CLASS ACTION COMPLAINT

Plaintiff makes the following allegations, except as to allegations specifically pertaining to him, based upon the investigation undertaken by his counsel, which included analysis of publicly-available news articles and reports, public filings, press releases and other matters of public record, and consultation with a forensic accountant.

NATURE OF THE ACTION

1. This is a class action on behalf of all purchasers of the securities of e-MedSoft.com ("e-MedSoft" or the "Company") between December 6, 2000 and February 11, 2002, inclusive, (the
"Class Period"), seeking to pursue remedies under the Securities Exchange Act of 1934 (the "Exchange Act").

2. Throughout most of the Class Period, e-MedSoft, a healthcare software company which later changed its name to Med Diversified, maintained its corporate headquarters at 1300 Marsh Landing Parkway, Suite 106, Jacksonville, Florida. The Company issued press releases and financial statements during the Class Period representing continued growth and expansion in the healthcare software area, particularly through its acquisition of Chartwell Diversified Services, Inc. ("Chartwell") and numerous other companies.

3. On December 6, 2000, the beginning of the Class Period, the Company issued a press release announcing that it had been "selected" by Chartwell to build a customized healthcare portal solution. The press release represented that the contract was secured through the Company's joint venture with National Century Financial Enterprise, Inc. ("NCFE"), a company that provided e-MedSoft with financing by securitizing its medical accounts receivable. NCFE and several of its affiliates, were principal shareholders of e-MedSoft and Chartwell. E-MedSoft, however, made no disclosure of the following material related party facts: Defendant Ayers was a member of e-MedSoft's board and a significant Chartwell shareholder; several NCFE affiliates (including Ayers who owned 25% of NCFE through July 2001) were also significant Company shareholders, as well as substantial Chartwell shareholders. According to the Company's own later public filings, these NCFE affiliates represented the largest related group of stockholders and had the "ability to influence the election of directors and other important corporate transactions requiring shareholder approval." (Form 10-K for the fiscal year ended March 31, 2001). The Company's stock price rose on the news that it had obtained the Chartwell contract.
4. Thereafter, on May 3, 2001, the Company announced it had executed a letter of intent to acquire Chartwell. According to the press release, Chartwell and its partnerships had “profitably generated annual revenues of more than $150 million.” This press release also revealed that Magliochetti would join the combined company as Co-CEO and Vice-Chairman. A few weeks later, on May 21, 2001, defendant Andrews was quoted in *The Florida-Times Union* as stating that “Chartwell is a profitable company with annual earnings before interest, depreciation, taxes and amortization of about $7 million to $15 million.” No disclosure was ever made of the related parties, nor was there any basis for the statements about Chartwell’s profitability. Several other press releases were issued during the Class Period regarding Chartwell’s profitability and business prospects, as set forth below. Not until August 21, 2001, however, did the Company disclose that related parties were tied to Chartwell. (The Company’s proxy statement for its annual shareholders’ meeting to be held on December 27, 2001, disclosed that the following related parties received payment for their Chartwell shares in the merger: Lance & Barbara Poulsen, Ayers, LLC, Cheyenne-Blaze, LLC and Frank P. Magliochetti, Jr.)

5. The Company continued to issue positive press releases about its plan to acquire two other companies, Addus Healthcare, Inc. ("Addus") and Tender Loving Care, Inc. ("Tender Loving Care"). At the time the Company made these statements, however, it did not have the financial means to acquire them.

6. As detailed below, the Company fraudulently obtained $70 million in financing from Private Investment Banking Group ("PIBL") to help pay for these planned acquisitions, a scheme which ultimately caused the Company’s auditor to resign. The Company agreed in writing to pledge its medical accounts receivable as collateral to repay the principal and interest on convertible
debentures the Company issued in exchange for the cash financing PIBL provided. (The Company issued the debentures to Societe Financiere du Seujet, Ltd. ("SFSL"), a Swiss company that acted as a broker in finding a source of financing -- PIBL -- for the Company.) After PIBL had advanced $70 million to the Company, PIBL received a copy of financing documents that the Company inadvertently or mistakenly faxed to PIBL, showing that the Company had deleted the key paragraphs of the debentures setting forth the Company's obligation to collateralize the debentures with its medical accounts receivable. PIBL also noticed that PIBL directors' names had been forged. The forged documents had apparently been used to deceive the Company's auditor, KPMG LLP ("KPMG") about the medical accounts receivable, which had already been pledged to NCFE, not to PIBL, as agreed.

7. Although the Company conducted an "independent" investigation of these allegations, which PIBL asserted in a complaint against the Company for fraud and breach of contract, KPMG nevertheless refused to certify the Company's fiscal-year end March 31, 2002 financial statements and resigned on July 26, 2002. A few days later, on August 1, 2002, defendant Kuselias, e-MedSoft's CFO, also resigned or was forced to leave the Company.

8. The Company's positive statements about Chartwell proved illusory as well. After the merger, the Company twice restated Chartwell's financial statements in October and November 2001.

9. Meanwhile, the Company's insiders dumped millions of dollars of their Company stock. Defendants Lance Poulsen and Mitchell Stein (operating through his company TSC Technologies, LLC) dumped millions of shares of stock between November 2001 and January 2002, just before the second restatement was announced in a Form 8-K filing on February 11, 2002, the
end of the Class Period. With that announcement, the Company's stock dropped and continued a downward slide thereafter as the Company spiralled into bankruptcy.

10. The Company's stock was delisted from the AMEX on July 15, 2002. On July 26, 2002, as stated above, KPMG resigned. On November 27, 2002, the Company filed for bankruptcy; it is not named as a defendant herein. NCFE also filed for bankruptcy protection in November 2002.

JURISDICTION AND VENUE

11. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§1331, 1337 and 1367 and Section 27 of the Exchange Act (15 U.S.C. § 78aa).

12. This action arises under Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5(a), (b) and (c), promulgated thereunder (17 C.F.R. § 240.10b-5).

13. Venue is proper in this District pursuant to Section 27 of the Exchange Act (15 U.S.C. § 78aa) and 28 U.S.C. § 1391(b) and (c). Substantial acts in furtherance of the alleged fraud and/or its effects have occurred within this District including the preparation of the false and misleading press releases and financial statements alleged herein. Throughout most of the Class Period, e-MedSoft was headquartered in this District in Jacksonville, Florida. In addition, defendants John F. Andrews, Lance K. Poulsen, Barbara L. Poulsen and Suzanne Hosch are residents of this District.

14. In connection with the acts and omissions alleged in this complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications, and the facilities of the national securities markets.
PARTIES

15. Plaintiff purchased e-MedSoft common stock during the Class Period, as set forth in the accompanying certification which is incorporated herein by reference, and was damaged thereby.

