

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **2010-04-15** | Period of Report: **2009-12-31**

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FILER

MODERN MEDICAL MODALITIES CORP

CIK: **902635** | IRS No.: **223318886** | State of Incorporation: **NY** | Fiscal Year End: **1231**

Type: **10-K** | Act: **34** | File No.: **000-23416** | Film No.: **10752687**

SIC: **8090** Misc health & allied services, nec

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549
FORM 10-K

☒ Annual Report to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the Fiscal Year ended December 31, 2009.

☐ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File No. 0-23416

MODERN MEDICAL MODALITIES CORPORATION
(Exact name of registrant as specified in its charter)

New Jersey
(State or other jurisdiction of
Incorporation or organization)

22-3059258
(I.R.S. Employer Identification No.)

439 Chestnut Street, Union, NJ 07083
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code:
(908) 687-8840

Securities registered pursuant to Section 12(b) of the Act:

Title of each Class Name of each Exchange on which Registered
Not Applicable None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, \$.0002 Par Value
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☒

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 ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☒

Indicate by check mark whether registrant is a shell company, as defined in Rule 12b-2 of the Exchange Act. Yes ☐ No ☒

The aggregate market value of the voting stock held by non-affiliates based upon the last sale price on March 24, 2010 was approximately \$183,454.66.

As of June 30, 2009 there were 25,323,385 shares of Common Stock, par value \$.0002 per share, outstanding

FORWARD LOOKING STATEMENTS

Some of the statements under “Management’s Discussion and Analysis of Financial Condition or Plan of Operations,” and “Description of Business” in this Annual Report on Form 10-K are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by forward-looking statements.

In some cases, you can identify forward-looking statements by terminology such as “may,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential,” “proposed,” “intended,” or “continue” or the negative of these terms or other comparable terminology. You should read statements that contain these words carefully, because they discuss our expectations about our future operating results or our future financial condition or state other “forward-looking” information. There may be events in the future that we are not able to accurately predict or control. Before you invest in our securities, you should be aware that the occurrence of any of the events described in this Annual Report could substantially harm our business, results of operations and financial condition, and that upon the occurrence of any of these events, the trading price of our securities could decline and you could lose all or part of your investment. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, growth rates, levels of activity, performance or achievements. We are under no duty to update any of the forward-looking statements after the date of this Annual Report to conform these statements to actual results.

PART I

Item 1 – Business:

We provide cloud computing driven, healthcare administrative and information services that are supported by our advanced, web-based, enterprise-wide information system. Our healthcare administrative and information services have the capacity to service multi-specialty healthcare markets. The healthcare administrative and information services include human resources, supply management, medical customer relationship management (CRM), electronic health records, patient billing and accounts receivables services, claims adjudication services, and business intelligence services.

We intend to focus on providing outsourced administrative and information services through our wholly-owned subsidiary HealthIXS Corporation, in order to expand into the more profitable information and administrative services markets.

We may also diversify and invest in businesses or ventures that may or may not be synergistic with our past operations or our remaining information and administrative services business operated by HealthIXS Corporation. We have identified a new business opportunity and investment, and have entered into discussions and a due diligence process with a company in another industry (see Note 17 - Subsequent Events).

We have also positioned ourselves to expand our business and participate more in outsourced management services and the expanding, more profitable administrative and information services markets. In order to support our business expansion, we have added customizations to our acquired information system and derivative software obtained through special licensing terms to produce a more comprehensive integrated information system that will allow us to provide better administrative and information services and improve overall profitability.

On a consolidated basis, we currently recognize the majority of our revenues from a range of healthcare administrative and information services that are supported by our advanced, web-based, enterprise-wide information system that allow us to leverage our common information system platform, in order to potentially increase operating income once fixed costs are more rapidly covered with higher volumes of administrative and information services performed as the healthcare outpatient services and related markets to continue to grow and operate within larger networks.

We and our wholly-owned subsidiaries Union Imaging Associates, Inc. (“UIA”), Union Imaging Center, LLC (“UIC”) and PET Scan at Union Imaging, LLC (“PET”) (UIA, UIC and PET, each a “Seller Company”, collectively, the “Seller Companies”) entered into an Asset Purchase Agreement (the “Agreement”) with New Jersey Imaging Partners, Inc., a New Jersey corporation (“NJIP”), and NJIP’s parent corporation RadNet, Inc., a Delaware corporation whose common stock is publicly traded on the NASDAQ Global Market under the symbol RDNT (“RadNet”), pursuant to which NJIP agreed to purchase substantially all of the assets of the Seller Companies that are used in connection with the Seller Companies’ diagnostic imaging business (the “Asset Sale”), for cash consideration of \$5,000,000 (the “Cash Consideration”) plus 75,000 shares of restricted common stock of RDNT. Other than in respect of the Asset Sale, there is no material relationship between NJIP or RDNT and us, or any of our affiliates, or any of our directors or officers, or any associate of any such director or officer. NJIP, RadNet and the Seller Companies have completed the Asset Sale on December 31, 2009.

On December 31, 2009, HealthIXS Corporation, a Delaware corporation and wholly owned subsidiary of Modern Medical Modalities Corporation (“MODM”), entered into a Business Collaboration Agreement (the “Collaboration Agreement”) with RadNet Management, Inc., a California corporation (“RadNet Management”), and New Jersey Imaging Partners, Inc., a New Jersey corporation (“NJIP”), each of which

is a wholly-owned subsidiary of RadNet. RadNet Management and NJIP are referred to herein collectively as “RadNet”. Pursuant to the Collaboration Agreement, RadNet agreed to license from HealthIXS, on a non-exclusive basis for an initial term of one year, the private labeled RadNet Derivative Information System (“RADIS”) based on proprietary software of HealthIXS designed to provide information technology services to the healthcare sector. RadNet agreed to pay HealthIXS a cash license fee payable in 12 equal monthly installments, starting with the signing of the agreement, plus a single balloon payment in one year from the date of the agreement. The amount of the fee is the subject of a confidential treatment request filed by us with the Securities and Exchange Commission. For no additional fee, HealthIXS will provide RadNet with certain technical support and maintenance services with respect to the licensed RADIS product during the initial term of the Collaboration Agreement. HealthIXS will retain all rights, title and interest in the HealthIXS and RADIS systems and related intellectual property rights; provided, however, that RadNet will own all rights, title and interest in custom software developed by HealthIXS exclusively for RADNET pursuant the Collaboration Agreement or statements of work thereunder. Either party may terminate the Collaboration Agreement in the event of any material breach by the other party if the breach continues and is not cured within 30 days of receipt of written notice from the non-breaching party.

Our services:

We provide healthcare administrative and information services to healthcare industry and have the capacity to service multi-specialty healthcare markets. The healthcare administrative and information services we provide include human resources, supply management, medical customer relationship management (CRM), electronic health records, patient billing and accounts receivables services, claims adjudication services, and business intelligence services.

Human resource services:

Our human resource services support all types of personnel: including employees and contractors. The personnel records functionality includes demographics, payroll, contacts, references, documents, position assignment, continuing education and more. The employee benefits functionality helps manage insurance, accounts such as 401Ks and FSAs, and time off benefits. The resource scheduling functionality helps manage schedules, time clocks, and attendance. The position control functionality defines your organization; helps manage interviews, hiring, and separation activities.

Supply management services:

The supply management provides inventory control, receiving and distribution functionality. The inventory control tracks medical supplies and equipment. The inventory control has features for reorder and warning levels of stock with one or multi-facility configurations, manages inventory across multiple locations and owners. The inventory functionality also supports scanning with bar-coding and SKU tracking. The supply management also supports purchasing, vendor management and contract management. Purchase orders creation and flexible processing functionality is included, and integrates with accounts payable with various levels of approval processing for managers included. The purchasing functionality also includes requisitions functionality, which interacts seamlessly with inventory for an accurate flow of data throughout the supply chain.

Medical customer relationship management (CRM) services:

The medical CRM services include marketing, contact management, pricing and promotions-functionality. The marketing functionality is designed for any type of business workflow including professional services, and wholesale, retail items, and is tuned for the services industries such as health care. The marketing functionality also includes special processes that assist with determining costing and pricing scenarios, and includes promotions functionality that assists with the planning and execution of overall marketing and advertising campaigns and tracking return on investment. The medical CRM also includes sales functionality such as proposals, customer orders, and sales tracking. The sales functionality is also tuned to support services companies, and includes quotes and proposals. The sales functionality also includes features for managing sales taxes, shipping activities, and on-line customer tracking through a customer portal. The sales functionality also supports customers that have multiple types of accounts, including pay-at order, monthly revolving, quarterly, and more. The medical CRM also includes customer services functionality that includes customer accounts management, consumer/patient portal, customer support and service functionality.

