002 are as follows:

Year	Amount
2003	$121,000
2004	70,000

Rent expense for the years ended December 31, 2002 and 2001 amounted to $149,000 and $272,000, respectively.

Employment agreement:

The Company entered into an employment and noncompetition agreement with a stockholder to act in the capacity of President and Chief Executive Officer. The term of the employment agreement is for three years commencing on January 1, 2000. The agreement allows for a one year renewal option unless terminated by either party. Base salary is $120,000 per annum with available additional cash compensation as defined in the agreement. Compensation under this agreement of $120,000 is included in general and administrative expenses for the year ended December 31, 2002; the individual has agreed to forgo his compensation for the year ended December 31, 2001. The Company recorded a charge to operations of $120,000 representing the fair value of such services rendered with a corresponding increase to additional paid in capital. The noncompetition agreement commences upon the termination of the employment agreement for a period of one year. As of December 31, 2002, there was a total of $109,000 in accrued payroll.

NOTE J - MAJOR CUSTOMERS

During the year ended December 31, 2002, three customers accounted for 47%, 11% and 9% of the Company's revenue. During the year ended December 31, 2001, three customers accounted for 16%, 13%, and 12% of the Company's revenue.

As of December 31, 2002, balances due from two customers comprised 70% and 8% of total accounts receivable. As of December 31, 2001, balances due from two customers comprised 57% and 21% of total accounts receivable.

NOTE K - CONSULTING AGREEMENT

The Company entered into an agreement with a company to provide consulting and public relation services. The consultant received an initial fee of 150,000 shares of Manhattan Scientifics, Inc. stock. In consideration of furnishing this initial fee, the Company issued 1,500,000 Series C warrants to Manhattan Scientifics, Inc. (see Note F). In addition, a total fee of 75,000 shares was furnished during the term of agreement. The agreement, as revised, was terminated as of October 31, 2001. Expense of $267,000 has been included in the statement of operations for the year ended December 31, 2001.

NOTE L - REPORTABLE SEGMENTS

Management has identified the Company's reportable segments based on separate legal entities. NMS derives revenues from the development and marketing proprietary internet technology-based software and WKI provides data maintenance services related to NMS digital asset management system. Information related to the Company's reportable segments for 2002 is as follows:

	NMS	WKI	Total
Revenue	$ 1,607,000	$ 51,000	$ 1,658,000
Cost of services	485,000	42,000	527,000
General and administrative	1,227,000	159,000	1,386,000
Research and development	176,000	-	176,000
Impairment of goodwill	22,000	-	22,000
Operating income (loss)	(303,000)	(150,000)	(453,000)
Total assets	$ 1,029,000	$ 36,000	$ 1,065,000

WKI revenue consists primarily of software maintenance and scanning services.

A reconciliation of the segments' operating loss to the consolidated net loss/comprehensive loss is as follows:

Segment's operating loss	$ (453,000)
Other income (expense)	(69,000)
Consolidated net loss/comprehensive loss	$ (522,000)

Prior to acquisition of Working Knowledge, Inc., in April 2000, the Company operated within one business segment.

For the year ended December 31, 2002, amortization and depreciation expense amounted to $75,000 and $25,000 for NMS and WKI, respectively. Also, total fixed asset additions amounted to $ 6,000 and $0 for NMS and WKI, respectively, while fixed asset disposals amounted to $342,000 and $0 for NMS and WKI, respectively.

NOTE M - COMMITMENTS AND CONTINGENCIES

Contingencies:

During the year ended December 31, 2002, the Company accumulated debt totaling $55,000 in line charges with Sprint. The Company was also owed commissions in connection with its contract with Sprint as a Sprint Data Partner. The Company and Sprint have agreed in principle to apply the outstanding commissions to the debt thereby reducing the debt from $55,000 to $16,000. The Company expects to pay the $16,000 during the first six months of 2003.

During the year ended December 31, 2002, the Company was in dispute with Sun Microsystems, Inc. (Sun) over the terms of equipment leased from Sun whereby the Company continued to make lease payments and failed to notify Sun past the lease termination date during 2002. The Company ceased making payments in October 2002 until the matter was resolved. Sun is pursuing collection of payments it considers in arrears totaling $18,000. The Company claims that the missed termination date is a technicality, and that it has overpaid Sun by $50,000. The Company intends to return the equipment to Sun as settlement in full, and does not consider this to impair its ability to continue servicing its customer base.