16. The defendants, at all times relevant to this action, served in the capacities listed below:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>John F. Andrews</td>
<td>Chairman and Chief Executive Officer of e-MedSoft (1999 to May 2001; Co-CEO from May 2001 to his resignation on August 6, 2001); resides in Ponte Vedra Beach, Florida in this District.</td>
</tr>
<tr>
<td>Frank P. Magliochetti</td>
<td>Chairman and Chief Executive Officer of e-MedSoft (August 6, 2001 to present; Co-CEO and Vice-Chairman May 2001 to August 6, 2001); formerly Chief Executive Officer of Chartwell.</td>
</tr>
<tr>
<td>Donald H. Ayers</td>
<td>A member of e-MedSoft’s Board of Directors, a significant shareholder of Chartwell, Vice Chairman, Chief Operating Officer and a director of National Century Financial Enterprises (“NCFE”), a principal shareholder of e-MedSoft.</td>
</tr>
<tr>
<td>Ayers LLC</td>
<td>Managed by defendant Donald H. Ayers, the sole trustee of a trust which is the sole member of Ayers LLC. During the class period, Ayers LLC was the alter ego of Donald H. Ayers.</td>
</tr>
<tr>
<td>Suzanne Hosch</td>
<td>Chief Accounting Officer; resides in Ponte Vedra Beach, Florida in this District.</td>
</tr>
<tr>
<td>George A. Kuselias</td>
<td>Chief Financial Officer until his resignation on August 1, 2002</td>
</tr>
<tr>
<td>Sam J.W. Romeo</td>
<td>Director; signed the Company’s August 1, 2001 Form 10-K (for period ended 3/31/01); resides in Lake Worth, Florida.</td>
</tr>
</tbody>
</table>
Albert Marston
Director; signed the Company's August 1, 2001 Form 10-K (for period ended 3/31/01).

Cedric Johnson
Director; signed the Company's August 1, 2001 Form 10-K (for period ended 3/31/01).

Lance K. Poulsen
President of NCFE; shareholder of Chartwell; controlling person as alleged below; resides in Port Charlotte, Florida, in this District.

Barbara L. Poulsen
An officer of NCFE and a controlling shareholder as alleged below; upon information and belief, Barbara Poulsen maintained an offshore account through which she traded securities; resides in Port Charlotte, Florida in this District.

Rebecca S. Parrett
Principal shareholder of Chartwell and NCFE.

Cheyenne-Blaze, LLC
Alter ego of Rebecca S. Parrett; managed by Parrett, the sole trustee of the trust which is the sole member of Cheyenne-Blaze, a controlling shareholder of the Company.

J.P. Morgan Chase & Co.
A Delaware corporation that directly or indirectly (through the Beacon defendants described below) owned approximately 20% of the common stock of NCFE and which was represented by two directors on NCFE's board. NCFE was a controlling person of the Company under the federal securities laws.

The Beacon Group, LLC
A Delaware limited partnership through which defendant J.P. Morgan Chase & Co. (its owner) directly or indirectly controlled NCFE, which in turn, was a controlling person of the Company.

The Beacon Group III Focus Value Fund, L.P.
A Delaware limited partnership that became the wholly-owned subsidiary of J.P. Morgan Chase & Co. in 2000 and was the alter ego of J.P. Morgan Chase & Co. through The Beacon Group III Focus Value Fund, L.P. and/or The Beacon Group, LLC, J.P. Morgan Chase & Co. owned 20% of the common stock of NCFE.
Mitchell Stein  Founder of the Company and a board member in 1999 to 2000; owner and controlling person of TSI Technologies, LLC (later renamed to SWAB), HealthMed, Inc., Sanga International (prior to its bankruptcy).

TSI Technologies, LLC (a/k/a "SWAB Financial LLC")  Owner of 20.76% of the Company’s stock and controlling person; controlled by defendant Mitchell Stein; TSI Technologies, LLC was later renamed “SWAB Financial, LLC.”

R. J. Gold & Company, P.C.  Chartwell’s auditors; audited Chartwell’s financial statements which were included in financial statements the Company presented in public filings with the consent of R. J. Gold & Company, P.C.

17. Defendants (except R.J. Gold & Company, P.C.), as senior officers and/or directors or significant shareholders, were controlling persons of the Company. Each exercised their power and influence to cause the Company to engage in the fraudulent scheme alleged herein.

18. According to the Company’s report on Form 10-K filed on November 11, 2002 (for the fiscal year ended 3/31/02), NCFE and its affiliates beneficially own approximately 33% of the Company’s common stock during the Class Period, “and such represents the largest related group of stockholders [the Company has]. Accordingly, they could have an ability to influence the election of directors and other important corporate transactions requiring stockholder approval. In addition, Donald H. Ayers, a principal of NCFE, is also one of our directors.” Lance K. Poulsen was president of NCFE, a controlling shareholder of e-MedSoft. NCFE exercised significant control over the Company because of its stock ownership and because it controlled the financing to fund the Company’s operations and formed a joint venture with e-MedSoft as described in the Company’s December 6, 2000 press release.
19. NCFE filed for bankruptcy in November 2002 and, accordingly, is not named as a defendant herein. By virtue of their stock ownership and/or positions as officers and directors of NCFE, defendant Poulsen and the other NCFE affiliates, Donald Ayers, Ayers LLC, Parrett and Barbara Poulsen (Lance Poulsen’s wife), J.P. Morgan Chase & Co., The Beacon Group, LLC and The Beacon Group III Focus Value Fund, L.P. are controlling persons of NCFE. Their ownership of NCFE was as follows: Parrett (18%); the Poulson (38%); Ayers (18%); J.P. Morgan Chase/Beacon Group (20%).

20. Lance Poulsen and several of the other NCFE affiliates were also significant e-MedSoft stockholders, including Barbara Poulsen, Donald Ayers, Ayers, LLC, Parrett and Cheyenne-Blaze, LLC. According to the Company’s filings, the NCFE affiliates represented the “largest group of related stockholders” and thus had the “ability to influence the election of directors and other important corporate transactions requiring stockholder approval.” During the Class Period, Lance Poulsen personally owned at least 12,056,500 shares of common stock or 8.11% of e-MedSoft. Lance and Barbara Poulsen reside in Port Charlotte, Florida.

21. Each of the defendants is liable as a participant in a scheme to defraud e-MedSoft common stock purchasers, by disseminating materially false and misleading statements and concealing material adverse facts and/or by possessing controlling person authority. Defendants deceived the investing public regarding e-MedSoft’s business, its finances and the intrinsic value of the Company’s common stock, and caused plaintiff and other Class members to purchase the Company’s common stock at artificially inflated prices.
PLAINTIFF'S CLASS ACTION ALLEGATIONS

22. Plaintiff brings this action as a class action pursuant to Rule 23(a) and (b)(3), Fed. R. Civ. P., on behalf of a Class, consisting of all persons who purchased Med Diversified securities between December 6, 2000 and February 11, 2002, inclusive (the "Class Period"), and who were damaged thereby. Excluded from the Class are defendants, members of the immediate family of each of the Individual Defendants, and the directors, officers and employees of e-MedSoft (or Med Diversified), or any entity in which any excluded person has a controlling interest, and the legal representatives, heirs, successors and assigns of any excluded person.

23. The members of the Class are so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to plaintiff at this time and can only be ascertained through appropriate discovery, plaintiff believes that there are thousands of members of the Class located throughout the United States. As of June 12, 2001, there were reportedly more than 80 million shares of e-MedSoft common stock outstanding. Throughout the Class Period, the Company's common stock was actively traded on the American Stock Exchange (an open and efficient market) under the symbol "MED." It currently trades on the OTC Bulletin Board under the symbol "MDDVQ.PK." Record owners and other Class members may be identified from records maintained by the Company and/or its transfer agents and may be notified of the pendency of this action by mail, using a form of notice similar to that customarily used in securities class actions.

24. Plaintiff's claims are typical of the claims of the other members of the Class as all members of the Class were similarly affected by defendants' wrongful conduct in violation of federal law that is complained of herein.
25. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

26. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:
   a. whether the federal securities laws were violated by defendants' acts and omissions as alleged herein;
   b. whether defendants participated in and pursued the common course of conduct complained of herein;
   c. whether documents, press releases, and other statements disseminated to the investing public and the Company's shareholders during the Class Period misrepresented material facts about the business, finances, financial condition and prospects of the Company;
   d. whether statements made by defendants to the investing public during the Class Period misrepresented and/or omitted to disclose material facts about the Company's business, finances, value, performance and prospects;
   e. whether the market price of e-MedSoft common stock during the Class Period was artificially inflated due to the material misrepresentations and failures to correct the material misrepresentations complained of herein; and
   f. the extent to which the members of the Class have sustained damages and the proper measure of damages.

27. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the
damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this suit as a class action.

SUBSTANTIVE ALLEGATIONS

Background to the Class Period


The Class Period Begins

30. The Class Period begins on December 6, 2000. On that date, e-MedSoft issued a press release announcing that it had been selected by Chartwell to build a customized healthcare portal solution:

JACKSONVILLE BEACH, Fla. -- Dec. 6, 2000 -- e-MedSoft.com (AMEX: MED) ... today announced that the Company has been selected by Chartwell Diversified Services, Inc., a leader in the rapidly growing home care healthcare industry, to build a customized healthcare portal solution.

The portal will link Chartwell's network of home healthcare offices.

* * * * *

Frank Magliochetti, chief executive officer of Chartwell, stated: 'This portal will serve as an integral point of contact for our employees, contractors, physicians and patients, providing the foundation for all of our home healthcare applications."

* * * * *

Commenting further, Magliochetti said: 'Since the portal will be such an important tool in our management infrastructure, it was essential we choose a company with proven capabilities in this area, which is why we decided to go with e-MedSoft. e-MedSoft has proven design and implementation abilities, and their solutions provide the scalability necessary to accommodate our expected growth.'

John F. Andrews, e-MedSoft.com chairman and chief executive officer, stated: 'We are excited to continue the momentum in the connectivity segment of our business by securing this contract with Chartwell through our joint venture with NCFE, the leading provider of healthcare accounts receivable financing in the nation. This marked the first step in what we expect to be an ongoing relationship with Chartwell, eventually leading to implementation of e-MedSoft's full suite of e-healthcare business and clinical products and services.'

'Additionally this contract demonstrates both the strengths of our technical capabilities as well as reinforces our expanded relationship with NCFE to provide Web network solutions to benefit healthcare customers. Our joint venture arrangement provides a significant
distribution channel through which to market our innovative solutions to NCFE’s customer base, including more than 2,000 healthcare clients representing nearly 20,000 physicians.’

31. The foregoing statements were false and misleading because Andrews and the other defendants did not disclose that Chartwell, a privately held company, was owned by several NCFE affiliates, including Lance Poulsen and Ayers. The press release gave the misleading impression that Chartwell chose e-MedSoft to perform a contract without any reference to the fact that the same NCFE related parties group owned both Chartwell and e-MedSoft. The stock price rose after this press release was issued.

32. On May 3, 2001, the Company issued a press release announcing the execution of a letter of intent whereby it would acquire Chartwell, a privately held company. The press release stated that, as a result of the acquisition, the Company would “immediately achieve a combined annual revenue run rate in excess of $250 million with a substantial positive EBIDTA.” The May 3, 2001 press release also stated: “Upon consummation of the merger, e-MedSoft.com intends to undergo a name change to Med Diversified Inc. in order to accurately reflect the sustained integration and diversification its technology has continued to bring about.” According to the press release, Chartwell’s CEO Magliochetti would now become Vice-Chairman and president of e-MedSoft. The press release also stated the merger was subject to shareholder approval (although none would ever be sought as later disclosed) and to “the receipt of two fairness opinions,” among other things. (Defendant Magliochetti was to receive a $7.1 million sign-on and performance bonus, as discussed below.)

33. Significantly, the May 3, 2001 press release also discussed Chartwell’s alleged annual revenues:
Chartwell Diversified Services is a privately held company that, through efficiently matched technology and services solutions, provides home infusion services, clinical respiratory services, home medical equipment, home health services, and specialty pharmacy services throughout the United States. As a provider and manager of health-care services within the alternate site setting, Chartwell and its partnerships have profitably generated annual revenues of more than $150 million and has some 9,000 full-and part-time employees.

34. The investing public relied upon the truthfulness of the foregoing statements because Chartwell was a privately held company with financial statements that were unavailable to the investing public. (Indeed, a November 1, 2001 Florida Trend article noted the absence of financial information on Chartwell as of the end of September 2001.) As a result of the press release, the price of the Company’s stock jumped 61% from a closing price of $0.74 on May 3, 2001 to a closing price of $1.19 on May 4, 2001 on heavy trading volume of 3,945,600 shares. In the days that followed, the stock jumped even higher, to almost $2 per share in extremely heavy trading.


The Jacksonville Beach-based company, which provides health care information systems through the Internet, agreed earlier this month to buy Chartwell Diversified Services Inc., a Boston-based firm that provides home health care services and has annual revenue of more than $150 million. That's quite a jump up for e-MedSoft, which reported revenue of only $32 million in the nine months ended Dec. 31.

"It changes the scale of the company, the financial status of the company," said John F. Andrews, chairman and chief executive officer of e-MedSoft . . . Andrews said Chartwell is a profitable company with annual earnings before interest, depreciation, taxes
and amortization of about $7 million to $15 million. “Financially they're doing very, very well,” he said.

E-MedSoft, which only began its operations at the beginning of 1999, had a net loss of $30.1 million for the nine months ended Dec. 31. Before the merger, analysts had projected the company would not be profitable before fiscal 2003.

36. The May 3, 2001 press release and the statements Andrews made in the May 21, 2001 news article were materially false and misleading because there was no basis for the statement that the combined Company would “immediately achieve a combined annual revenue run rate in excess of $250 million” and the statement that “Chartwell is a profitable company with annual earnings before interest, depreciation, taxes and amortization of about $7 million to $15 million” was untrue. In addition, the statements were materially false and misleading because they failed to disclose that Chartwell was a related party (by virtue of Ayers’ significant Chartwell shareholdings and the fact that Chartwell’s principal shareholders were also the principal shareholders of NCFE, a principal shareholder of the Company).

37. On June 1, 2001, the Company issued a press release stating that Chartwell received a fairness opinion justifying the purchase price contemplated in the definitive agreement and that Chartwell shareholders had approved the transaction. (No disclosure was made on whether the Company had received a fairness opinion.) Significantly, the June 1, 2001 press release stated that: “Consummation of the merger is subject to among other conditions . . . the completion of due diligence of the business and operations of each company by the other.”

38. On July 16, 2001, the Company issued a press release stating that it would delay the filing of its audited financial statements and annual report on Form 10-K for the fiscal year ended March 31, 2001. According to the press release, the reasons for the delay included the following:
a. In furtherance of its cost containment and consolidation approach, the Company relocated its finance and accounting functions from California to Jacksonville, Florida.

b. The Company had sued certain principals of its consolidated managed entity, PrimeRx.com, and had entered into a complex settlement agreement, which contributed to managerial delays in obtaining information from PrimeRx.com for the period. These delays exacerbated PrimeRx.com’s already slow manual accounting system.

c. There were delays in obtaining information from the Company’s English subsidiary, e-Net Technologies Group, which the Company placed into voluntary receivership in June 2001.

d. The Company required additional time to assess asset impairment issues arising from the Company’s historical losses in connection with certain assets.

e. A new auditing firm, appointed on March 12, 2001, was completing its first-time review and audit of the Company’s financial statements; and

f. A final review was needed of those portions of the Company’s annual report covering prior periods by its previous auditors.

39. The press release also stated that Company auditors might include a going concern modification to their audit opinion.

