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

FORM 10-QSB

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

For the Quarterly Period Ended March 31, 1998

Commission File No. 0-23444

OR

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

FROST HANNA CAPITAL GROUP, INC.

(Exact name of small business issuer as specified in its charter)

<TABLE>
<CAPTION>

<S>	<C>
Florida	65-0701248
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

</TABLE>

327 Plaza Real, Suite 319
Boca Raton, FL 33432

(Address of principal executive offices)

(561) 367-1079

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ________

Number of shares outstanding of each of the issuer's losses of common equity:________

As of May 8, 1998, the Company had a total of 2,657,202 shares of Common Stock, par value $.0001 per share (the "Common Stock"), outstanding. Additionally, as of such date Underwriter Warrants to purchase 110,020 shares of Common Stock (the "Underwriter Warrants") remained outstanding and unexercised. Each Underwriter Warrant entitles the holder thereof to purchase one share of Common Stock at a purchase price of $9.90 per share commencing October 16, 1998 and for a period of four years thereafter.

Transitional Small Business Disclosure Format: Yes [ ] No [X]

FROST HANNA CAPITAL GROUP, INC.
FORM 10-QSB
QUARTER ENDED MARCH 31, 1998

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<CAPTION>

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PART I

ITEM 1. FINANCIAL STATEMENTS

The unaudited, condensed financial statements included herein, commencing at page F-1, have been prepared in accordance with the requirements of Regulation S-B and supplementary financial information included herein, if any, has been prepared in accordance with Item 310(b) of Regulation S-B and, therefore, omit or condense certain footnotes and other information normally included in financial statements prepared in accordance with generally accepted accounting principles. In the opinion of management, all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the financial information for the interim periods reported have been made. Results of operations for the three months ended March 31, 1998 and from inception (February 2, 1996) to the period ended March 31, 1998, are not necessarily indicative of the results for the year ending December 31, 1998.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Frost Hanna Capital Group, Inc. (the "Company"), was formed in February 1996 to seek to effect a merger, exchange of capital stock, asset acquisition or similar business combination (a "Business Combination"), with an acquired business (an "Acquired Business"). In connection with its initial capitalization, the Company issued 1,557,000 shares of its Common Stock to its officers, directors, and other shareholders for an aggregate sum of $216,613. On September 22, 1997, the Company's Registration Statement on Form SB-2 (the "Registration Statement"), was declared effective by the U.S. Securities and Exchange Commission. Pursuant to the Registration Statement, the Company, in its initial public offering of securities, offered and sold 1,100,202 shares of Common Stock, par value $.0001 per share, at a purchase price of $6.00 per share (the "Offering"), and received net proceeds of approximately $5,875,079 (which amount, less estimated expenses of the Offering, is referred to herein as the "Net Proceeds"). In addition, the Company issued Underwriter Options to purchase 110,020 shares of Common Stock. The Offering was a "blank check" offering.

Liquidity and Capital Resources/Plan of Operation

As of March 31, 1998 and December 31, 1997, respectively, the Company had cash and cash equivalents of $689,823 and $776,067, restricted short-term investments of $4,659,535 and $4,608,759, property and equipment of $17,669 and $21,084 and prepaid expenses of $8,015 and $8,015. As of March 31, 1998 and December 31, 1997, respectively, the Company had total liabilities of $21,170 and $20,750 and total stockholders' equity of $5,353,872 and $5,393,175. Following the consummation of the Offering, eighty percent (80%) of the Net Proceeds ($4,560,063) (the "Escrow Fund"), were delivered to Fiduciary Trust International of the South, as Escrow Agent, to be held in escrow by such firm, until the earlier of (i) written notification by the Company of its need for all or substantially all of the Escrow Fund for the purpose of implementing a Business Combination; or (ii) the exercise by certain shareholders of redemption rights which will be offered (the "Redemption Offer") at the time the Company seeks shareholder approval of any potential Business Combination. As of March 31, 1998, there was $4,659,535 in the Escrow Fund. The Escrow Fund is currently invested in United States government-backed short-term securities.

Other than the Escrow Fund, the Company, as of March 31, 1998 and December 31, 1997, respectively, had $689,823 and $776,067 in cash, substantially all of which was received from the Offering (other than interest income earned thereon) (the "Operating Funds"). The Company believes the Operating Funds will be sufficient for its cash requirements for at least the next twelve months.