Electronic health records:

The electronic health records assists physicians and healthcare workers in collecting and managing electronic data for the Patient's visits, status and history, including a complete past medical history, medications, allergies and alerts and family history. All encounters record clinical documentation, including narratives, for all procedures, treatments and services, SOAP Notes, Exams, Vital Signs, and Education and Teaching. There's also an electronic prescription function, and printable, reader friendly reports.

Patient billing and accounts receivable services:

The patient billing manages multiple types of billing: Third party ambulatory and out-patient claims with printed HCFA and 837 electronic claims, and patient billing with customized statements. Front-end user application like Registration and Scheduling facilitates all necessary data entry, insurance information, and processing of encounters from the physician's portal. Audit trails, payments, adjustments, denials, re-submissions, on-line viewing of electronic files are supported. Supports in-house or outsource patient statement printing. Patient accounts receivable from receipt posting, line-item allocations, and aging of accounts, to collections processing. Supports detailed EOR posting, managed care adjustments, claims-follow up tracking, refund processing, reverse adjustments, and custom codes. Patient account history and all statements are available on-line for easy reviewing and consumer support.

Claims adjudication services:

The claims adjudication services include member services and enrollment with eligibility functionality and processing of healthcare services review. Ability to enter claims and adjudicate them based on membership, health plan, and contract information. Over 200 adjudication formulas provided include decisions on referrals and authorizations, not covered and excluded, eligibility verification, eligible expense, rate cutbacks, percentages, flat rates, capitation and much more. Produces an explanation of reimbursement for the provider on a per claim and multiple claim basis. Produces explanation of benefits for the member; and tracks providers, networks, funds and accounts for payments.

Business intelligence services:

The business intelligence includes a web-portal and graphical screens/forms including multi-viewing dashboards with powerful, formula-driven key productivity indicators, derived from knowledge and data that span the enterprise as well as departmental sections. The business intelligence can be used to easily drill-down on further details as needed, is integrated with charting tools to produce additional customized high quality charts, maps and graphs, and includes on-line reports.

Delivery of our services:

We deliver our services to customers either through our hosted information center or direct contractual arrangements with outpatient clinics that prefer to use their own computer hosting environment. We may acquire companies or contract with outpatient clinics utilizing a variety of ownership vehicles and collaborative agreements. Presently, we contract with an outside hosting service to help serve as our information center and have a business collaboration agreement with a large network of outpatient clinics.

Our growth strategy and marketing plan:

We have also positioned ourselves to expand our business and participate more in outsourced management services and the expanding, more profitable administrative and information services markets. In order to support our business expansion, we have added customizations to our acquired information system to produce a more comprehensive integrated information system that will allow us to provide better administrative and information services and improve overall profitability.

We are pursuing a strategy of building a network of more participants using our comprehensive information system to deliver cloud computing based healthcare administrative and information services. In addition to acquiring new business, we expect to engage in intensive marketing in areas of general and specialized physician groups and other outpatient facilities, health maintenance organizations (HMO's), preferred provider organizations (PPO's), third party administrators, and insurance companies. These large industry segments have fragmented information systems issues and will be receptive to our outsourcing solutions. In addition, our administrative and information services can be easily demonstrated over the internet, and we expect to obtain multi-site or networks over a planned contract term of 3 to 5 years.

We expect to initially focus on winning several highly leverage-able contracts, which can subscribe to our administrative and information services for specialized networked needs such as billing and business intelligence. We have signed a business collaboration agreement (BCA) with a radiology chain of clinics with over 170 clinics, and plan to sign additional business collaboration agreements. We also plan to rapidly capture market share through accretive acquisitions and the cross-selling of our HealthIXS Information System based administrative and information services.

We apply a variety of criteria in evaluating each prospective customer. These criteria include: (a) the extent of the customers' present services; (b) its competitive environment; (c) the size and type of facility; (d) the number of referring physicians and their specialties; (e) patient volume; and (f) the nature of the payers (private insurance programs, government reimbursement programs or other health or medical organizations) involved.

Governmental reimbursement and regulations of our business:

In our business, we work with healthcare providers such as physician groups that pay us for our services that rely on third party reimbursement for payment of services, which includes the federal government. The reimbursements are predominantly paid either directly by third-party payors or by their customers, which in turn receive reimbursement from such sources. Extensive payment delays are not uncommon and may adversely affect our operations while awaiting payment.

Regulations:

Congress has enacted certain legislation, referred to as Anti-Kickback Laws, in order to curb the potential for fraud and abuse under the Medicare and Medicaid programs. Anti-Kickback Laws prohibit the payment or receipt for referring patients to a healthcare provider if such payments may be made in whole or in part by the Medicare or Medicaid programs. New Jersey and some other states have enacted similar laws.

The Anti-Kickback Laws apply both to the provider making, as well as receiving, the referral. Violation of the Anti-Kickback Laws is a criminal felony punishable by fines of up to \$25,000 and/or up to five years imprisonment for each count. Federal law also permits the Department of Health and Human Services, or HHS, to impose civil fines against violators of the Anti-Kickback Laws and to exclude them from participation in the Medicare and Medicaid programs. These civil sanctions can be levied under circumstances that do not involve the more rigorous requirements and standards of proof required in a criminal trial.

In 1991, New Jersey enacted the Health Care Cost Reduction Act, or so-called "Codey Bill", (N.J.S.A. 45: 9-22.4 et seq.) which provided that: a medical practitioner shall not refer a patient, or direct one of its employees to refer a patient, to a health care service in which the practitioner and/or the practitioner's immediate family has any beneficial interest;

For beneficial interests, which were created prior to the effective date of the Act, July 31, 1991, the practitioner could continue to refer patients, or direct an employee to do so, if the practitioner disclosed such interest to his patients. The disclosure must take the form of a sign posted in a conspicuous place in the practitioner's office. It must inform the patients of the beneficial interest and state that a list of alternative health care service providers could be found in the telephone directory, and all physicians who refer in the sites in New Jersey and also have a financial interest in those sites must have a sign posted as mandated by the law.

The federal "Ethics in Patient Referrals Law of 1989", often referred to as the "Stark Bill", prohibits a physician who has a financial relationship with an entity from making referrals to the entity for the furnishing of clinical laboratory services for which payment is made under the Medicare or Medicaid programs. The Stark Bill, passed with an effective date of January 1, 1995, expands the application of the Medicare ban on self-referrals after December 31, 1994.

As of the date of this filing, Modern Medical has not experienced any material adverse effects of limited Medicare and Medicaid referrals and has not experienced any material adverse effect as a result of the "Codey Bill", the "Stark Bill", or any other governmental regulations applicable to our business.

HIPAA Compliance. The Health Insurance Portability and Accountability Act of 1996, or HIPAA, mandates the adoption of privacy, security and integrity standards related to patient information. HIPAA also standardizes the method for identifying providers, employers, health plans and patients. Final rules implementing the security and integrity portions of HIPAA were adopted February 20, 2003, with a mandatory implementation date for health care providers of April 20, 2005. As part of the American Reinvestment and Recovery Act of 2009, the Health Information Technology for Economic and Clinical Health Act ("HITECH"), recently expanded and amended certain HIPAA obligations. We believe that we are in compliance with the HIPAA regulations, including, without limitation HITECH. However, if we fail to comply with the requirements of HIPAA, we could be subject to civil penalties of up to \$25,000 per calendar year for each provision contained in the privacy, security and transaction regulations that is violated and criminal penalties of up to \$250,000 per violation for certain other violations

Competition:

We face competition from various other companies ranging from small local companies to those operating on a regional or national scale, such as Athenahealth, Inc., McKesson Corporation, WebMD Health Corp., Allscripts-Misys Healthcare Solutions, Inc., and TriZetto Group.

Although these companies may currently have more financial resources at their disposal, we compete in the marketplace on the basis of our ability to outperform the competition in the industry by using our efficient, flexible common information system platform to deliver our administrative and information services, our expertise in tailoring the structure of the contractual arrangements and services to meet the specific on-demand needs of our customers. We do this by meeting with customer to discuss the specific needs of each site. Thereafter a determination can be made as to which services we will perform at a particular site.

Insurance:

Modern Medical carries general liability insurance with coverage of up to \$1,000,000 per claim, and a commercial umbrella policy of \$10,000,000. Modern Medical believes that such coverage is adequate. Additionally, Modern Medical maintains insurance for the replacement of all leased equipment at each of its facilities.