40. On August 1, 2001, the Company issued a press release stating that, for the 2001 fiscal year ended March 31, 2001, the Company reported a loss from continuing operations of $258.8 million, or $3.25 a share, much wider than the $9.3 million, or 17 cents a share, loss reported the previous fiscal year. According to the press release, the loss was largely due to $201 million in write-downs of impaired assets. It also quoted Andrews:
2002 will be a year of continued challenges, transition and focus on the Company's core business segments. We will emphasize execution of the Company's business plan to evolve from a pure-play dot-com to a service oriented company. We will continue to exploit opportunities to reduce costs while exploring market opportunities that offer long-term profit potential. Consistent with this strategy is the Company's previously announced merger with Chartwell Diversified Services, Inc., a privately held company that provides home infusion services, clinical respiratory services, home medical equipment, home health services and specialty pharmacy services throughout the United States.

41. The August 1, 2001 press release was materially false and misleading because there was no basis for the inference that the Chartwell merger presented an opportunity to reduce costs and to increase long-term profit potential.

42. On August 1, 2001, the Company also filed its Annual Report on Form 10-K for the fiscal year ended March 31, 2001. The Form 10-K was signed by defendants John F. Andrews, Suzanne Hosch, Donald Ayers, Sam J. W. Romeo, Albert Marston and Cedric Johnson. With respect to Chartwell, the Form 10-K stated:

Consummation of the pending merger with Chartwell could be of critical importance to the Company's ability to continue as a going concern.

* * * * *
We believe that the combination of our technology services and pharmacy services with their healthcare operations will result in new business opportunities, as well as provide financing resources.

43. The foregoing statements were false and misleading for the reasons stated in ¶ 41.

44. On August 6, 2001, the Company issued a press release announcing that the merger with Chartwell "has been completed today." The press release stated, in relevant part:

John F. Andrews stated: "The combination with Chartwell brings to us all of Chartwell's management and operational strengths. We also
expect that Chartwell will generate a healthy cash flow from providing health care services using our technologies... I believe our investment should start reaping returns, especially with the added management strength provided by Chartwell. I believe MED is poised to benefit from the current health care industry flux."

For the five months ended June 30, 2001, Chartwell recorded unaudited net revenues under management of approximately $60,000,000 with gross profit of approximately $40,000,000 and approximately $5,500,000 of EBITDA before minority interest. Commenting on this performance, Mr. Andrews continued: "We expect that this transaction will have a significantly positive impact on our operations. We expect this to be our platform for growth over the next several years. Equally as important is the proven record of execution of Chartwell's team. We are very fortunate to have the opportunity to work with Mr. Magliochetti in taking this company to its next level of achievement."

* * * * *

As originally contemplated, MED shareholders were to be asked to approve the issuance in the merger of 50,000,000 in common stock and warrants covering an additional 20,000,000 in compliance with the rules of the American Stock Exchange ("AMEX"). Under applicable corporate law, shareholder approval is not required to approve the merger itself. It was originally anticipated that this approval would be sought prior to the merger, sometime in September. The delays in completing its year-end audit and filing of its annual report on SEC Form 10K caused the companies to realize that MED could benefit immediately from Chartwell's finance and accounting infrastructure as opposed to waiting several months under the original schedule. Additionally, MED's cash resources reached a level of inadequacy such that there was no assurance that the additional time required to prepare and clear a proxy statement with the SEC and close the transaction under the original schedule would not cause MED to be unable to meet its current obligations as they became due. Also, as a result of the delays in filing the 10K, the AMEX halted trading for 3 days in MED stock. Trading resumed on August 3. Accordingly, the Boards of Directors of the companies restructured the form of the consideration to be paid to Chartwell shareholders to permit an expedited closing of the merger and to provide the shareholders of MED an opportunity to approve the issuance of the common stock in the future. All required corporate action has been taken by both parties to proceed with completion of the merger.
45. The August 6, 2001 press release was materially false and misleading because there was no basis for the statement that:

a. The Chartwell investment "should start reaping returns."

b. "We expect that this transaction will have a significantly positive impact on our operations."

c. "We expect this [Chartwell] to be our platform for growth over the next several years."

46. In addition, the August 6, 2001 press release was materially false and misleading because it failed to disclose that Chartwell was a related party because Ayers was a significant Chartwell shareholder and because Chartwell's principal shareholders were also the principal shareholders of NCFE, a principal shareholder of the Company. E-MedSoft paid for the Chartwell acquisition using 500,000 shares of newly-issued Series A preferred stock (carrying voting rights and convertible into common stock) and warrants to purchase 20,000,000 shares of the Company's common stock at a $4.00 exercise price. According to a Company disclosure filed months after the merger, the following related parties received the consideration the Company paid for their Chartwell stock: Lance Poulsen (108,900 preferred shares; 4.365 million warrants); Barbara Poulser (same); Ayers, LLC (same); Cheyenne-Blaze, LLC (same); Frank P. Magliochetti, Jr. (50,000 preferred shares; 2 million warrants); Edwin A. Reilly (2,500 preferred shares; 100,000 warrants). See Schedule DEF 14A, filed November 21, 2001.

47. Defendant Magliochetti became Co-CEO and Vice-Chairman of the Company on August 6, 2001 and received $7.1 million as a sign-on and performance bonus. (Defendant Andrews was Co-CEO from August 6, 2001 to October 6, 2001, when he stepped down from his executive
position, but stayed on as a board member and consultant. In connection with his resignation, Andrews received warrants to acquire 5 million shares of Company stock at $0.01 per share, and the Company accrued a non-cash compensation expense of $12.4 million in the September 30, 2001 quarter. On October 6, 2001, Magliochetti became CEO and Chairman of the Board.)

48. On August 7, 2001, the Company issued a press release stating that the Company had performed due diligence and analysis of Chartwell’s business “over the past six months.” This representation induced the investment community to believe that the above identified statements were based upon the Company’s factual investigation of Chartwell’s financial data, which was untrue.

49. On August 21, 2001, the Company filed a Form 8-K with the SEC reporting the Chartwell acquisition. The 8-K stated: “The financial statements of Chartwell Diversified Services Inc. will be filed by amendment on or before October 21, 2001.” For the first time, the Form 8-K disclosed that related parties (unidentified except for Ayers) were tied to Chartwell:

Chartwell’s principal shareholders are also the principal shareholders of National Century Financial Enterprises (“NCFE”), a principal shareholder of the Company. This includes Donald Ayers, a member of the Board of Directors of the Company. As a result, at the Transaction Date, NCFE and affiliates of NCFE (including employees) have approximately 38% of the voting rights of the Company’s shareholders.

50. On August 22, 2001, the Company issued a press release touting the Chartwell merger and announcing that it would soon acquire Addus Healthcare, Inc. (“Addus”):
announced today that it has inked a Letter of Intent to acquire privately held Addus Healthcare, Inc. for $57,000,000 in cash and as much as 5,000,000 worth of Med Diversified common stock.

The acquisition is the first in a series of transactions the Company hopes to attract under its new health care technology and services approach.

* * * * *

Frank Magliochetti, President and Co-CEO of Med Diversified, commented: ‘We are very pleased to have such an opportunity to bring a premier company like Addus within the Med Diversified organization.’

Mr. Magliochetti also said: ‘The cumulative synergies between the companies are remarkable. Not only in complimentary service lines but with a migration of our technology into Addus’ core business in lowering operational costs.’