The expenses required to select and evaluate an Acquired Business candidate (including conducting a due diligence review) and to structure and consummate a Business Combination (including the negotiation of relevant agreements and the preparation of requisite documents for filing pursuant to applicable securities laws and state corporation laws) cannot be presently ascertained with any degree of certainty. Pursuant to employment agreements, the Company pays to each of Mr. Richard Frost, Chief Executive Officer and Chairman of the Board of the Company, and Mr. Mark Hanna, President of the Company, $10,000 monthly for salary and $1,000 monthly each for Messrs. Frost's and Hanna's non-accountable expense allowance.

The Company anticipates that it will make contact with business prospects primarily through the efforts of its officers, who will meet personally with existing management and key personnel, visit and inspect material facilities, assets, products and services belonging to such prospects and undertake such further reasonable investigation as management deems appropriate, to the extent of its limited financial resources. The Company anticipates that certain Acquired Business candidates may be brought to its attention from various unaffiliated sources, including securities broker-dealers, investment bankers, venture capitalists, bankers, other members of the financial community, and affiliated sources. While the Company does not presently anticipate engaging the services of professional firms that specialize in business acquisitions on any formula basis, the Company may engage such firms in the future, in which event the Company may pay a finder's fee or other compensation. In no event, however, will the Company pay a finder's fee or commission to officers or directors of the Company or any entity with which they are affiliated for such services.

As part of the Company's investigation of prospective enterprises, products and services, management intends to request that current owners of a prospective Acquired Business provide, among other things, written materials regarding the current owner's business, product or service, available market studies, as well as the assumptions upon which they are made, appropriate title documentation with respect to the assets, products and services of the potential Acquired Business, detailed written descriptions of any transactions between the potential Acquired Business and any of its affiliates, copies of pleadings and material litigation, if any, copies of material contracts and any and all other information deemed relevant. Additionally, the Company may verify such information, if possible, by interviewing competitors, certified public accountants and other persons in a position to have independent knowledge regarding the product or service as well as the financial condition of the potential Acquired Business.

Key Man Insurance

The Company has obtained $1,000,000 "key man" term policies insuring each of the lives of Messrs. Frost and Hanna. There can be no assurances that such "key man" insurance will be maintained at reasonable rates, if at all. The loss, incapacity or unavailability of any of Messrs. Frost or Hanna at the present time or in the foreseeable future, before a qualified replacement was obtained, could have a material adverse effect on the Company's operations. In connection with the purchase by the Company of such policies, The Marshal E. Rosenberg Organization, Inc., a firm in which Dr. Rosenberg, a director of the Company, is an officer, director and sole shareholder, received a commission of approximately $2,700 in 1996 and $4,464 in 1997. No further commissions are contemplated to be earned in connection with the purchase of such "key man" life insurance policies.

Conflicts of Interest

None of the Company's key personnel are required to commit their full time to the affairs of the Company and, accordingly, such personnel may have conflicts of interest in allocating management time among various business activities. Certain of these key personnel may in the future become affiliated with

entities, including other "blank check" companies, engaged in business activities similar to those intended to be conducted by the Company. Messrs. Frost and Hanna are each currently directors of Continucare Corporation, a Florida corporation ("Continucare"), engaged in the development and management of mental and physical rehabilitation health care programs. Dr. Rosenberg is an investor in numerous private enterprises, engaged in, among other things, real estate development and retail sales, which business interests may conflict with those of an Acquired Business. Mr. Donald Baxter, a director of the Company, is the President of Baxter Financial Corporation, an investment advisory firm, and the President and Chairman of the Philadelphia Fund and Eagle Growth Shares, mutual funds registered under the Investment Company Act of 1940. Mr. Charles Fernandez, a director of the Company, is currently the Chairman of the Board, President and Chief Executive Officer of Continucare. Certain activities which may be performed by such individuals in connection with their other business affiliations may be deemed competitive with the business of the Company.