NOTE M - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Outstanding Payroll Taxes:

The Company has unpaid Federal and State payroll taxes totaling $145,827 as of December 31, 2002. No action has been taken by the Company or the Internal Revenue Service (IRS) to negotiate payment terms, and no plan for repayment has been determined by the Company. The penalties and interest associated with this liability is estimated to be in excess of 10% of the total payroll taxes due, but has not been accrued because the Company feels that until a settlement is reached with the they cannot reasonably determine the amount due in penalties and interest.

43

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

On May 13, 2002, we filed a Form 8-K announcing the dismissal of Richard A. Eisner & Company, LLP and the engagement of Atkinson & Company, Ltd. as our independent auditor.

On December 10, 2002, we filed a Form 8-K announcing the resignation of Atkinson & Company, Ltd. as our independent auditor. On January 24, 2003, we filed a Form 8-K announcing the engagement of Beckstead and Watts, LLP as our independent auditor.

PART III

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth our directors and executive officers, their ages, and all offices and positions held with our company. A director holds office until his successor is elected and qualified. Annual meetings to elect directors are scheduled to be held on the 5th day of April in each year if not a legal holiday, and if a legal holiday, then on the next succeeding day that is not a holiday, at 10:00 am. Officers are chosen by the Board of Directors and hold office until their successors are chosen and qualified. Officers may be removed with or without cause by the affirmative vote of a majority of the whole Board of Directors.

Name	Age	Position	Director Since
Richard Govatski	57	Chairman, President & CEO	1999
Teresa B. Dickey	56	Director, Secretary & Treasurer	2003
John E. Handley	41	Director	2003

Set forth below is certain biographical information regarding our executive officers and directors:

RICHARD GOVATSKI has been the president of NMXS.com, Inc. since August 1999, and has been chairman, CEO, and president of New Mexico Software, Inc., since 1996.

TERESA B. DICKEY has been the secretary/treasurer of our company since August 1999. From 1988 until 1999 she was employed by Sandia National Laboratory as art director. Sandia National Laboratory is a U.S. Department of Energy national security laboratory.

JOHN E. HANDLEY has been self-employed since September 2002 as a telecommunications consultant. From August 1987 until August 2002 he was employed, as an associate partner (from September 1997 until August 2000) and as a partner (September 2000 until August 2002), by Accenture LLP, a business and technology consulting and outsourcing company.

44

ITEM 10. EXECUTIVE COMPENSATION

Compensation of Executive Officers

Summary Compensation Table. The following table sets forth information concerning the annual and long-term compensation awarded to, earned by, or paid to the named executive officer for all services rendered in all capacities to our company, or any of its subsidiaries, for the years ended December 31, 2002, 2001, and 2000:

SUMMARY COMPENSATION TABLE

		Annual Compensation			Long-Term Compensation	
Name and Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compensation ($)	Restricted Stock Award(s) ($)	Securities Under-lying Options (#)
Richard Govatski, CEO	2002	$120,000(1)	-0-	$3,600(2)	-0-	-0-
	2001	$-0-(3)	-0-	-0-	-0-	-0-
	2000	$120,000(4)	-0-	-0-	-0-	-0-

(1) Mr. Govatski did not receive payment of any of his 2002 salary, but he did apply $26,000 of the amount of this payable toward the satisfaction of a like amount advanced by us to him in prior years. The remaining $94,000 has been booked as an account payable to him.

(2) Mr. Govatski is afforded the use of a company automobile.

(3) Mr. Govatski agreed to forgo his annual salary for 2001, none of which was paid. However, the company did record a charge to operations in the amount of $120,000 to reflect the fair value of the services rendered during 2001.

(4) During the year 2000, $15,000 of the salary of Mr. Govatski was not paid, but has been accrued.

Option Grants Table. The following table sets forth information concerning individual grants of stock options to purchase our common stock made to the executive officer named in the Summary Compensation Table during fiscal 2002.