Employees:

As of December 31, 2009 Modern Medical employed 6 persons on a full-time basis and 1 person on a part time basis. The following table reflects the equivalent full and part-time employees per facility:

	Total	Full Time	Part Time
Modern Medical	6	6	0
Metairie, LA	1	0	1
Total	7	6	1

Available Information:

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). You may read and copy any document we file with the SEC at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Our SEC filings are also available to the public from the SEC's Website at www.sec.gov.

Item 2 - Properties:

The Company has leased office space in Atlanta, Georgia from the Regus Management Group, LLC. The lease agreement is month to month, the monthly lease payment is \$1,105. The lease gives us the ability to grow within the same location and we feel it is ideal to start the expansion of our healthcare administrative and information services under our HealthIXS banner.

The Company continues to maintain its corporate offices at 439 Chestnut Street, Union, New Jersey. As part of the asset sale to NJIP the lease for the property transferred to, however, under the transaction it was agreed that Modern Medical would be able to maintain its corporate office at that location.

Modern Medical believes that its current facilities are adequate to operate and grow its business.

Item 3 - Legal Proceedings:

On September 29, 2008, we were served with a legal complaint and summons by Burgio Enterprises, Ltd. ("Burgio") for breach of contract and other related claims. Burgio is seeking a judgment, and awards for contract damages in an amount in excess of \$10,000, compensatory damages in an amount in excess of \$10,000, punitive damages in an amount in excess of \$10,000, and recovery of attorney fees and costs of court and other expenses. We intend to vigorously defend this claim.

On April 9, 2008, a complaint was filed by Spur Imaging Service, L.L.C. against Modern Medical and Union Imaging Associates for breach of contract and other related matters. The complaint was related to a Sub-Lease Agreement that we entered into with Spur on or about May 18, 2005 for using certain MRI equipment that was leased from Siemens Medical Solutions, USA, Inc. by Spur Imaging Service, LLC. We agreed to make 63 payments of \$21,400 totaling \$1,348,200. We also entered into a Forbearance Agreement with Spur that modified the Sub-Lease Agreement payment terms. Spur filed the complaint claiming we owe them for payments not made per the Sub-Lease and Forbearance Agreements, and for other costs, fees, and expenses, and declared that we should return the MRI equipment. On September 16, 2008, we negotiated a settlement whereby Parent agreed to pay Siemens Medical Solutions, USA, Inc. \$525,000 and Spur Imaging Service, LLC \$25,000, in exchange for full settlement of the sub-lease. In October 2008, in exchange for Siemens Medical Solutions, USA, Inc. ("Siemens Medical") and Spur Imaging Service, LLC ("Spur") agreeing to forbear from exercising their enforcement rights under the Consent Judgment through February 15, 2009. We paid Siemens Medical \$525,000 between October 6, 2008 and February 15, 2009 and paid Spur \$25,000 between October 6, 2008 and February 28, 2009 in full payment of the \$550,000 settlement of a sub-lease involving Siemens. On April 24, 2009 we received documentation confirming that the Judgment was satisfied.

On July 9, 2008, we received copies of a lawsuit from Antoinette Gregoire. The lawsuit claims that on or about July 11, 2006, Plaintiff Antoinette Gregoire underwent a mammography at the facilities of Park Imaging Associates, P.A. and Union Imaging Associates P.A. and that at such time, a suspicious abnormality of the left breast was noted, consisting of a nodule requiring biopsy and it was later determined that such nodule constituted ductal carcinoma. We are defending against any claims being made.

On April 3, 2009, we received copies of a lawsuit from Mary Monar and David R. Monar, her husband. The lawsuit claims that on or about December 29, 2004 and July 5, 2006, Plaintiff Mary Monar underwent a mammography at the facilities at Union Imaging Center, LLC and that at such time, the suit claims a deviation and departure from acceptable medical practice and negligence in failing to properly diagnose the plaintiff. As a result, the plaintiff developed breast cancer that went untreated for two years. This suit is under discovery and we will defend against any alleged claims being made.

Other than the matters described above, we are not involved in any material legal proceedings. We also are not aware of any pending material legal proceedings.

Item 4 - Submission of Matters to a Vote of Security Holders:

We and our wholly-owned subsidiaries Union Imaging Associates, Inc. ("UIA"), Union Imaging Center, LLC ("UIC") and PET Scan at Union Imaging, LLC ("PET") (UIA, UIC and PET, each a "Seller Company", collectively, the "Seller Companies") entered into an Asset Purchase Agreement (the "Agreement") with New Jersey Imaging Partners, Inc., a New Jersey corporation ("NJIP"), and NJIP's parent corporation RadNet, pursuant to which NJIP agreed to purchase substantially all of the assets of the Seller Companies that are used in connection with the Seller Companies' diagnostic imaging business (the "Asset Sale"), for cash consideration of \$5,000,000 (the "Cash Consideration") plus 75,000 shares of restricted common stock of RDNT.

The Agreement was approved by joint written consent of the board of directors of MODM and the holders of a majority of the issued and outstanding shares of MODM as of November 24, 2009.

PART II

Item 5 - Market for Common Equity, Related Stockholder Matters and Small Business Issuer Purchases of Equity Securities:

Our common stock is traded on the over-the-counter market on the OTC Bulletin Board under the symbol MODM. The following table sets forth the high and low bid information for our common stock for each quarter within the last two fiscal years. Such prices represent quotations between dealers, without dealer markup, markdown or commissions, and may not represent actual transactions.

Common Stock:

	Fiscal 2009	High	Low
First Qtr		\$0.05	\$0.01
Second Qtr		\$0.03	\$0.02
Third Qtr		\$0.03	\$0.01
Fourth Qtr		\$0.05	\$0.01
Fiscal 2008			
First Qtr		\$0.42	\$0.12
Second Qtr		\$0.15	\$0.02
Third Qtr		\$0.07	\$0.02
Fourth Qtr		\$0.06	\$0.03

On March 25, 2010, there were approximately 86 holders of record of Modern Medical's 25,323,385 outstanding shares of Common Stock.

On March 24, 2010, the last sale price of the Common Stock as reported on the OTC Bulletin Board was \$0.02.

Dividend Policy:

Modern Medical has never paid or declared dividends on its common stock. The payment of cash dividends, if any, in the future is within the discretion of the Board of Directors and will depend upon Modern Medical's earnings, its capital requirements, financial condition and other relevant factors. Modern Medical intends, for the foreseeable future, to retain future earnings for use in Modern Medical's business.

Equity Compensation Plan Information:

The following table sets forth certain information, as of March 26, 2010, concerning shares of common stock authorized for issuance under the Company's existing equity compensation plans.

Plan Category	Number of Securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options, warrants and rights plans (excluding securities reflected in column (a))	Number of Securities remaining available for future issuance under equity compensation
Equity compensation plans approved by security holders	851,000	\$ 0.5000	1,649,000
Equity compensation plans not approved by security holders	8,535,198	\$ 0.5202	-0-

2003 Stock Option Plan:

In October 2003, the board of directors and shareholders adopted the 2003 stock option plan. The plan will be administered by the compensation committee or our board of directors, who will determine among other things, those individuals who shall receive options, the time period during which the options may be partially or fully exercised, the number of shares of common stock issuable upon the exercise of the options and the option exercise price. The options may be granted as either or both of the following: (a) incentive stock options, or (b) non-qualified stock options. 2,000,000 shares may be issued under this plan. The shares issuable pursuant to this plan were registered on Form S-8, Registration No. 333-143-653.

In connection with the plan, the exercise price of each incentive stock option may not be less than 100% of the fair market value of our common stock on the date of grant or 110% of fair market value in the case of an employee holding 10% or more of our outstanding common stock. The aggregate fair market value of shares of common stock for which incentive stock options granted to any employee are exercisable for the first time by such employee during any calendar year, pursuant to all of our, or any related corporation's, stock option plan, may not exceed \$100,000. Non-qualified stock options may be granted at a price determined by our compensation committee, but not at less than 85% of the fair market value of our common stock. Stock options granted pursuant to our stock option plan would expire not more than ten years from the date of grant.

The plan is effective for a period of ten years, expiring in 2013. Options may be granted to officers, directors, consultants, key employees, advisors and similar parties who provide their skills and expertise to us. The plan is designed to enable our management to attract and retain qualified and competent directors, employees, consultants and independent contractors. Options granted under the plan may be exercised for up to ten years, and shall be at an exercise price all as determined by our board. Options are non-transferable except by the laws of descent and distribution or a change in control of us, as defined in the plan, and are exercisable only by the participant during his or her lifetime. Change in control includes (a) the sale of substantially all of the assets of us and merger or consolidation with another company, or (b) a majority of the board changes other than by election by the stockholders pursuant to board solicitation or by vacancies filled by the board caused by death or resignation of such person.