In the course of their other business activities, including private investment activities, Messrs. Frost, Hanna, Baxter, Rosenberg and Fernandez may become aware of investment and business opportunities which may be appropriate for presentation to the Company as well as the other entities with which they are affiliated. Such persons may have conflicts of interest in determining to which entity a particular business opportunity should be presented. In general, officers and directors of corporations incorporated under the laws of the State of Florida are required to present certain business opportunities to such corporations. Accordingly, as a result of multiple business affiliations, Messrs. Frost, Hanna, Baxter, Rosenberg and Fernandez may have similar legal obligations relating to presenting certain business opportunities to the various entities upon which they serve as directors. In addition, conflicts of interest may arise in connection with evaluations of a particular business opportunity by the Board of Directors with respect to the foregoing criteria. There can be no assurances that any of the foregoing conflicts will be resolved in favor of the Company. In order to minimize potential conflicts of interest which may arise from multiple corporate affiliations, each of Messrs. Frost, Hanna, Baxter, Rosenberg and Fernandez have agreed to present to the Company for its consideration, prior to presentation to any other entity, any prospective Acquired Business which is appropriate for the Company to consider and which prospective Acquired Business participates in an industry dissimilar to any of the industries to which such individuals have corporate affiliations. It should be further noted, that the Company shall not consider Business Combinations with entities owned or controlled by officers, directors, greater than 10% shareholders of the Company or any person who directly or indirectly controls, is controlled by or is under common control with the Company. The Company may consider Business Combinations with entities owned or controlled by persons other than those persons described above. There can be no assurances that any of the foregoing conflicts will be resolved in favor of the Company.

Pursuant to an agreement among each of Messrs. Frost, Hanna, Baxter, Rosenberg and Fernandez and the Company, such persons will not (i) actively negotiate for or otherwise consent to the disposition of any portion of their Common Stock at a per share price different than that offered with respect to the Public Shares as a condition to or in connection with a Business Combination or; (ii) cause any securities of the Company to be sold by any officers, directors, greater than 10% shareholders or persons who may be deemed promoters of the Company except as may otherwise be made in permitted market transactions without affording all shareholders of the Company a similar opportunity. Further, the Company shall not borrow funds to be used directly or indirectly to (i) purchase any shares of the Company's Common Stock owned by management of the Company; or (ii) make payments to the Company's promoters, management or their affiliates or associates.

PART II

ITEM 1. LEGAL PROCEEDINGS

The Company is not presently a party to any material litigation, nor to the knowledge of management, is any such litigation presently threatened.

ITEM 2. CHANGES IN SECURITIES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

During the quarter ended March 31, 1998, no matters were submitted to a vote of security holders of the Company, through the solicitation of proxies or otherwise.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

1. Financial Statements begin on page F-1.

2. Exhibits: None

(b) Reports on Form 8-K.

1. None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this amended report to be signed on its behalf by the undersigned thereunto duly authorized.

FROST HANNA CAPITAL GROUP, INC.

Dated: May 15, 1998 By: /s/ Mark J. Hanna

Mark J. Hanna, President

FROST HANNA CAPITAL GROUP, INC.

(A Development Stage Corporation)

CONDENSED BALANCE SHEETS

<TABLE>
<CAPTION>

ASSETS	December 31, 1997	March 31, 1998 (Unaudited)
<S>	<C>	<C>
CURRENT ASSETS:		
Cash and cash equivalents, including interest bearing amounts of $745,048 in 1997 and $684,958 in 1998	$ 776,067	$ 689,823
Restricted short-term investments	4,608,759	4,659,535
Prepaid expenses	8,015	8,015
Total current assets	5,392,841	5,357,373
PROPERTY AND EQUIPMENT, net of accumulated depreciation of $2,810 in 1997 and $4,636 in 1998	21,084	17,669
Total assets	$ 5,413,925	$ 5,375,042

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accrued expenses	$ 20,750	$ 21,170
COMMITMENTS AND CONTINGENCIES (Notes 1 and 5)		
STOCKHOLDERS' EQUITY:		
Common stock, $.0001 par value, 100,000,000 shares authorized, 2,657,202 shares issued and outstanding in 1997 and 1998	266	266
Additional paid-in capital	5,803,400	5,803,400
Deficit accumulated during development stage	(410,491)	(449,794)
Total stockholders' equity	5,393,175	5,353,872
Total liabilities and stockholders' equity	$ 5,413,925	$ 5,375,042

</TABLE>

The accompanying notes to condensed financial statements are an integral part of these balance sheets.

FROST HANNA CAPITAL GROUP, INC.