51. The foregoing statements were false and misleading because they gave the investing public the impression that e-MedSoft.com had adequate financing to acquire Addus and other companies and thus continue to expand its “diversified” business. In fact, however, the Company was only able to procure the necessary financing by offering false receivables as collateral for the bond financing it sought to raise to pay for the Addus acquisition, as described below. As a result of this press release, the Company’s stock price shot up from a close of $1.60 on August 22, 2001 to a close of $2.30 on August 23, 2001, on volumes of almost 3 million shares. The Company’s stock price continued to rise throughout August 2001.

52. On August 28, 2001, the Company announced it would acquire another company, continuing its string of acquisitions that started with Chartwell. On that date, the Company announced it had agreed in principle to acquire Tender Loving Care, Inc., a nursing home business:

announced that it has signed an agreement to acquire Tender Loving Care, Inc. (OTCBB: TLCS), one of the five largest home care nursing businesses in the world.

* * * * *

Frank MaglioChetti, the vice chairman and CEO of Med Diversified, added: ‘With the acquisition of TLCS, we will have added the dimension to the company that was most critical to our strategic plan to deliver a complete solution throughout the continuum of health care.

* * * * *

‘On a going-forward, post-merger basis, it is believed that the company expects to achieve total revenues under management (on a post-acquisition basis, ex of acquisition-related charges) of at least $700 million with an EBIDTA of $35 million before minority interest.’

53. The foregoing statements were false and misleading because the Company had no legitimate way to pay for this acquisition, as alleged more fully below. In addition, there was no basis for defendant MaglioChetti’s statement that the Company would have revenues of “at least $700 million” after the acquisition.

54. On October 1, 2001, the Company issued another press release to explain how it would pay for its recently announced corporate integration and expansion strategy. According to the Company’s press release, it had received $40 million in convertible debenture financing from Societe Financiere du Seujet, Ltd., a Geneva, Switzerland investment bank. According to the October 1, 2001 press release: “The initial $40 million infusion will be used to move forward on [the acquisitions of Addus Healthcare and Tender Loving Care Health Care Services, Inc.] and possibly other acquisitions.” The Company stated that the $40 million tranche received by the Company on October 1, 2001, was committed at 2 points above LIBOR. The debentures were payable at year’s end, according to the Company, “subject to pre-payment rights and rights to utilize
collateral for repayment, and subject to limited conversion rights after November 15, 2001.”

(Emphasis added.)

55. The October 1, 2001 press release also quoted defendant Magliochetti:

Frank Magliochetti ... stated he was ‘proud that the Company is able to close such accretive financing in what has to be one of the toughest capital markets in recent memory.’ Mr. Magliochetti continued: ‘This is a very tough time for all businesses and models, however, our ability to consummate this financing and push forward our stated operational and expansion objectives speaks volumes about the confidence investors and customers are showing about our technologies and service offerings. We are now poised to continue our consolidation and expansion of this industry.’ (Emphasis added).

56. The foregoing statements contained in the August 22, August 28 and October 1, 2001 press releases were false and misleading because the Company had obtained the $40 million in financing by falsely assuring one of its creditors, PIBL, that the Company had pledged adequate collateral, namely a portion of its receivables, for the financing. According to PIBL’s complaint against the Company, NCFE and Magliochetti (the “PIBL Complaint”), on October 1, 2001, SFSL arranged for the funding of $40 million in loans to e-MedSoft for four short-term convertible debentures. Another company, PIBL, actually provided the $40 million and received an assignment of the debentures from SFSL. E-MedSoft issued 13.2 million shares of its common stock as collateral for the repayment of the debentures’ principal and interest. SFSL assigned the shares to PIBL.

57. Thereafter, e-MedSoft’s stock price declined substantially, devaluing the collateral for the debentures. According to the PIBL Complaint, e-MedSoft sought to refinance the debentures and to obtain another $30 million in financing to buy Addus. E-MedSoft offered its accounts
receivable as collateral for the four debentures already issued and sought a greater extension of credit from PIBL.

58. PIBL agreed to refinance and extend the maturity date on the $40 million of debentures and extended another $30 million. E-MedSoft promised to wire transfer cash from its accounts receivable to PIBL’s bank, Three Rivers Bank.

59. According to the PIBL Complaint, e-MedSoft never sent any money to PIBL’s bank account as collateral for the payment of the convertible debentures. On January 31, 2002, according to the PIBL Complaint, PIBL received a fax from e-MedSoft’s CFO, defendant George Kuseliano, containing completed audit confirmation documents. E-MedSoft asked PIBL in the fax to execute and send confirmations directly to e-MedSoft’s independent auditors, KPMG. The audit confirmation documents purported to describe the amounts owed under, and the terms of, the debenture agreements. PIBL noticed that the documents made no mention of the accounts receivable collateral that e-MedSoft was to provide. PIBL contacted e-MedSoft and urged it to correct their false and inaccurate statements, which Kuselias said he would do, according to the PIBL Complaint.

60. On February 7, 2002, however, PIBL received from Jim Shanahan of e-MedSoft, a faxed copy of a document purporting to be executed copies of the debentures. According to the PIBL Complaint, the debenture document had deleted the key paragraphs regarding the accounts receivable e-MedSoft was to post as collateral for the refinancing and the additional $30 million loan, and bore forged signatures of PIBL directors. According to the PIBL Complaint, PIBL realized the Company was attempting to hide the collateral agreement from its public auditor, KPMG.

61. According to the PIBL Complaint, when confronted, defendant Magliochetti admitted that he had forged the debenture agreement and that the Company’s medical accounts receivable had
already been pledged to NCFE. (PIBL Complaint, ¶53). Accordingly, no money would flow to PIBL's collateral account. E-MedSoft refused to make any payment of collateral on the $70 million it obtained from PIBL.

**The Tender Loving Care Acquisition**

62. On October 19, 2001, the Company announced that a definitive agreement to acquire Tender Loving Care for $1.00 per share had been reached. With approximately 11,819,653 shares of Tender Loving Care outstanding, the tender offer transaction was valued at $11.9 million. No disclosure was made regarding the source of funds for this acquisition or the fact that the Company had fraudulently obtained financing from PIBL.

**Chartwell's Restatements**

63. On October 22, 2001, the Company filed a Form 8-K/A with the SEC which contained the financial statements of Chartwell as follows:

<table>
<thead>
<tr>
<th></th>
<th>For the Period From Inception (2/23/00) to 12/31/00</th>
<th>Six Months Ended 6/30/01</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenues</td>
<td>60,316,304</td>
<td>85,850,000</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>19,954,937</td>
<td>35,073,000</td>
</tr>
<tr>
<td>Gross profit</td>
<td>40,361,367</td>
<td>50,777,000</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General and administrative</td>
<td>34,945,208</td>
<td>47,083,000</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>704,539</td>
<td>1,316,000</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>35,649,747</td>
<td>48,399,000</td>
</tr>
<tr>
<td>Operating income</td>
<td>4,711,620</td>
<td>2,378,000</td>
</tr>
<tr>
<td>Other income (expenses):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>97,650</td>
<td>---</td>
</tr>
<tr>
<td>Interest and other expense</td>
<td>(1,186,912)</td>
<td>(2,042,000)</td>
</tr>
<tr>
<td>Total other income (expenses)</td>
<td>(1,089,262)</td>
<td>(2,042,000)</td>
</tr>
</tbody>
</table>
Minority interests   (1,506,862)  (1,750,000)
Income (loss) before income taxes  2,115,496  (1,414,000)
Income taxes:
  Current  1,850,939  ---
  Deferred (benefit)  (8,569,724)  ---
Total income tax (benefit)  (6,718,785)  (756,000)
Net income (loss)  8,834,281  (658,000)

64. The Chartwell financial statements which were presented in the Company’s October 22, 2001 Form 8-K/A were materially false and misleading because they presented materially overstated gross profit, operating income and net income as subsequently revealed through restatement.