If a participant ceases affiliation with us by reason of death, permanent disability or retirement at or after age 70, the option remains exercisable for one year from such occurrence but not beyond the option's expiration date. Other types of termination allow the participant three months to exercise, except for termination for cause, which results in immediate termination of the option.

Any unexercised options that expire or that terminate upon an employee's ceasing to be employed by us become available again for issuance under the plan.

The plan may be terminated or amended at any time by our board of directors, except that the number of shares of common stock reserved for issuance upon the exercise of options granted under the plan may not be increased without the consent of our stockholders.

1999 Stock Option Plan:

The plan will be administered by the compensation committee or our board of directors, who will determine among other things, those individuals who shall receive options, the time period during which the options may be partially or fully exercised, the number of shares of common stock issuable upon the exercise of the options and the option exercise price. The options may be granted as either or both of the following: (a) incentive stock options, or (b) non-qualified stock options. 500,000 shares may be issued under this plan. 300,000 options were previously issued under this plan to former officers and directors of the Company, which by their terms expired and such 300,000 options are available for reissuance under the 1999 Stock Option Plan.

In connection with the plan, the exercise price of each incentive stock option may not be less than 100% of the fair market value of our common stock on the date of grant or 110% of fair market value in the case of an employee holding 10% or more of our outstanding common stock. The aggregate fair market value of shares of common stock for which incentive stock options granted to any employee are exercisable for the first time by such employee during any calendar year, pursuant to all of our, or any related corporation's, stock option plan, may not exceed \$100,000. Non-qualified stock options may be granted at a price determined by our compensation committee, but not at less than 85% of the fair market value of our common stock. Stock options granted pursuant to our stock option plan would expire not more than ten years from the date of grant.

The plan is effective for a period of ten years, expiring in 2009. Options may be granted to officers, directors, consultants, key employees, advisors and similar parties who provide their skills and expertise to us. The plan is designed to enable our management to attract and retain qualified and competent directors, employees, consultants and independent contractors. Options granted under the plan may be exercised for up to ten years, and shall be at an exercise price all as determined by our board. Options are non-transferable except by the laws of descent and distribution or a change in control of us, as defined in the plan, and are exercisable only by the participant during his or her lifetime.

Change in control includes (a) the sale of substantially all of the assets of us and merger or consolidation with another company, or (b) a majority of the board changes other than by election by the stockholders pursuant to board solicitation or by vacancies filled by the board caused by death or resignation of such person.

If a participant ceases affiliation with us by reason of death, permanent disability or retirement at or after age 70, the option remains exercisable for one year from such occurrence but not beyond the option's expiration date. Other types of termination allow the participant three months to exercise, except for termination for cause, which results in immediate termination of the option.

Any unexercised options that expire or that terminate upon an employee's ceasing to be employed by us become available again for issuance under the plan.

The plan may be terminated or amended at any time by our board of directors, except that the number of shares of common stock reserved for issuance upon the exercise of options granted under the plan may not be increased without the consent of our stockholders.

Recent Sales of Unregistered Securities:

During the years ended December 31, 2009 and 2008, we did not issue any securities that were not registered under the Securities Act of 1933, as amended (the "Securities Act") except as disclosed in previous SEC filings.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers:

There were no repurchases of equity securities by the issuer or affiliated purchasers during the fourth quarter of the year ended December 31, 2009.

Item 6 - Selected Financial Data:

Not applicable.

Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-looking Statements:

Some of the statements under "Management's Discussion and Analysis of Financial Condition or Plan of Operations," and "Description of Business" in this Annual Report on Form 10-K are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by forward-looking statements.

In some cases, you can identify forward-looking statements by terminology such as “may,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential,” “proposed,” “intended,” or “continue” or the negative of these terms or other comparable terminology. You should read statements that contain these words carefully, because they discuss our expectations about our future operating results or our future financial condition or state other “forward-looking” information. There may be events in the future that we are not able to accurately predict or control. Before you invest in our securities, you should be aware that the occurrence of any of the events described in this Annual Report could substantially harm our business, results of operations and financial condition, and that upon the occurrence of any of these events, the trading price of our securities could decline and you could lose all or part of your investment. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, growth rates, levels of activity, performance or achievements. We are under no duty to update any of the forward-looking statements after the date of this Annual Report to conform these statements to actual results.

Management's Discussion and Analysis:

We provide cloud computing driven, healthcare administrative and information services that are supported by our advanced, web-based, enterprise-wide information system. Our healthcare administrative and information services have the capacity to service multi-specialty healthcare markets. The healthcare administrative and information services include human resources, supply management, medical customer relationship management (CRM), electronic health records, patient billing and accounts receivables services, claims adjudication services, and business intelligence services.

We have also positioned ourselves to expand our business and participate more in outsourced management services and the expanding, more profitable administrative and information services markets. In order to support our business expansion, we have added customizations to our acquired information system and derivative software obtained through special licensing terms to produce a more comprehensive integrated information system that will allow us to provide better administrative and information services and improve overall profitability.

We sold substantially all of our operating assets on December 31, 2009, which represented substantially all of our revenues. As a result thereof, we currently recognize the majority of our revenues from a range of healthcare administrative and information services that are supported by our advanced, web-based, enterprise-wide information system that allow us to leverage our common information system platform, in order to potentially increase operating income once fixed costs are more rapidly covered with higher volumes of administrative and information services performed as the healthcare outpatient services and related markets to continue grow and operate within larger networks.

Results of Operations:

For the year ended December 31, 2009 compared to the year ended December 31, 2008:

Net revenues from services:

As a result of the sale of substantially all our operating assets in 2009, our net revenues have decreased approximately \$7,317,000 over the same period in 2008. These revenues are shown as part of the loss from discontinued operations at December 31, 2009. Revenues from continuing operations in 2009 and 2008 came from management services. These revenues decreased approximately \$13,500 to approximately \$16,900 for the year ended December 31, 2009 from approximately \$30,400 for the same period in 2008. The decrease resulted from reduced services performed. Our revenues are in transition from hand provided healthcare administrative and information services to healthcare industry's on providing of imaging services to a third party provider of billing, management and data services going forward.

Cost of services provided:

As a result of the sale of substantially all our operating assets in 2009, our costs of services provided have decreased approximately \$5,772,000 over the same period in 2008. This reduction in cost of services provided is shown as part of the loss from discontinued operations at December 31, 2009. Revenues from continuing operations in 2009 and 2008 came from management services.

Selling, General and Administrative (SG&A) Expenses:

For the year ended December 31, 2009, selling, general and administrative expenses from continuing operations totaled approximately \$528,900 as compared to approximately \$449,300 for the same period in 2008, resulting in a increase of approximately \$79,600. This increase related primarily to increased activity in the Company's wholly owned subsidiary HealthIXS as the company positions itself to go to market with its healthcare administrative and information services.

Debt:

On June 11, 2007, we purchased an automobile from Medical Equipment Solutions, Inc. for \$57,200. The terms were a \$19,200 down payment, \$10,000 in cash and \$9,200 by issuing a warrant valued at \$9,200 with five-year duration for 50,000 shares at an exercise price of \$0.75 per share. The balance is being paid in 36 equal monthly payments of \$1,226 per month with a 10% annual interest rate.

On September 14, 2007 we entered into an Asset Purchase Agreement (the "Agreement") with MTI Partners II, L.P. ("MTI-II") to acquire MTI-II's Healthcare Payer Admin Software Asset (the "Asset") in exchange for 500,000 shares of our common stock ("Common Stock"), warrants ("Warrants") for 900,000 shares of our common stock with an exercise price of \$0.70 per share, and \$250,000 to be paid within 12 months from the date of the Agreement. The transaction is expected to close by the end of September 2007. The Asset consists of healthcare payer admin computer software that helps organize, manage, and maintain health plans, membership, eligibility, claims administration, and includes other customized components. The shares of Common stock were issued pursuant to Section 4(2) of the Securities Act of 1933, as amended. Paul Harrison, a member of the Board of Directors of MODM, is the President of INEX Group, Inc., which serves as the General Partner of MTI-II. Mr. Harrison will be entitled to receive 281,250 shares of our Common Stock, and a Warrant for 506,250 of our Common Stock with an exercise price of \$0.70 per share issuable to MTI-II pursuant to this Agreement. We renegotiated the \$250,000 note, paying \$83,000 on January 14, 2010 and extending the balance to December 31, 2010. Starting February 1, 2010, we are paying \$1,113.33 monthly interest or a 8% annual rate of interest.