(A Development Stage Corporation)

CONDENSED STATEMENTS OF OPERATIONS

(UNAUDITED)

<TABLE>
<CAPTION>

<S>	<C> For the Three Months Ended March 31, 1997	<C> For the Three Months Ended March 31, 1998	<C> For the Period From Inception (February 2, 1996) to March 31, 1998
REVENUES	$ --	$ --	$ --
EXPENSES:			
Officers' salaries	44,000	66,000	253,000
General and administrative	80,515	38,896	321,908
Total operating expenses	124,515	104,896	574,908
INTEREST INCOME	561	65,593	125,114
Net loss	$ (123,954)	$ (39,303)	$ (449,794)
BASIC AND DILUTED LOSS PER COMMON SHARE	$ (0.08)	$ (0.01)	$ (0.25)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	1,492,000	2,657,202	1,781,170

</TABLE>

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

FROST HANNA CAPITAL GROUP, INC.

(A Development Stage Corporation)

CONDENSED STATEMENTS OF CASH FLOWS

(UNAUDITED)

<TABLE>
<CAPTION>

	For the Three Months Ended March 31, 1997	For the Three Months Ended March 31, 1998	For the Period From Inception (February 2, 1996) to March 31, 1998
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (123,954)	$ (39,303)	$ (449,794)
Adjustments to reconcile net loss to net cash used in operating activities-			
Depreciation	455	1,826	4,636
Interest on restricted short-term investments	--	(50,776)	(99,466)
Write-off of deferred registration costs	35,000	--	75,000
Loss on disposal of fixed assets	--	1,589	1,589
Changes in assets and liabilities:			
Increase in prepaid expenses	(26,360)	--	(8,015)
Increase in accrued expenses	18,943	420	21,170
Increase in accrued officers' salaries	44,000	--	--
Net cash used in operating activities	(51,916)	(86,244)	(454,880)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of restricted short-term investments	--	--	(4,560,069)
Capital expenditures	(17,970)	--	(23,894)
Net cash used in investing activities	(17,970)	--	(4,583,963)

(Continued)

</TABLE>

FROST HANNA CAPITAL GROUP, INC.

(A Development Stage Corporation)

CONDENSED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(Continued)

<TABLE>
<CAPTION>

	For the Three Months Ended March 31, 1997	For the Three Months Ended March 31, 1998	For the Period From Inception (February 2, 1996) to March 31, 1998
<S>	<C>	<C>	<C>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock, net	$ --	$ --	$ 5,843,666
Redemption of common stock	--	--	(40,000)
Proceeds from officer loans	20,000	--	75,000
Payment of officer loans	--	--	(75,000)
Deferred registration costs	(28,710)	--	(75,000)
Net cash (used in) provided by financing activities	(8,710)	--	5,728,666
Net (decrease) increase in cash	(78,596)	(86,244)	689,823

CASH AND CASH EQUIVALENTS, beginning of period	91,818	776,067	--
CASH AND CASH EQUIVALENTS, end of period	$ 13,222	$ 689,823	$ 689,823

</TABLE>

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

FROST HANNA CAPITAL GROUP, INC.

(A Development Stage Corporation)

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. GENERAL

Frost Hanna Capital Group, Inc. (the "Company") was formed on February 2, 1996 to seek to effect a merger, exchange of capital stock, asset acquisition or similar business combination (a "Business Combination") with an operating or development stage business (an "Acquired Business"). The Company is currently in the development stage and all efforts of the Company to date have been limited to organizational activities.

As further discussed in Note 3, on October 16, 1997, the Company consummated an initial public offering of its securities (the " Offering").

The Offering may be considered a "blank check" offering. Blank check offerings are characterized by an absence of substantive disclosures related to the use of the net proceeds of the offering. Although substantially all of the net proceeds of the Offering are intended to be utilized to effect a Business Combination, the net proceeds are not being designated for any more specific purpose. Moreover, since the Company has not yet identified an acquisition target, investors in the Offering will have virtually no substantive information available for advance consideration of any Business Combination.