OPTIONS GRANTS IN LAST FISCAL YEAR
(Individual Grants)

Name	Number of securities underlying options granted (#)	Percent of total options granted to employees in last fiscal year	Exercise or base price ($/Share)	Expiration Date

Richard Govatski	-0-	N/A	N/A	N/A

Aggregated Option Exercises and Fiscal Year-End Option Value Table. The following table sets forth certain information regarding stock options exercised during fiscal 2002 and held as of December 31, 2002, by the executive officer named in the Summary Compensation Table.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR
AND FISCAL YEAR-END OPTION VALUES

Name	Shares acquired on exercise (#)	Value realized ($)	Number of Securities Underlying Unexercised Options at Fiscal Year-End(#) Exercisable/ Unexercisable	Value of Unexercised In-the-Money Options at Fiscal Year-End($)(1) Exercisable/ Unexercisable
Richard Govatski	-0-	N/A	300,000/200,000	$-0-/$-0-(2)

(1) Value is based on the closing sale price of the Common Stock on December 31, 2002, the last trading day of fiscal 2002 ($0.13), less the applicable option exercise price.
(2) Of these options, 380,000 were exercisable at $0.75 per share and 120,000 were exercisable at $0.825 per share.

Employment Contracts

We had a three-year employment contract with Mr. Govatski to act as our president and chief executive officer on a full-time basis. The agreement commenced on January 1, 2000 and expired on December 31, 2002. The annual base salary was $120,000. He was entitled to a bonus from time-to-time as may be determined solely by the Board of Directors. As part of his benefits he received options to purchase 500,000 shares of our common stock. We also agreed to provide him with a long-term disability insurance policy and with group health, hospitalization, major medical insurance, and other similar benefits as we may adopt in the future. We also agreed to maintain a $1,000,000 life insurance policy which permits him to designate the beneficiary. We also purchased an automobile for approximately $36,000 and provide him use of the automobile for business purposes. The employment contract also contained standard confidentiality provisions and a one-year non-competition provision after termination. The agreement was terminable for cause by a vote of two-thirds of the directors. It could also be terminated upon three-month's notice if he becomes incapacitated for a period of six months or immediately upon his death. We intend to renegotiate a similar employment contract with Mr. Govatski.

Compensation of Directors

Directors are permitted to receive fixed fees and other compensation for their services as directors. The Board of Directors has the authority to fix the compensation of directors. No amounts have been paid to, or accrued to, directors in such capacity. During the year ended

December 31, 2001, we granted options to Scott Bach, one of our Directors at the time, to purchase up to 60,000 shares of common stock at an exercise price of $.3125 per share. These options were issued for services rendered by Mr. Bach as a director. The options are fully vested and expire on March 28, 2006. Also during the year ended December 31, 2001, we issued 64,655 shares of common stock to Marvin Maslow, one of our directors at the time, for services rendered as a director. These shares were returned to us and cancelled by Mr. Maslow during the year and there is no further obligation to reissue these shares. On February 26, 2002, we issued 227,941 shares to Mr. Maslow as a bonus for being a director.

Stock Option and Stock Issuance Plans

Our 1999 Stock Option Plan permits the grant of options exercisable for shares of our common stock to corporate officers, directors, employees, and consultants upon such terms, including exercise price and conditions and timing of exercise, as may be determined by the Board of Directors. The plan authorizes the grants of awards up to a maximum of 3,000,000 shares of our common stock. In 2002, we granted 352,686 stock options under the plan. At April 10, 2003, 2,732,267 remained outstanding and unexercised. Of these outstanding options, 1,275,474 had vested.

Our 2001 Stock Issuance Plan, as amended, permits the grant of shares of our common stock to employees of our company and any of its subsidiaries, non-employee members of our board or non-employee members of the board of directors of any of our subsidiaries, and consultants and other independent advisors who provide services to us or any of our subsidiaries, upon such terms and conditions as may be determined by the Board of Directors. The plan authorizes the grants of awards up to a maximum of 2,400,000. In 2002 we granted 878,995 shares under the plan. At April 10, 2003, an aggregate of 1,449,443 shares had been granted under the plan, all of which were fully vested upon issuance.