On August 19, 2009, we purchased miscellaneous Apple computer equipment for use in our corporate offices from Apple, Inc. for \$6,849.00. The terms were \$260.81 equal monthly payments plus applicable taxes for 36 months, with a 21.79% annual interest rate. There was no advance payment and there is a \$1 purchase option at the end of the lease.

These are the only trends, commitments, events and/or material uncertainties known to Modern Medical.

Going Concern

Modern Medical's December 31, 2009 and 2008 financial statements have been presented on a basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred losses of \$675,846 and \$657,022 from continuing operations for the years ended December 31, 2009 and 2008. In addition the Company had a working capital deficiency for the year ending December 31, 2008 of \$1,678,859. Also, as of December 31, 2008 the Company had a stockholder deficiency of \$373,525. These factors raise doubt about the Company's ability to continue as a going concern. Although the Company has experienced financial gains for fiscal years ended December 31, 2009 and 2008 and has made improvements since last recording losses, the audit reports have an explanatory paragraph stating that Modern Medical's continued existence is in doubt.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk.

Not Applicable.

Item 8. Financial Statements

See Pages F-1 to F-33

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We conducted an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended ("Exchange Act"), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by the company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures also include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure are

effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable SEC rules and forms.

Management's Report on Internal Control Over Financial Reporting.

The Company's management are responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that:

- (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with the authorization of our management and directors; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Under the supervision and with the participation of our management, the Company assessed the effectiveness of our internal control over financial reporting as of December 31, 2009. In making this assessment, we used the criteria set forth in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the results of this assessment and on those criteria, the Company concluded that weaknesses in internal controls as of December 31, 2009 exist as follows:

- A weakness in the Company's internal controls exist in that there is limited segregation of duties amongst the Company's employees with respect to the Company's preparation and review of the Company's financial statements.
- A weakness in the Company's internal controls exist in that there is an insufficient number of personnel with an appropriate level of experience and knowledge of generally accepted accounting principles and SEC reporting requirements. This weakness may affect management's ability to effectively review and analyze elements of the financial statement closing process and prepare financial statements in accordance with generally accepted accounting principles.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permits us to provide only management's report in this annual report.

Changes in Internal Control Over Financial Reporting.

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15 (f) under the Exchange Act) that occurred during the period covered by this Annual Report on Form 10-KSB that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors and Executive Officers, Promoters and Control Person Compliance with Section 16(a) of the Exchange Act.

The officers and directors of the Company, and further information concerning them, are as follows:

Name	Age	Position
Baruh Hayut	47	Chairman of the Board of Directors and CEO
Paul W. Harrison	55	Lead Director
Minesh Patel	38	Chief Operating Officer, Chief Financial Officer and Director

Each of the above officers and directors shall hold office until the next annual meeting of the Company's shareholders and until a successor is elected and qualified.

BARUH HAYUT was appointed Chairman of the Board of Directors and Chief Executive Officer on March 31, 2004. From June 2003 through March 31, 2004, Mr. Hayut served as a financial consultant to the Company. Prior thereto, Mr. Hayut served as a corporate finance and investment banker with Thornhill Group and Joseph Charles and Associates. From 1992 to 1997, Mr. Hayut was a registered representative with H.J. Meyers & Co. Mr. Hayut received his Bachelors degrees in Business Administration and Economics from Hebrew University in Jerusalem, Israel.

PAUL W. HARRISON was appointed to the Board of Directors of the Company in June 2006, and was subsequently appointed Lead Director of the Company in February 2007. From August 2005 to June 2006, Mr. Harrison was a consultant to the Company. Since 1994, he has been the Chairman and President of INEX Group, Inc, a technology holding company, and since 2004, the CEO of INEX's software subsidiary Attune, Inc. Mr. Harrison has held Executive positions with publicly-traded Fortune 500 companies including McKesson Corporation and Lincoln National Corporation. He was the Chairman and CEO of small publicly-held companies, and founded and sold several private companies for high returns on investments. He also participated in and completed many mergers and acquisitions, and was instrumental in numerous business ventures and software technologies that ultimately resulted in additional revenues and increased market capitalizations to these companies in excess of \$1 billion. He has a Business Degree (BBA) from Georgia State University, and has many professional certifications.

MINESH PATEL was appointed to the Board of Directors of the Company in June 2003 and on November 2003 was appointed Chief Financial Officer. In November 2004, Mr. Patel was appointed Chief Operating Officer. From February 2001 through November 2003, Mr. Patel was an Investment Broker with the firm of JP Turner & Company LLC. From October 1998 through February 2001, Mr. Patel was an Investment Broker with the firm of JW Genesis. Mr. Patel received his Masters in Business Administration with a concentration in Finance from Georgia State University.

Family Relationships

There are no family relationships among the directors and executive officers.

Involvement in Certain Legal Proceedings

None of the directors or executive officers has, during the past five years:

- (a) Had any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- (b) Been convicted in a criminal proceeding or subject to a pending criminal proceeding;
- (c) Been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, futures, commodities or banking activities; and

(d) Been found by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

Compliance with Section 16(a) of the Exchange Act:

Based solely on review of the copies of such forms furnished to the Company, or written representations that no reports were required, the Company believes that for the fiscal year ended December 31, 2009, beneficial owners complied with Section 16(a) filing requirements applicable to them with the exception of the following:

Code of Ethics

The Company has not adopted a formal code of ethics because its executive officers are also directors, who are already subject to ethical and fiduciary standards imposed by law.

Material Changes to the Procedures by which Security Holders May Recommend Nominees to the Board of Directors

None.

Audit Committee and Financial Expert

The Company's board of directors has elected Minesh Patel as sole audit committee member. The Board has determined that it does not have a member of its Board that qualifies as an "audit committee financial expert" as defined in Item 407(d)(5)(ii) of Regulation S-K.

We believe that the members of our Board of Directors are collectively capable of analyzing and evaluating our financial statements and understanding internal controls and procedures for financial reporting. However, as part of implementing Sarbanes Oxley, we plan to appoint a qualified audit committee financial expert to our Board of Directors to strengthen and improve our internal disclosure controls and procedures during the fiscal year ended December 31, 2010.

Compensation Committee

We do not have a separate compensation committee. At this point, we do not intend to establish a separate compensation committee as this function will be performed by our full Board of Directors.

Nominating Committee

We do not currently have a separate nominating committee as this function is performed by our full Board of Directors.

Securities Authorized for Issuance Under Equity Compensation Plans

For information regarding securities authorized for issuance under Equity Compensation Plans, and the equity compensation plan information table see Part II, "Item 5: Market for Common Equity and Related Stockholder Matters."

Item 11. EXECUTIVE COMPENSATION

The following executive compensation disclosure reflects all compensation awarded to, earned by or paid to the executive officers below for the fiscal years ending December 31, 2008 and December 31, 2009. The following table summarizes all compensation for fiscal years 2008 and 2009 received by our Chief Executive Officer, and the Company's two most highly compensated executive officers who earned more than \$100,000 in fiscal years 2008 and 2009.

SUMMARY COMPENSATION TABLE

Name and Principal Position (A)	Year (B)	Salary (\$) (C)	Bonus (\$) (D)	Stock Awards (\$)(E)	Options / Option Awards (\$)(F)	Non-Equity Incentive Plan Compensation (\$)(G)	Non- Qualified Deferred Compensation Earnings (\$) (H)	All Other Compensation (\$)(I)	Total (\$) (J)
Baruh Hayut, Chairman & CEO	2008	\$163,000	(1) \$-	\$-	\$-	\$ -	\$ -	\$ 33,384	\$196,384
Baruh Hayut, Chairman & CEO	2009	\$159,900	(1) \$85,000	\$-	\$-	\$ -	\$ -	\$ 34,502	\$279,402
Minesh Patel, COO & CFO	2008	\$94,218	(1) \$-	\$20,000	\$-	(2) \$ -	\$ -	\$ 16,480	\$130,698
Minesh Patel, COO & CFO	2009	\$99,678	(1) \$-	\$-	\$-	\$ -	\$ -	\$ 17,000	\$116,677

(1) = Does not receive any Director fees, the amount shown above is executive compensation.

(2) = Represents the total fair value of 1,000,000 shares of common stock granted during the year ended December 31, 2008.

Warrants are also included in the Option Award Chart above.

Narrative to Summary Compensation Table

The Company does not currently have any employment agreements with any of its executive officers.