Upon completion of the Offering, 80% of the net proceeds therefrom were placed in an interest bearing escrow account (the "Escrow Fund"), subject to release upon the earlier of (i) written notification by the Company of its need for all or substantially all of the Escrow Fund for the purpose of implementing a Business Combination, or (ii) the exercise by certain shareholders of the Redemption Offer (as hereinafter defined). Any interest earned on the Escrow Fund shall remain in escrow and be used by the Company either (i) following a Business Combination in connection with the operations of an Acquired Business or (ii) in connection with the distribution to the shareholders through the exercise of the Redemption Offer or the liquidation of the Company. In the event the Company requires in excess of 20% of the Net Proceeds for operations, Messrs. Richard B. Frost, Chief Executive Officer and Chairman of the Board of Directors; and Mark J. Hanna, President and Director, have undertaken to waive their salaries prospectively until the consummation by the Company of a Business Combination. Investors' funds may be escrowed for an indefinite period of time following the consummation of the Offering. Further, there can be no assurances that the Company will ever consummate a Business Combination. In the event of the exercise of the Redemption Offer, investors may

only recoup a portion of their investment. The Company currently has no expectation with regard to the Company's plans in the event a Business Combination is not consummated by a certain date.

The Company, prior to the consummation of any Business Combination, will submit such transaction to the Company's shareholders for their approval. In the event, however, that the holders of 30% or more of the shares of the Company's common stock sold in the Offering which are outstanding vote against approval of any Business Combination, the Company will not consummate such Business Combination. The shares of common stock sold in the Offering may sometimes be referred to as the "Public Shares" and the holders (whether current or future) of the Public Shares are referred to as "Public Shareholders". All of the officers and directors of the Company, who owned in the aggregate approximately 82% of the common stock outstanding prior to the Offering, have agreed to vote their respective shares of common stock in accordance with the vote of the majority of the Public Shares with respect to any such Business Combination.

At the time the Company seeks shareholder approval of any potential Business Combination, the Company will offer (the "Redemption Offer") to each of the Public Shareholders who vote against the proposed Business Combination and affirmatively request redemption, for a twenty (20) day period, to redeem all, but not a portion of, their Public Shares, at a per share price equal to the Company's liquidation value on the record date for determination of shareholders entitled to vote upon the proposal to approve such Business Combination (the "Record Date") divided by the number of Public Shares. The Company's liquidation value will be equal to the Company's book value, as determined by the Company, calculated as of the Record Date. In no event, however, will the Company's liquidation value be less than the Escrow Fund, inclusive of any net interest income thereon. If the holders of less than 30% of the Public Shares held by Public Shareholders elect to have their shares redeemed, the Company may, but will not be required to, proceed with such Business Combination. If the Company elects to so proceed, it will redeem the Public Shares, based upon the Company's liquidation value, from those Public Shareholders who affirmatively requested such redemption and who voted against the Business Combination. However, if the holders of 30% or more of the Public Shares held by Public Shareholders vote against approval of any potential Business Combination, the Company will not proceed with such Business Combination and will not redeem such Public Shares. If the Company determines not to pursue a Business Combination, even if the Public Shareholders of less than 30% of the Public Shares vote against approval of the potential Business Combination, no Public Shares will be redeemed.

As a result of its limited resources, the Company will, in all likelihood, have the ability to effect only a single Business Combination. Accordingly, the prospects for the Company's success will be entirely dependent upon the future performance of a single business.

The Company is in the development stage, has had no revenues to date and is entirely dependent upon the proceeds of the Offering to commence operations relating to selection of a prospective Acquired Business. The Company will not receive any revenues, other than interest income, until, at the earliest, the consummation of a Business Combination. In the event that the proceeds of the Offering prove to be insufficient for purposes of effecting a Business Combination, the Company will be required to seek additional financing. In the event no Business Combination is identified, negotiations are incomplete or no Business Combination has been consummated, and all of the proceeds of the Offering other than the Escrow Fund have been expended, the Company currently has no plans or arrangements with respect to the possible acquisition of additional financing which may be required to continue the operations of the Company. Furthermore, there is no assurance that the Company will be able to successfully effect a Business Combination.

The accompanying information has been prepared to conform with Rule 419 of the Securities and Exchange Commission, which was adopted to strengthen the regulation of securities offered by "blank check" companies. A blank check company is defined as (a) a development stage company that has no specific business plan or has indicated that its business plan is to engage in a merger or acquisition with an unidentified company and (b) a company which issues securities that, among other things, (i) are not quoted in the NASDAQ system, or, (ii) in the case of a company which has been in continuous operation for less than three years, has net tangible assets of less than $5,000,000. Although the Company is a "blank check" company, it does not believe that Rule 419 will be applicable to it in view of the fact that its net tangible assets exceed $5,000,000. Accordingly, investors in the Offering will not receive the substantive protection provided by Rule 419. Additionally, there can be no assurance that the United States Congress will not enact legislation which will prohibit or restrict the sale of securities of "blank check" companies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interim Financial Statements

In management's opinion, the accompanying unaudited interim financial statements of the Company contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the financial position of the Company as of March 31, 1998, and the results of operations and cash flows for the three months then ended. The results of operations for the three months ended March 31, 1998 are not necessarily indicative of the results of operations or cash flows which may be reported for the remainder of 1998.