65. In addition, the October 22, 2001 Form 8-K/A disclosed the fact that (i) Chartwell’s revenue for the period from inception (February 23, 2000) to December 31, 2000 included $3,835,829 of “fees” (management fees of $2,710,355 and collection fees of $1,125,474) from related parties which had not been remitted to Chartwell as of December 31, 2000 and that (ii) Chartwell’s revenue for the six months ended June 30, 2001 included a material amount of fees from related parties.

66. On November 15, 2001, e-MedSoft issued a press release on its reported financial results for its second fiscal quarter ended September 30, 2001. The Company reported net revenues of $39 million, up 62% from the prior year period. Gross profit was $12.6 million as compared to $7.3 million in the prior year period, a 72.6% increase. The press release went on:

‘The primary factor affecting our financial results this quarter is the merger of Chartwell Diversified Services with e-MedSoft.com,’ said Frank P. Magliochetti Jr., chairman and chief executive officer of Med Diversified. ‘While our operational performance greatly improved in the home health care services segment, we were adversely impacted by the e-medsoft.com core business, acquisition
costs related to the merger, and large asset impairment costs — particularly in the Internet business.’

The merger of e-MedSoft.com and Chartwell Diversified Services was a transforming event for both companies. The scale, scope, and market reach that Med Diversified represents in the home health care informatics and services market present a breakaway opportunity from other home health care industry comparables. Although the Company expects to recognize the ancillary benefits of e-MedSoft.com’s enterprise technology — focusing on the network telemedicine initiatives — the additional unprofitable business units inherited from the e-MedSoft.com merger will be eliminated. Over the next four quarters, the Company expects to improve gross margins in the home health care divisions by controlling direct and indirect costs and utilizing e-MedSoft.com’s enabling technology.

67. On November 15, 2001, the Company filed its Form 10-Q for the quarterly period ended September 30, 2001 with the SEC (“the September 30, 2001 Form 10-Q”). It was signed by Magliochetti and Kuselias. This document stated:

On October 22, 2001, the Company filed an 8-K which included audited financial statements of Chartwell and certain pro forma financial information. The Company has evaluated the accounting policies utilized in these financial statements and has determined that reporting financial information of certain joint ventures utilizing the equity basis of accounting more accurately reflects the financial position and results of operations of the Company in accordance with generally accepted accounting principles in the United States. The Company anticipates amending the financial information included in that 8-K, to the extent possible, by November 30, 2001.

68. This disclosure caused the price of the Company’s stock to decline.

69. The November 15, 2001 Form 10-Q also stated that the Company had entered into a Short Form Debenture and Equity Agreement with SFSL under which the Company could receive up to $54 million in financing from SFSL. The Company failed to disclose, however, that PIBL had actually lent $40 million to the Company under this agreement and that the Company had no
intention of providing adequate collateral to back the debentures. In addition, the Form 10-Q repeated the Company’s false assertions about its intent to purchase Addus. As alleged above, the Company was without sufficient funds to purchase Addus.

70. On November 30, 2001, the Company filed a Form 8-K/A with the SEC signed by Magliochetti and Kuselias which contained restated Chartwell financial statements and which stated:

This filing amends the Current Report on Form 8-K reporting financial statements, pro forma financial information and exhibits related to the August 6, 2001 acquisition of Chartwell Diversified Services, Inc. (“Chartwell”) by e-Medsoft.com (“e-Medsoft” or “the Company”) which was previously filed by the Company on October 22, 2001. In that Report, the Company included in the audited financial statements of Chartwell and pro forma financial information certain joint ventures of Chartwell on a consolidated basis.

The Company has reevaluated the accounting policies utilized in the aforementioned financial information and statements and has determined that reporting financial information of certain joint ventures utilizing the equity basis of accounting more accurately reflects the financial position and results of operations of the Company in accordance with generally accepted accounting principles in the United States. In addition, the Company determined that the accounting for income taxes in the audited financial statements of Chartwell was not in accordance with accounting principles generally accepted in the United States.

The Company has disclosed herein the effects of these changes in accounting treatment in the presentation of pro forma financial information for the year ended March 31, 2001 and as of and for the three months ended June 30, 2001.

The Company has also disclosed herein the comparative effect of this change in accounting treatment on the consolidated condensed financial statements of Chartwell as of and for the period from inception to December 31, 2000.

71. Chartwell’s restated financial statements reflected materially lower gross profit, operating income and net income as follows:

-29-
For the Period | Six
From Inception | Months
(2/23/00) | Ended
to 12/31/00 | 6/30/01
Restated | Restated

Net revenues | 34,719,000 | 54,428,000
Cost of goods sold | 5,926,000 | 32,488,000
Gross profit | 28,793,000 | 21,940,000

Operating expenses:
- General and administrative
- Depreciation and amortization
Total operating expenses | 27,042,000 | 22,422,000
Operating income | 1,751,000 | (482,000)

Other income (expenses):
- Interest income
- Interest and other expense
Total other income (expenses) | 364,000 | (2,547,000)
Minority interests
Equity in earnings of non-consolidated subsidiaries | --- | 1,710,000
Income (loss) before income taxes | 2,115,000 | (1,338,000)
Income taxes:
- Current
- Deferred (benefit)
Total income tax (benefit) | 769,000 | (680,000)
Net income (loss) | 1,346,000 | (658,000)

72. The November 30, 2001 Form 8-K/A was materially false and misleading because (as subsequently revealed in a Form 8-K/A which was filed with the SEC on February 11, 2002) the restated Chartwell financial statements contained therein were not prepared in conformity with GAAP and were required to be restated for a second time.

73. On December 27, 2001, the Company announced that it had executed a definitive agreement for the issuance of bonds over the next year in the amount of $1 billion with a minimum
guaranteed commitment of $300 million. According to defendant Frank P. Magliochetti who was quoted in the press release:

There is no question that we currently are well positioned for solid revenue growth in 2002. This financing is further validation that our business model and strategy are being executed to plan and demonstrates a strong confidence in the strength of the organization.

74. Shortly after this press release, defendant Stein (through TSI) and Lance Poulsen dumped millions of shares of their Company stock, as set forth in the table below.

75. On January 9, 2002, e-MedSoft.com changed its name to Med Diversified, Inc. In a press release issued on that date, the Company stated the new name reflected its "expanded scope of operations following the successful merger with Chartwell Financial Services, Inc. . . . ."  

76. On February 11, 2002, the Company filed a Form 8-K/A with the SEC stating:

This Filing amends the Current Report on Form 8-K reporting financial statements, proforma financial information and exhibits related to the August 6, 2001 acquisition of Chartwell Diversified Services, Inc. ("Chartwell") by e-MedSoft.com ("e-MedSoft", "Med Diversified" or "the Company") which was previously filed by the Company on October 22, 2001. In that Report, the Company included in the audited financial statements of Chartwell and proforma financial information certain joint ventures of Chartwell on a consolidated basis.

On November 30, 2001 the company filed an amended report on Form 8-K indicating it had reevaluated the accounting policies utilized in the aforementioned financial information and statements and had determined that reporting financial information of certain joint ventures utilizing the equity basis of accounting more accurately reflected the financial position and results of operations of the Company in accordance with generally accepted accounting principles in the United States. In addition, the Company determined that the accounting for income taxes in the audited financial statements of Chartwell was not in accordance with accounting principles generally accepted in the United States.
The Company has provided revised consolidated financial statements of Chartwell as of and for the period from inception to December 31, 2000. The Company has disclosed herein the effects of these changes in accounting treatment in the presentation of proforma financial information for the year ended March 31, 2001 and as of and for the three months ended June 30, 2001.