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

The following table sets forth certain information derived from the named person, or from the transfer agent, concerning the ownership of common stock as of April 10, 2003, of (i) each person who is known to us to be the beneficial owner of more than 5 percent of the common stock; (ii) all directors and executive officers; and (iii) directors and executive officers as a group:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Percent of Class
Richard Govatski 5041 Indian School Rd NE Albuquerque, NM 87110	5,485,500(2)	21.35%

Teresa B. Dickey	424,453(3)	1.65%
John Handley	265,000(4)	*

Executive Officers and Directors as a Group (3 Persons)	6,174,953	23.52%
Manhattan Scientifics, Inc. Olympic Tower 641 5th Ave. Suite 36 F New York, NY 10022	4,461,300(5)	16.59%
Pollin Partnership 1418 Chester Pike Crum Lynn, PA 19022	1,500,000(6)	5.91%

* Represents beneficial ownership of less than 1% of the total number of shares of common stock outstanding.

(1) All of the persons are believed to have sole voting and investment power over the shares of common stock listed or share voting and investment power with his or her spouse, except as otherwise provided.

(2) This number of shares includes options to purchase 300,000 shares, which options have vested and are currently exercisable. The shares underlying these options are included in the table and are considered to be outstanding for purposes of computing the percentage interest held by Mr. Govatski. The number of shares also includes 400,000 shares pledged by Mr. Govatski to secure a loan to the company which is due and payable on June 30, 2003. Mr. Govatski retains the right to vote these shares until foreclosure under the terms of the pledge agreement.

(3) This number of shares includes options to purchase 424,453 shares, which options have vested and are currently exercisable. The shares underlying these options are included in the table and are considered to be outstanding for purposes of computing the percentage interest held by Ms. Dickey.

(4) This number includes 250,000 shares which were purchased in January 2003, but have not yet been issued by the transfer agent.

(5) The beneficial stock ownership information for Manhattan Scientifics, Inc. is derived from our stock ownership records maintained by our transfer agent and our corporate records. The total number of shares beneficially owned by Manhattan Scientifics also includes warrants to purchase 1,500,000 shares, which warrants are currently exercisable. The shares underlying these warrants are included in the table and are considered to be outstanding for purposes of computing the percentage interest held by Manhattan Scientifics.

(6) The beneficial stock ownership information for Pollin Partnership is derived from our stock ownership records maintained by our transfer agent and our corporate records.

48

Equity Compensation Plan Information

The following table sets forth certain information as of December 31, 2002, with respect to compensation plans under which our equity securities are authorized for issuance:

	(a)	(b)	(c)
	Number of securities		Number of securities remaining available for future issuance

	to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	under equity compensation plans (excludeing securites reflected in column (a))
Equity compensation plans approved by security holders	2,532,267	$0.63	618,290(2)
Equity compensation plans not approved by security holders	4,936,545(2)	$0.68	-0-
Total	8,398,225		150,557

(1) Represents 467,733 shares available for issuance under our Stock Option Plan and 150,557 under our 2001 Stock Issuance Plan as of December 31, 2002.

(2) Includes 1,000,000 shares of common stock issuable upon exercise of Series A warrants exercisable at $1.25 per share at any time through November 14, 2003; 1,090,000 Series B warrants exercisable at $1.00 per share at any time through August 1, 2005; 1,500,000 Series C warrants exercisable at $0.50 per share at any time through February 20, 2006; and 1,346,545 Series D warrants exercisable at $0.21 per share through July 22, 2009.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Richard Govatski, our president, director, and principal shareholder, may be deemed a promoter or founder in relation to the organization of our business. In connection with the acquisition of New Mexico Software, Mr. Govatski exchanged all 1,000 of his shares of New Mexico Software for 5,597,000 shares in the public company.

During the years ended December 31, 1999 and 2000, we advanced a total of $50,000 to Mr. Govatski. After repayment of $25,000 by Mr. Govatski in 2001, the principal and interest due was reduced to approximately $32,000 at December 31, 2001, including $4,000 advanced by us to Mr. Govatski during 2001. During 2002, Mr. Govatski received none of his agreed annual salary of $120,000. However, effective December 31, 2002, he agreed to cancel $26,000 of the

49

2002 salary amount and apply it to the former advances. At December 31, 2002, he owed a balance of $6,000 for the prior cash advances.