Identification to the extent material of any item included under All Other Compensation (column (I)) in the Summary Compensation Table. Identification of an item shall not be considered material if it does not exceed the greater of \$25,000 or 10% of all items included in the specified category in question set forth in paragraph (b)(2)(ix) of Item 402. All items of compensation are required to be included in the Summary Compensation Table without regard to whether such items are required to be identified.

The following table sets forth certain information concerning unexercised options, stock that has not vested, and equity incentive plan awards for each of our named executive officers outstanding as of December 31, 2009.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END DECEMBER 31, 2009

OPTION AWARDS						STOCK AWARDS			
Name	Number of securities underlying unexercised options (#) Exercisable	Number of securities underlying unexercised options (#) Un-exercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised options (#)	Option Exercise price (\$)	Option expiration date	Number of shares or units of stock that have not vested (#)	Market value of shares or units of stock that have not vested (\$)	Equity incentive plan awards: number of unearned shares, units or other rights that have Not Vested (#)	Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested (\$)
Baruh Hayut	0	0	720,000	\$ 0.75	10/07/12	0	0	0	0

DIRECTOR COMPENSATION

The following director compensation disclosure reflects all compensation awarded to, earned by or paid to the directors below for the fiscal year ended December 31, 2009.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan (\$)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Baruh Hayut (1)	0	0	0	0	0	0	0
Minesh Patel (1)	0	0	0	0	0	0	0
Paul Harrison	\$ 60,000(2)	0	0	0	0	\$ 14,714	\$ 74,714

(1) = Serves as a Director, receives no additional compensation for being a director, and only receives compensation as an Executive Officer as shown in the Summary Compensation Table above.

(2) = Director Fee with no written agreement or special arrangements

Warrants are also included in the Option Awards chart above.

Item 12 - Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters:

The following table sets forth certain information as of March 25, 2010 with respect to each beneficial owner of five percent (5%) or more of the outstanding shares of common stock of Modern Medical, each officer and director of Modern Medical and all officers and directors as a group. The table does not include securities exercisable into common stock that have not yet vested or are not exercisable within 60 days of the date hereof.

Name	Address	Number of Shares Owned	Percent Ownership of Common Stock
BIBY Family Partners, LLC (1)	439 Chestnut St, Union, NJ	8,435,000	33.31%
Issak Hayut (2)	135 Nautica Way, Roswell, GA	5,100,028	20.14%
Paul W. Harrison (3)	439 Chestnut St, Union, NJ	4,324,000	17.08%
Ronnie Antebi (4)	552 Decatur St SE, Atlanta, GA	2,062,286	8.14%
Jacov Hayut (5)	5281 Marston Rd, Atlanta, GA	1,943,918	7.68%
Minesh Patel	439 Chestnut St, Union, NJ	1,000,000	3.95%

All officers and directors 13,759,000 and 54.33% as a group (3 persons)

- (1) Mr. Barry Hayut, our Chairman and CEO, is the managing member of BIBY Family Partners, LP, and has shared voting and dispositive power over the shares of common stock owned by BIBY Family Partners, LLC. Includes: (i) 7,715,000 shares of Common Stock directly owned, and (ii) 720,000 shares of Common Stock issuable upon the exercise of outstanding options.
- (2) Includes: (i) 3,285,028 shares of Common Stock owned jointly with Mr. Issak Hayut's spouse, and (ii) 1,715,000 shares of common stock issuable upon exercise of certain outstanding warrants held in the name of Complete Flooring & Renovation, Inc., an entity owned by Mr. Issak Hayut. Mr. Issak Hayut has sole voting and shared dispositive power over the shares.
- (3) Includes: (i) 888,750 shares of Common Stock directly owned, and (ii) 3,435,250 shares of Common Stock issuable upon the exercise of outstanding options
- (4) Includes: (i) 2,012,286 shares of Common Stock directly owned, and (ii) 50,000 shares of Common Stock issuable upon exercise of a warrant held in the name of Medical Equipment Solutions, an entity of which Mr. Antebi is a principal owner.
- (5) Includes: (i) 1,793,918 shares of Common Stock directly owned, and (ii) 150,000 shares of Common Stock issuable upon the exercise of outstanding options.

Item 13 - Certain Relationships and Related Transactions and Director Independence:

Modern Medical believes that the transactions set forth below were made on terms no less favorable than could have been obtained from unaffiliated third parties. All future transactions, including any loans between Modern Medical and any of its officers, directors, principal stockholders and their affiliates will be approved by a majority of Modern Medical's board of directors and will continue to be on terms no less favorable to Modern Medical than could be obtained from unaffiliated third parties.

Ronnie Antebi has provided term financing for various loan restructurings and Mr. Antebi beneficially owns more than 5% of our outstanding shares of common stock. On November 16, 2009, MODM entered into and consummated a new Agreement for Purchase and Sale of Assets with MES (the "New MES Agreement"), pursuant to which MODM reacquired all of MES' interests in the MES Assets. MODM acquired the MES Assets in consideration of a non-interest bearing promissory note in the principal amount of \$670,000 (the "New MES Note"), due at the earlier of February 1, 2010 or the closing date Asset Sale to NJIP; provided that if the New Note is not paid in full on or before February 1, 2010, the New MES Agreement will be null and void and ownership of the MES Assets will revert back to MES. The New Note is in satisfaction of all outstanding payment obligations of MODM to MES. This was paid in full at December 31, 2009, the closing of the sale of the imaging center assets.

Director Independence:

The Company has not determined whether it has any independent directors as that term is defined under Nasdaq Rule 4200(a) (15).

Item 14. Principal Accountant Fees and Services:

Our board of directors appointed Liebman Goldberg & Hymowitz, LLP to serve as our independent auditors for 2009.

The following table sets forth fees billed to us by our independent registered public accounting firm, Liebman Goldberg & Hymowitz, LLP, during the fiscal years ended December 31, 2009, and December 31, 2008, for: (i) services rendered for the audit of our annual financial statements and the review of our quarterly financial statements; (ii) services by our independent registered public accounting firms that are reasonably related to the performance of the audit or review of our financial statements and that are not reported as Audit Fees; (iii) services rendered in connection with tax compliance, tax advice and tax planning; and (iv) all other fees for services rendered.

Fee Category	Year Ended December 31, 2009	Year Ended December 31, 2008
Audit fees	\$49,500.00	\$49,500.00
Tax fees	\$-	\$5,500.00
All other fees	\$-	\$-

Policy Related to Board of Directors Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Accounting Firm.

The Company's board of directors has elected Minesh Patel as sole audit committee member. The audit committee functions to review and approve the audit services provided by Liebman Goldberg & Hymowitz, LLP and the fees incurred in connection therewith.

Audit Fees. Consists of fees billed for professional services rendered for the audit of our consolidated financial statements and review of our interim consolidated financial statements included in quarterly reports and services that are normally provided in connection with statutory and regulatory filings or engagements.

Tax Fees. Consists of fees billed for professional services for tax compliance, tax advice, and tax planning. These services include assistance regarding federal, state and local tax compliance, tax audit defense, mergers and acquisitions, and tax planning.

All Other Fees. No other fees have been billed for products and services billed by our accountants.

Part IV

Item 15 - Exhibits:

- 3.1 Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form SB-2, Registration No. 333-86931)
- 3.2 Restated and Amendment to Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form SB-2, Registration No. 333-86931)
- 3.3 By-Laws (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form SB-2, filed in February, 1994)
- 4.1 Form of Warrant – Cash Exercise Format. (Incorporated by reference to Exhibit 4.1 to the Company's Report on Form 10KSB dated April 15, 2008).
- 4.2 Form of Warrant – Cashless Exercise Format. (Incorporated by reference to Exhibit 4.1 to the Company's Report on Form 10KSB dated April 15, 2008).
- 10.2 Agreement for Purchase and Sales of Assets between the Company and MTI Partners II, L.P., dated September 14, 2007 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated September 20 2007).
- 10.3 Agreement for Purchase and Sales of Assets between the Company and MTI Partners II, L.P., dated February 28, 2007 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated March 12, 2007).
- 10.4 2003 Stock Option Plan, dated September 19, 2003, incorporated herein by reference to Form 14A filed with the U.S. Securities and Exchange Commission on October 1, 2003.
- 10.5 Performance for Stock Options Agreement between the Company and Paul W. Harrison dated September 27, 2006 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated October 3, 2006)
- 10.6 Performance for Stock Options Agreement between the Company and Minesh Patel dated September 27, 2006 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated October 3, 2006)
- 10.7 Performance for Stock Options Agreement between the Company and Bruce Phillips dated September 27, 2006 (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K dated October 3, 2006)
- 10.8 Performance Bonus Agreement between the Company and Paul W. Harrison dated September 27, 2006 (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K dated October 3, 2006)
- 10.9 Performance Bonus Agreement between the Company and Minesh Patel dated September 27, 2006 (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K dated October 3, 2006)
- 10.10 Performance Bonus Agreement between the Company and Bruce Phillips dated September 27, 2006 (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K dated October 3, 2006)
- 10.11 Convertible promissory note (\$500,000) due from Best Plastic, LLC to the Company, the note is dated April 12, 2010, and is due October 11, 2010.
- 21.0 Subsidiaries (Incorporated by reference to Exhibit 4.1 to the Company's Report on Form 10KSB dated April 15, 2008).
- 31.1 * Certification of the Company's Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 * Certification of the Company's Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 * Certification of the Company's Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 * Certification of the Company's Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* filed herewith