77. Chartwell’s re-restated financial statements reflected the following:

<table>
<thead>
<tr>
<th>For the Period</th>
<th>From Inception (2/23/00) to 12/31/00</th>
<th>Re-restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenues</td>
<td>38,486,686</td>
<td></td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>8,253,812</td>
<td></td>
</tr>
<tr>
<td>Gross profit</td>
<td>30,232,874</td>
<td></td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General and administrative</td>
<td>27,871,224</td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>441,944</td>
<td></td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>28,313,168</td>
<td></td>
</tr>
<tr>
<td>Operating income</td>
<td>1,919,706</td>
<td></td>
</tr>
<tr>
<td>Other income (expenses):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>38,544</td>
<td></td>
</tr>
<tr>
<td>Interest and other expense</td>
<td>(1,186,854)</td>
<td></td>
</tr>
<tr>
<td>Total other income (expenses)</td>
<td>(1,148,310)</td>
<td></td>
</tr>
<tr>
<td>Minority interests</td>
<td>(66,890)</td>
<td></td>
</tr>
<tr>
<td>Equity in earnings of non-consolidated subsidiaries</td>
<td>1,309,691</td>
<td></td>
</tr>
<tr>
<td>Income (loss) before income taxes</td>
<td>2,014,197</td>
<td></td>
</tr>
<tr>
<td>Income taxes:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>1,749,640</td>
<td></td>
</tr>
<tr>
<td>Deferred (benefit)</td>
<td>(1,065,566)</td>
<td></td>
</tr>
<tr>
<td>Total income tax (benefit)</td>
<td>684,074</td>
<td></td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>1,330,123</td>
<td></td>
</tr>
</tbody>
</table>
78. The price of the Company’s stock commenced a sharp decline upon dissemination of the re-restated Chartwell financial statements, in recognition of the fact that defendants’ financial reporting lacked credibility as evidenced by the following:

<table>
<thead>
<tr>
<th></th>
<th>For the Period From Inception (2/23/00) to 12/31/00</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Initially Reported</td>
</tr>
<tr>
<td>Net revenues</td>
<td>60,316,304</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>19,954,937</td>
</tr>
<tr>
<td>Gross profit</td>
<td>40,361,367</td>
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<tr>
<td>Operating expenses:</td>
<td></td>
</tr>
<tr>
<td>Gen’l and administrative</td>
<td>34,945,208</td>
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<tr>
<td>Depn. and amortization</td>
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<td>Operating income</td>
<td>4,711,620</td>
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<td>Other income (expenses):</td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>97,650</td>
</tr>
<tr>
<td>Interest and other</td>
<td>(1,186,912)</td>
</tr>
<tr>
<td>Total other income (expenses)</td>
<td>(1,089,262)</td>
</tr>
<tr>
<td>Minority interests</td>
<td>(1,506,862)</td>
</tr>
<tr>
<td>Equity in earnings of non-consolidated subsidiaries</td>
<td></td>
</tr>
<tr>
<td>Pre-tax income (loss)</td>
<td>2,115,496</td>
</tr>
<tr>
<td>Income taxes:</td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>1,850,939</td>
</tr>
<tr>
<td>Deferred (benefit)</td>
<td>(8,569,724)</td>
</tr>
<tr>
<td>Total income tax (benefit)</td>
<td>(6,718,785)</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>8,834,281</td>
</tr>
</tbody>
</table>
### Six Months Ended 6/30/01

<table>
<thead>
<tr>
<th></th>
<th>Initially Reported</th>
<th>Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenues</td>
<td>85,850,000</td>
<td>54,428,000</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>35,073,000</td>
<td>32,488,000</td>
</tr>
<tr>
<td>Gross profit</td>
<td>50,777,000</td>
<td>21,940,000</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gen’l and administrative</td>
<td>47,083,000</td>
<td>21,772,000</td>
</tr>
<tr>
<td>Depn. and amortization</td>
<td>1,316,000</td>
<td>650,000</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>48,399,000</td>
<td>22,422,000</td>
</tr>
<tr>
<td>Operating income</td>
<td>2,378,000</td>
<td>(482,000)</td>
</tr>
<tr>
<td><strong>Other income (expenses)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and other</td>
<td>(2,042,000)</td>
<td>(2,547,000)</td>
</tr>
<tr>
<td>Total other income (expenses)</td>
<td>(2,042,000)</td>
<td>(2,547,000)</td>
</tr>
<tr>
<td>Minority interests</td>
<td>(1,750,000)</td>
<td>(19,000)</td>
</tr>
<tr>
<td>Equity in earnings of non-consolidated subsidiaries</td>
<td>---</td>
<td>1,710,000</td>
</tr>
<tr>
<td>Pre-tax income (loss)</td>
<td>(1,414,000)</td>
<td>(1,338,000)</td>
</tr>
<tr>
<td>Income taxes:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Deferred (benefit)</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Total income tax (benefit)</td>
<td>(756,000)</td>
<td>(680,000)</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>(658,000)</td>
<td>(658,000)</td>
</tr>
</tbody>
</table>

**POST CLASS PERIOD EVENTS**

79. On May 22, 2002, the American Stock Exchange notified the Company that it was not in compliance with AMEX standards for continued listing. The Company was delisted on July 15, 2002.

80. On July 26, 2002, the Company’s auditor, KPMG, resigned, citing “likely illegal acts” that came to its attention during KPMG’s audit of the Company’s financial statements for the year ended March 31, 2002. KPMG also wrote a letter on that date informing the SEC of its resignation and of KPMG’s dissatisfaction with the Company’s internal investigation into the allegations of
financial statement fraud made in the PIBL Complaint relating to the forged debenture agreement that deleted references to the Company’s accounts receivable collateral. The Company countered with a letter of its own on July 29, 2002 to the SEC denying any wrongdoing and relying on the results of an independent internal investigation that concluded the Company’s financial statements conformed to Generally Accepted Accounting Principles and were fairly stated. E-MedSoft’s CFO, George Kuselias, abruptly resigned from the Company (or was asked to leave) on August 1, 2002. On August 16, 2002, KPMG wrote again to the SEC, rebutting Company claims that KPMG had any input into the scope or depth of the Company’s “independent investigation” of the allegations in the PIBL Complaint.

81. On November 27, 2002, the Company filed for bankruptcy protection.

APPLICABILITY OF PRESUMPTION OF RELIANCE:
FRAUD-ON-THE-MARKET DOCTRINE

82. At all relevant times, the market for e-MedSoft common stock was an efficient market for the following reasons, among others:

   a. E-MedSoft common stock met the requirements for listing, and was listed and actively traded, on the AMEX, a highly efficient market;

   b. As a regulated issuer, e-MedSoft filed periodic public reports with the SEC;

   c. E-MedSoft stock was followed by securities analysts employed by major brokerage firms who wrote reports which were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.
d. E-MedSoft regularly issued press releases which were carried by national newswires. Each of these releases was publicly available and entered the public marketplace.

83. As a result, the market for e-MedSoft securities promptly digested current information with respect to the Company from all publicly-available sources and reflected such information in e-MedSoft’s stock price. Under these circumstances, all purchasers of e-MedSoft common stock during the Class Period suffered similar injury through their purchase of stock at artificially inflated prices and a presumption of reliance applies.