In January 2001 our wholly owned subsidiary, New Mexico Software, Inc., entered into a line of credit agreement with Los Alamos National Bank in the maximum principal amount of $300,000. It also issued a promissory note dated January 24, 2001, in the principal amount of $300,000, representing the amount that it borrowed under the line of credit. The note is secured by all of New Mexico Software's furniture, fixtures, equipment, inventory, accounts, chattel paper, tangibles and general intangibles, and a letter of credit in the amount of $250,000 issued by another bank and provided by Murray Kelly. We issued 250,000 shares to Mr. Kelly for providing this letter of credit as collateral on this note. The note was originally due on or before July 24, 2001, and was extended to July 24, 2002. At July 24, 2002, we negotiated a three-month extension until October 24, 2002, by paying $50,000, plus accrued interest. At or about October 24, 2002, we were able to negotiate an extension of the note until April 24, 2003, by paying $25,000, plus interest. The note bears interest at 7%. Mr. Govatski has personally guaranteed to the bank repayment of $50,000 of this line of credit.

The lease payments for our office space in Albuquerque, New Mexico, of $47,000 and improvements of approximately $28,000 were provided through the payment of 75,000 shares of our common stock to the landlord by Richard Govatski, our president, a director, and a principal shareholder. In March 2001 we issued 75,000 shares to Mr. Govatski for providing his shares to the landlord.

In March 2001 we issued 1,500,000 Series C Warrants to Manhattan Scientifics, Inc., one of our 5% shareholders. These warrants were issued in consideration of Manhattan Scientifics issuing 100,000 of its common shares to a consultant for services performed by the consultant for our company.

We have granted options to Mr. Govatski under our option plan to purchase an aggregate of 500,000 shares of common stock. The options were granted in August 1999 and vest at the rate of 20% per year. Of the total options, 380,000 are exercisable at $0.75 per share and 120,000 are exercisable at $0.825 per share.

We have granted options under our option plan to Teresa Dickey, one of our executive officers, to purchase an aggregate of 518,780 shares. Of the total options, 56,000 were granted in January 2000 and are exercisable at $2.125 per share; 56,000 were granted in July 2000 and are exercisable at $1.25 per share; 3,000 were granted in January 2001 and are exercisable at $0.77 per share; 400,000 were granted in October 2001 and are exercisable at $0.34 per share; and 3,780 were granted in January 2002 and are exercisable at $0.34 per share. The options vest at the rate of 50% per year.

In March 2003 we borrowed $25,000 from an outside lender. To secure repayment of this loan Mr. Govatski pledged 400,000 of his person shares as collateral.

50

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

(a) Exhibits. The following exhibits are included as part of this report:

Exhibit No.	Description of Exhibit	Location
2.1	Reorganization agreement dated August 3, 1999	(1)
2.2	Acquisition Agreement with Working Knowledge	(2)
3.1	Articles of Incorporation, as amended	(1)
3.2	By-Laws of the Company	(6)
4.1	Form of Common Stock Certificate	(1)
4.2	Form of Series A Warrant Certificate	(1)
4.3	Form of Warrant Agency Agreement for Series A Warrants	(1)
4.4	Form of Series B Warrant Certificate	(1)
4.5 & 10.9	Series C Warrant Certificate dated November 12, 2001	(3)
4.6	Form of Series D Warrant Certificate	(7)
10.1	Sun Microsystems Lease	(1)
10.2	Building Lease (Albuquerque) dated August 4, 1999	(1)
10.3	Building Lease (Albuquerque) Amendment dated	