SIGNATURES

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

Modern Medical Modalities Corporation

Date: April 15, 2010

By: /s/ Baruh Hayut

Name: Baruh Hayut

Title: Chief Executive Officer

Pursuant to and in accordance with the requirements of the Securities and Exchange Act of 1934, as amended, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Baruh Hayut</u> Baruh Hayut	Chairman, Chief Executive Officer and Director (Principal Executive Officer)	April 15, 2010
<u>/s/ Minesh Patel</u> Minesh Patel	Chief Financial Officer, Chief Operating Officer and Director (Principal Financial Officer)	April 15, 2010
<u>/s/ Paul Harrison</u> Paul Harrison	Lead Director	April 15, 2010

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors Modern Medical Modalities Corporation and Subsidiaries Union, New Jersey

We have audited the accompanying consolidated balance sheets of Modern Medical Modalities Corporation and Subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of operations, changes in stockholders' equity (deficiency) and cash flows for the years ended December 31, 2009 and 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Modern Medical Modalities Corporation and Subsidiaries as of December 31, 2009 and 2008, and the consolidated results of operations and their cash flows for each of the years ended December 31, 2009 and 2008, in conformity with accounting principles generally accepted in the United States.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has had working capital deficiencies and has suffered recurring losses from operations. These factors raise doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ LIEBMAN GOLDBERG & HYMOWITZ, LLP

Garden City, New York
Apr 15 2010

MODERN MEDICAL MODALITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31,

ASSETS	<u>2009</u>	<u>2008 *</u>
Current assets:		
Cash and cash equivalents	\$ 2,733,343	\$ 45,518
Escrow funds – sale of assets	300,000	-
Prepaid expenses	30,642	31,517
Assets of discontinued operations	<u>597,873</u>	<u>2,102,831</u>
Total current assets	<u>3,661,858</u>	<u>2,179,866</u>
Property and equipment, net of accumulated depreciation of \$81,929 and \$64,646, respectively	<u>35,766</u>	<u>24,568</u>
Other assets:		
Purchased software	1,287,917	1,287,917
Restricted stock held for investment	<u>150,750</u>	<u>-</u>
Total other assets	<u>1,438,667</u>	<u>1,287,917</u>
TOTAL ASSETS	<u><u>\$ 5,136,291</u></u>	<u><u>\$ 3,492,351</u></u>

*= Restated to conform to 2009 presentation.

See notes to consolidated financial statements.

MODERN MEDICAL MODALITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31,

	<u>2009</u>	<u>2008</u> *
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities:		
Accounts payable	\$94,014	\$120,230
Accrued expenses	382,555	995,575
Note payable	250,000	250,000
Current portion long term debt	9,097	12,213
Liabilities of discontinued operations	<u>2,348,143</u>	<u>2,480,708</u>
Total current liabilities	<u>3,083,809</u>	<u>3,858,726</u>
Other liabilities:		
Long term debt	<u>4,342</u>	<u>7,150</u>
Total other liabilities	<u>4,342</u>	<u>7,150</u>
Total liabilities	<u>3,088,151</u>	<u>3,865,876</u>
Commitments and contingencies		
Stockholders' equity (deficiency):		
Preferred stock, \$0.0002 par value, authorized - 1,000,000 shares, issued and outstanding - 0 shares	-	-
Common stock, \$0.0002 par value, authorized - 99,000,000 shares, issued – 26,527,051 shares and outstanding – 25,673,385 shares at December 31, 2009 and issued - 24,594,051 shares and outstanding 24,234,051 at December 31, 2008	5,305	5,305
Additional paid-in capital	11,944,866	11,799,216
Accumulated (deficit)	(9,764,531)	(12,115,546)
Treasury common stock, \$0.0002 par value, 853,666 shares at cost	<u>(137,500)</u>	<u>(62,500)</u>
Total stockholders' equity (deficiency)	<u>2,048,140</u>	<u>(373,525)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)	<u><u>\$5,136,291</u></u>	<u><u>\$3,492,351</u></u>

*= Restated to conform to 2009 presentation.

See notes to consolidated financial statements.

MODERN MEDICAL MODALITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended December 31,

	2009	2008*
Net revenues from services	\$ 16,911	\$ 30,380
Cost of services provided	<u>2,737</u>	<u>1,320</u>
Gross profit	<u>14,174</u>	<u>29,060</u>
Operating Expenses:		
Selling, general and administrative	532,588	449,324
Depreciation and amortization	<u>17,285</u>	<u>19,767</u>
Total operating expenses	<u>549,873</u>	<u>469,091</u>
(Loss) from continuing operations before interest expense, other expense and income taxes	<u>(535,699)</u>	<u>(440,031)</u>
Other (expenses):		
Interest expense	<u>(77,468)</u>	<u>(71,656)</u>
(Loss) from continuing operations before income taxes	<u>(613,167)</u>	<u>(511,687)</u>
Provision for income taxes	<u>62,679</u>	<u>145,335</u>
(Loss) from continuing operations	<u>(675,846)</u>	<u>(657,022)</u>
Discontinued operations:		
Loss from operations of Union Imaging Associates less applicable income tax benefits of \$82,278	(277,516)	
Loss from operations of PET Scan at Union Imaging less applicable income taxes of \$0	(68,584)	
Loss from operations Union Imaging Center less Applicable income taxes of \$63,011	<u>(385,180)</u>	
(Loss) income from discontinued operations, net of taxes	<u>(731,280)</u>	<u>(560,731)</u>
Gain on disposal of discontinued operations, net of taxes	<u>3,758,141</u>	<u>-</u>
Net income (loss)	<u>\$2,351,015</u>	<u>\$ (1,217,753)</u>
Basic earnings per share:		
(Loss) from continuing operations	\$(0.03)	\$(0.03)
(Loss) income from discontinued operations	(0.03)	(0.02)
Gain on disposal of discontinued operations	<u>0.15</u>	<u>-</u>
Basic income (loss) per share	<u>\$0.09</u>	<u>\$ (0.05)</u>
Number of weighted average shares outstanding	<u>25,432,760</u>	<u>24,737,648</u>
Diluted earnings per share:		
(Loss) from continuing operations	\$(0.02)	
(Loss) income from discontinued operations	(0.02)	
Gain on disposal of discontinued operations	<u>0.11</u>	
Diluted income per share	<u>\$0.07</u>	
Number of weighted average shares outstanding	<u>34,819,391</u>	

*= Restated to conform to 2009 presentation.

MODERN MEDICAL MODALITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIENCY)
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

	Number of Shares Outstanding	Common Stock	Additional Paid- In Capital	Treasury Stock at Cost	Retained Earnings (Deficit)	Total
Balance at January 1, 2008	24,234,051	\$4,918	\$10,109,415	\$-	\$(10,897,793)	\$(783,460)
Shares issued during 2008	1,933,000	387	90,273	-	-	90,660
Value associated with SFAS 123(R) compensation	-	-	1,599,528	-	-	1,599,528
Shares surrendered to Treasury	(493,666)	-	-	(62,500)	-	(62,500)
Net loss for the year ended December 31, 2008:						
(Loss) from continuing operations	-	-	-	-	(657,022)	(657,022)
Income from discontinued operations	-	-	-	-	(560,731)	(560,731)
Balance at January 1, 2009	25,673,385	5,305	11,799,216	(62,500)	(12,115,546)	(373,525)
Value associated with SFAS 123(R) compensation	-	-	145,650	-	-	145,650
Shares surrendered to Treasury	(350,000)	-	-	(75,000)	-	(75,000)
Net loss for the year ended December 31, 2009:						
(Loss) from continuing operations	-	-	-	-	(675,846)	(675,846)
(Loss) from discontinued operations	-	-	-	-	(731,280)	(731,280)
Gain from disposal of discontinued operations	-	-	-	-	3,758,141	3,758,141
Balance at December 31, 2009	<u>25,323,385</u>	<u>\$5,305</u>	<u>\$11,944,866</u>	<u>\$(137,500)</u>	<u>\$(9,764,531)</u>	<u>\$2,048,140</u>

See notes to consolidated financial statements.