NO SAFE HARBOR

84. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this complaint. The specific statements pleaded herein were not identified as “forward-looking statements” when made. Nor was it stated with respect to any of the statements forming the basis of this complaint that actual results “could differ materially from those projected.” To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein, defendants are liable for those false forward-looking statements because at the time each of those forward-looking was made the particular speaker knew that the particular forward-looking statement was false, and/or the forward-looking statement was authorized and/or approved by an executive officer of e-MedSoft who knew that those statements were false when made.
SCIENTER ALLEGATIONS

85. As alleged herein, defendants acted with scienter in that defendants knew that the public documents and statements, issued or disseminated by or in the name of the Company were materially false and misleading; knew or recklessly disregarded that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violators of the federal securities laws. As set forth elsewhere herein in detail, defendants, by virtue of their receipt of information reflecting the true facts regarding e-MedSoft and its business practices, their control over and/or receipt of e-MedSoft’s allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning e-MedSoft were active and culpable participants in the fraudulent scheme alleged herein. Defendants knew and/or recklessly disregarded the falsity and misleading nature of the information which they caused to be disseminated to the investing public. This case does not involve allegations of false forward-looking statements or projections but instead involves false statements concerning the Company’s business, finances and operations. The ongoing fraudulent scheme described in this complaint could not have been perpetrated over a substantial period of time, as has occurred, without the knowledge and complicity of the personnel at the highest level of the Company, including the Individual Defendants.

86. The Individual Defendants engaged in such a scheme to inflate the price of e-MedSoft common stock in order to: (i) protect and enhance their executive positions and the substantial compensation and prestige they obtained thereby; and (ii) enhance the value of their personal holdings of e-MedSoft common stock and options.
87. In addition, insiders engaged in the following sales of Company stock in amounts and at times, that were highly suspicious:

<table>
<thead>
<tr>
<th>Seller</th>
<th>Date</th>
<th>Shares</th>
<th>Sales Proceeds</th>
</tr>
</thead>
<tbody>
<tr>
<td>TSI Technologies LLC (Beneficial owner of 10% or more)</td>
<td>11/20/01</td>
<td>700,000</td>
<td>$826,000</td>
</tr>
<tr>
<td></td>
<td>12/31/01</td>
<td>366,000</td>
<td>$428,220 (using share price of $1.17)</td>
</tr>
<tr>
<td></td>
<td>1/31/02</td>
<td>869,000</td>
<td>$1,147,080 (using a sales price of $1.32)</td>
</tr>
<tr>
<td>LANCE K. POULSEN (Beneficial owner of 10% or more)</td>
<td>1/8/02</td>
<td>6,969,600</td>
<td>Sales price unknown (Disposition Non Open Market)</td>
</tr>
</tbody>
</table>

COUNT I

Violations Of Section 10(b) Of The Exchange Act
And Rule 10b-5 Promulgated Thereunder Against All Defendants Except Rebecca S. Parrett, Cheyenne-Blaze, LLC, J.P. Morgan Chase & Co., The Beacon Group, LLP, and the Beacon Group III Focus Value Fund, L.P.

88. Plaintiff repeats and realleges each and every allegation contained above.

89. Each of the defendants, except Rebecca S. Parrett, Cheyenne-Blaze, LLC, J.P. Morgan Chase & Co., The Beacon Group, LLP, and the Beacon Group III Focus Value Fund, L.P.: (a) knew or recklessly disregarded material adverse non-public information about e-MedSoft’s financial results and then existing business conditions, which was not disclosed; and (b) participated in drafting, reviewing and/or approving the misleading statements, releases, reports and other public representations of and about e-MedSoft.
90. During the Class Period, these defendants, with knowledge of or reckless disregard for the truth, disseminated or approved the false statements specified above, which were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

91. These defendants have violated § 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder in that they: (a) employed devices, schemes and artifices to defraud; (b) made untrue statements of material facts or omitted to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; or (c) engaged in acts, practices and a course of business that operated as a fraud or deceit upon the purchasers of e-MedSoft stock during the Class Period.

92. Plaintiff and the Class have suffered damage in that, in reliance on the integrity of the market, they paid artificially inflated prices for e-MedSoft stock. Plaintiff and the Class would not have purchased e-MedSoft stock at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by these defendants' false and misleading statements.

**COUNT II**

Violation Of Section 20(a) Of The Exchange Act

93. Plaintiff repeats and realleges each and every allegation contained above.
94. The Defendants (Andrews, Magliochetti, Ayers, Ayers LLC, Hosch, Kuselias, Lance and Barbara Poulsen, Mitchell Stein, Cheyenne-Blaze LLC, Barbara Parrett, J.P. Morgan Chase & Co., The Beacon Group, LLC, The Beacon Group Focus Value Fund, L.P., and TSI Technologies, LLC) acted as controlling persons of e-MedSoft and/or Med Diversified within the meaning of Section 20(a) of the Exchange Act. By reason of their senior executive, Board positions, or significant stockholdings they had the power and authority to cause e-MedSoft.com and/or Med Diversified to engage in the wrongful conduct complained of herein.

95. By reason of such wrongful conduct, Defendants are liable pursuant to §20(a) of the Exchange Act. As a direct and proximate result of these defendants’ wrongful conduct, plaintiff and the other members of the Class suffered damages in connection with their purchases of e-MedSoft.com and/or Med Diversified stock during the Class Period.

WHEREFORE, plaintiff prays for relief and judgment, as follows:

1. Determining that this action is a proper class action and certifying plaintiff as class representative under Rule 23 of the Federal Rules of Civil Procedure;

2. Awarding compensatory damages in favor of plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of defendants’ wrongdoing, in an amount to be proven at trial, including interest thereon;

3. Awarding plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

4. Such other and further relief as the Court may deem just and proper.
JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

DATED: August 8, 2003

COOPER RIDGE & LANTINBERG

By: [Signature]

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Attorneys for Plaintiff
CERTIFICATION OF NAMED PLAINTIFF
Pursuant to Federal Securities Laws

1. Plaintiff, [Name Redacted] ("Plaintiff"), declare the following as to the claims asserted under the federal securities laws:

   1. Plaintiff has reviewed the complaint filed in this matter and has authorized the filing of a complaint based on similar allegations to a related or amended complaint. Plaintiff retains Bernstein Liebhard & Liebhard, LLP and such co-counsel it deems appropriate to associate with to pursue such action on a contingent fee basis.

   2. Plaintiff did not purchase the security that is the subject of this action at the direction of Plaintiff's counsel or in order to participate in this private action.

   3. Plaintiff is willing to serve as a lead plaintiff either individually or as part of a group. A lead plaintiff is a representative party who acts on behalf of other class members in directing the action, and whose duties may include testifying at deposition and trial. I understand that the litigation is not settled, this is not a claim form, and sharing in any recovery is not dependent upon execution of this Certification.

   4. Plaintiff's transaction(s) in the MEDI DIVERIFIED, INC. F/K/A E-MEDSOFT.COM security that is the subject of this action during the period of 12/6/00 through 2/1/02 are as follows:

   - No. of Shares: 1000
   - Stock Symbol: MEDI
   - Date: 8/6/2001
   - Price Per Share: $1.38

5. During the three years prior to the date of this Certification, Plaintiff has not sought to serve or served as a representative party for the class in any action filed under the federal securities laws except as indicated here:

6. Plaintiff will not accept any payment for serving as a representative party on behalf of the class beyond the Plaintiff's pro rata share of any recovery, or as ordered or approved by the court, including any award for reasonable costs and expenses (including lost wages) directly relating to the representation of the class.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this [Redacted] day of [Redacted], 2003.

[Signature]

Plaintiff's Name