Accounting Estimates

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

Recent Accounting Pronouncements

The Company follows Statements of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share" which is effective for fiscal years ending after December 15, 1997. SFAS No. 128 simplifies the current standards for computing earnings per share ("EPS") under Accounting Principles Board ("APB") No. 15, "Earnings Per Share", by replacing the existing calculation of primary EPS with a basic EPS calculation. It requires a dual presentation, for complex capital structures, of basic and diluted EPS on the face of the income statement and requires a reconciliation of basic EPS factors to diluted EPS factors. This dual presentation and reconciliation are not presented as basic and diluted EPS are the same for the Company as it has been in a net loss position and all options would be anti-dilutive.

In June 1997, the Financial Accounting Standards Board ("FASB") issued SFAS No. 130, "Reporting Comprehensive Income" which is required to be adopted in fiscal 1998. This statement establishes standards to reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. This statement requires that an enterprise (a) classify items of other comprehensive income by their nature in financial statements and (b) display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of statements of financial position. Comprehensive income is defined as the change in equity during the financial reporting period of a business enterprise resulting from nonowner sources.

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" which is required to be adopted in fiscal 1998. This statement requires that a public business enterprise report financial and descriptive information about its reportable operating segments including, among other things, a measure of segment profit or loss, certain specific revenue and expense items, and segment assets.

The Company does not expect the adoption of SFAS Nos. 130 and 131 to have a material impact or require additional disclosure.

3. PUBLIC OFFERING OF SECURITIES

In the Offering, which closed on October 16, 1997, the Company sold to the public 1,100,202 shares of its common stock, at a price of $6 per share. Net proceeds before other offering expenses totaled $5,875,079.

In connection with the Offering, the Company has sold to the underwriter, at an aggregate price of $110, warrants (the "Underwriter Options") to purchase up to 110,020 shares of the Company's common stock at an exercise price of $9.90 per share. The Underwriter Options are exercisable for a period of four years commencing October 16, 1998.

The Company has accounted for the Underwriter Options issued in 1997 in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation", which applies to transactions with non-employees. In accordance with SFAS No. 123, the issuance of the Underwriter Options was recorded as a cost of the Offering.

4. COMMON STOCK

The Company's Articles of Incorporation authorize the issuance of 100,000,000 shares of common stock. As of March 31, 1998, there is a minimum of 97,232,798 (unaudited) authorized but unissued shares of common stock available for issuance (after appropriate reserves for the issuance of common stock upon full exercise of the Underwriter Options). The Company's Board of Directors has the power to issue any or all of the authorized but unissued common stock without shareholder approval. The Company currently has no commitments to issue any shares of common stock other than as described in the Offering; however, the Company will, in all likelihood, issue a substantial number of additional shares in connection with a Business Combination. To the extent that additional shares of common stock are issued, dilution of the interests of the Company's shareholders participating in the Offering may occur.

In June 1997, the Company redeemed, at the original purchase price, 80,000 shares of its common stock from a third party.

5. COMMITMENTS AND CONTINGENCIES

The Company entered into employment agreements with Messrs. Frost and Hanna commencing on September 15, 1996 and requiring monthly salaries of $10,000 each plus monthly nonaccountable expense allowances of $1,000 each. The deferred amounts due to Messrs. Frost and Hanna for the period from inception (February 2, 1996) to the date of closing of the public offering were paid upon the closing.

The Company shall reimburse its officers and directors for any accountable reasonable expenses incurred in connection with activities on behalf of the Company. There is no limit on the amount of such reimbursable expenses, and there will be no review of the reasonableness of such expenses by anyone other than the Board of Directors, all of the members of which are officers.

Commencing on January 15, 1997, the Company moved its executive offices to a new location pursuant to a three-year lease agreement at an approximate cost per month of $3,000.

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<INCOME-CONTINUING>                                     0
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<CHANGES>                                               0
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