	May 17, 2000	(5)
10.4	Office Lease (California) dated June 8, 2000, as amended	(5)
10.5	Form of Employee Confidentiality Agreement	(1)
10.6	Stock Option Plan	(1)
10.7	Employment Agreement of Mr. Govatski	(2)
10.8	2001 Stock Issuance Plan, as amended January 9, 2003	(4)
10.9	Letter Agreement dated February 20, 2001, with Manhattan Scientifics, Inc.	(3)
10.10	Commercial Loan Agreement with Los Alamos National Bank, Promissory Note, and Personal Guaranty, all dated January 24, 2001, and extension dated January 24, 2002	(5)
10.11	William Copeland Agreement dated August 31,2001	(5)
10.12	Sony Software Distribution Agreement dated December 14, 2001	(5)
21.1	List of Subsidiaries	(1)
23.1	Consent of Auditor	Attached
99.1	Written Statement of the Chief Executive Officer with respect to compliance with Section 13(a) of the Securities Exchange Act of 1934	Attached
99.2	Written Statement of the Principal Financial Officer with respect to compliance with Section 13(a) of the Securities Exchange Act of 1934	Attached

(1) Filed with the Securities and Exchange Commission on February 11, 2000, as an exhibit with our original filing of a registration statement on Form SB-2 (SEC File No. 333-30176).

(2) Filed with the Securities and Exchange Commission on July 31, 2000, as an exhibit with our second amended filing of a registration statement on Form SB-2 (SEC File No. 333-30176).

(3) Filed with the Securities and Exchange Commission on November 14, 2001, as an exhibit with our third quarter report on Form 10-QSB (SEC File No. 333-30176).

(4) Filed with the Securities and Exchange Commission on February 13, 2003, as an exhibit with the third post-effective amendment to our registration statement on Form S-8 (SEC File No. 333-66580).

(5) Filed with the Securities and Exchange Commission on April 15, 2002, as an exhibit with our annual report on Form 10-KSB for the year ended December 31, 2001 (SEC File No. 333-30176).

(6) Filed with the Securities and Exchange Commission on September 24, 2002, as an exhibit with our current report on Form 8-K dated September 19, 2002 (SEC File No. 333-30176).

(7) Filed with the Securities and Exchange Commission on November 19, 2002, as an exhibit with our third quarter report on Form 10-QSB (SEC File No. 333-30176).

(b) Reports on Form 8-K: During the second quarter ended March 31, 2002, we filed a report on Form 8-K dated May 8, 2002, as amended, which reported the dismissal of our certifying accountant, Richard A. Eisner & Company, LLP. We failed to disclose this filing in our second quarter report on Form 10-QSB. During the fourth quarter ended December 31, 2002, we filed a report on Form 8-K dated December 3, 2002, as amended, to report the resignation of our certifying accountant, Atkinson & Company Ltd.

ITEM 14. CONTROLS AND PROCEDURES

Within 90 days prior to the filing date of this report, our management conducted an evaluation, under the supervision and with the participation of our President and Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, the President and Principal Financial Officer concluded that our disclosure controls and procedures are effective. There have been no significant changes in our internal controls or in other factors that could significantly affect those controls subsequent to the date of our last evaluation.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NMXS.COM, Inc.

Date: April 15, 2003 By /s/ Richard Govatski
Richard Govatski, President and
Chief Executive Officer

52

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacitates and on the dates indicated.

Date: April 15, 2003 /s/ Richard Govatski
Richard Govatski, Director

Date: April 15, 2003 /s/ Teresa Dickey
Teresa B. Dickey, Director &
Principal Financial Officer

Date: April 15, 2003 /s/ John Handley
John E. Handley, Director

CERTIFICATIONS

I, Richard Govatski, President of NMXS.com, Inc., certify that:

1. I have reviewed this annual report on Form 10-KSB of NMXS.com, 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 officers 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 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 prior to 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 as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of 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 officers and I have indicated in this annual report whether 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.

Date: April 15, 2003 /s/ Richard Govatski
Richard Govatski, President

I, Teresa Dickey, Principal Financial Officer of NMXS.com, Inc., certify that:

1. I have reviewed this annual report on Form 10-KSB of NMXS.com, 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 officers 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 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 prior to 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 as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of 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 officers and I have indicated in this annual report whether 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.

Date: April 15, 2003 /s/ Teresa Dickey
Teresa Dickey, Principal Financial Officer

54

SUPPLEMENTAL INFORMATION TO BE FURNISHED WITH
REPORTS FILED PURSUANT TO SECTION 15(d) OF THE
EXCHANGE ACT BY NON-REPORTING ISSUERS

No annual report has been sent to security holders covering the registrant's last fiscal year.