MODERN MEDICAL MODALITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31,

	2009	2008*
Cash flows from operating activities		
Net income (loss)	\$2,351,015	\$(1,217,753)
Less: net income (loss) from discontinued operations	3,026,861	(560,731)
Net income (loss) from continuing operations	(675,846)	(1,778,484)
Adjustments to reconcile net income (loss) to net cash provided by continuing operations:		
Depreciation and amortization	17,285	19,767
Increase in Common Stock from issuance of shares and conversion of debt	-	387
Increase in Additional Paid In Capital from issuance of shares	-	90,273
Increase in Additional Paid In Capital from stock-based compensation resulting from issuance of employee stock options and warrants	145,650	1,599,528
(Increase) in Treasury Stock at cost, from purchase of the Company's common shares	(75,000)	(62,500)
Changes in current assets and liabilities:		
Prepaid Expenses	876	(11,882)
Accounts payable	(26,218)	(672,697)
Accrued expenses	(613,020)	351,368
Changes in non-current assets and liabilities:		
(Increase) in escrow funds receivable	(300,000)	-
Fixed asset acquisitions	(28,481)	-
(Increase) in Purchased Software	-	(63,473)
Net (reduction) long term debt	(5,925)	(434,457)
(Increase) in restricted stock held for investment	(150,750)	-
Net cash (used in) by operating activities from continuing operations	(1,711,428)	(962,170)
Net cash provided by operating activities from discontinued operations	4,399,253	956,263
Net cash provided by (used in) operating activities	2,687,825	(5,907)
Cash and equivalents, beginning of the year	45,518	51,425
Cash and equivalents, at year end	<u>\$2,734,343</u>	<u>\$45,518</u>
Supplemental cash flow information		
Cash items:		
Interest paid	<u>\$218,602</u>	<u>\$189,324</u>
Income taxes paid	<u>\$238,265</u>	<u>\$91,235</u>
Non-cash items:		
Common shares issued for purchased share in subsidiary	-	150,000
Common shares issued for compensation	-	1,283,000
Common shares issued for private placement	-	500,000

*= Restated to conform to 2009 presentation.

See notes to consolidated financial statements.

MODERN MEDICAL MODALITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 1 - GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization and Business:

Modern Medical Modalities Corporation (the "Company") was incorporated in the State of New Jersey on December 6, 1989. Modern Modalities Corporation was incorporated in the State of New Jersey on June 4, 1990. The two companies had common ownership, directors and officers. In July 1992 the two companies were merged under the laws of the State of New Jersey, by way of an agreement accounted for as a tax-free merger. The surviving corporation was Modern Modalities Corporation and was renamed Modern Medical Modalities Corporation. Initially the Company provided high technology medical equipment and management services to hospitals and physicians. More recently the Company is providing cloud computing driven, healthcare administrative and information services that are supported by our advanced, web-based, enterprise-wide information system. Our healthcare administrative and information services have the capacity to service multi-specialty healthcare markets. The healthcare administrative and information services include human resources, supply management, medical customer relationship management (CRM), electronic health records, patient billing and accounts receivables services, claims adjudication services, and business intelligence services.

Basis of Presentation:

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, HealthIXS Corporation, Union Imaging Center, LLC, Metairie Medical Equipment Leasing Corp., Union Imaging Associates, Inc. Union Imaging Associates, JV and PET Scan at Union Imaging, LLC. By contract the Company manages the joint venture, is the managing joint venturer and has unilateral control.

All significant inter-company transactions and accounts have been eliminated in consolidation.

The Company recognizes revenue from services upon performance of medical, management and marketing services for financial statement reporting purposes.

Use of Estimates:

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

Concentration of Credit Risk/Fair Value:

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and accounts receivable.

The Company maintains, at times, deposits in federally insured financial institutions in excess of federally insured limits. Management attempts to monitor the soundness of the financial institutions and believes the Company's risk is negligible. Concentrations with regard to accounts receivable are limited due to the Company's large customer base.

The carrying amounts of cash, accounts receivable, accounts payable and accrued expenses approximate fair value due to the short-term of these items. The carrying amount of long-term debt also approximates fair value since the interest rates on these instruments approximate market interest rates.

Cash and Cash Equivalents:

The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Company places its cash with high credit quality financial institutions.

Property and Equipment:

Furniture, fixtures, equipment and leasehold improvements are stated at cost. Depreciation and amortization are provided for, generally using the straight-line method over the lease term or the estimated useful lives of the related asset, which is five to seven years for office equipment and furniture and fixtures.

Deferred Financing Costs:

All deferred financing costs incurred by the Company in conjunction with the issuance of convertible notes and warrants were amortized over a period of twelve months, the term of the debt.

Income Taxes:

The Company accounts for income taxes under SFAS No. 109, "Accounting for Income Taxes". SFAS 109 requires an asset and liability approach for financial reporting for income taxes. Under SFAS 109, deferred taxes are provided for temporary differences between the carrying values of the assets and liabilities for financial reporting and tax purposes at the enacted rates at which these differences are expected to reverse.

Net Income (Loss) Per Share:

Net income (loss) per common share amounts ("basic EPS") are computed by dividing net earnings (loss) by the weighted average number of common shares outstanding, excluding any potential dilution. Net income (loss) per common share amounts assuming dilution ("diluted EPS") are computed by reflecting potential dilution from the exercise of stock options and warrants.

Stock-based Compensation:

Under the provisions of SFAS 123(R), employee stock awards under the Company's compensation plan, the Company measures compensation expense for cost of services received from employees in a share-based payment transaction using fair market value of the underlying stock award on the date of grant net of any employees pay (or obligated to pay) for the stock granted.

The Company measures compensation expense for its non-employee stock-based compensation under the Financial Accounting Standards Board (FASB) Emerging Issued Task Force (EITF) Issue No. 96-18, "Accounting for Equity Instruments that are issued to Other Than Employees for Acquiring or in Conjunction with Selling, Goods or Services". The fair value of the stock awarded is used to measure the transaction, as this is more reliable than the fair value of services received. Fair value is measured as the value of the Company's common stock on the date that the commitment for performance by the counterparty has been reached or the counterparty's performance is complete. The fair value of the stock award is charged directly to compensation expense and additional-paid-in-capital.

The Company uses the most recent closing price in valuing common stock used in financial transactions. This policy is used for both employee and non-employee transactions involving common stock and the setting of exercise prices for options or warrants.

Retirement Plan:

The Company maintains a qualified 401(k) wage deferral plan. Employees may defer a portion of their salary. The Company did not contribute to the plan during 2009 or 2008.

Impairment or Disposal of Long-Lived Assets:

The Company has adopted SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets". The statement supersedes SFAS No. 121 and Accounting Principles Board Opinion No. 30 "Reporting Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions". The Statement retains the fundamental provisions of SFAS No. 121 for the recognition and measurement of impairment, but accounting and reporting standards for segments of a business to be disposed of.

Purchased Software Asset and FASB 144 Financial Valuation and Analysis:

On February 28, 2007 and September 14, 2007, we purchased two software assets and combined them into one software asset. The software asset has been enhanced through customizations to meet a broader range of needs, and is key to our web-based, enterprise-wide, healthcare information system (HIS). We recorded at cost the HIS software asset for the period ending December 31, 2007 based on the combined purchase prices of the two software assets and certain costs related to the customizations made in 2008.

In order to validate the value of the HIS software asset as recorded in our financial statements and to determine if there is any impairment or reduction in value, we hired an independent Company in 2007 to perform financial valuation consulting and calculation analysis services using guidance provided in FASB 144 by applying the fair value standard as defined in FASB pronouncements and business valuation calculations and consultation analysis. These services were performed in accordance with the standards and definitions of the American Institute of Certified Public Accountants' (AICPA's) Code of Professional Conduct and Statement on Standards for Valuation Services (SSVS) and all standards of the National Association of Certified Valuation Analysts (NACVA).

The result of the independent FASB 144 business valuation calculations and consultation analysis conducted for us in 2007 was that our HIS software asset shows no indication of impairment based on current market conditions and its projected net cash flow - undiscounted. We determined that based on the independent FASB 144 business valuation calculations and consultation analysis conducted for us in 2007 and the on-going enhancements made to the software in 2008, that the HIS software asset is worth at the least the value recorded in our financial statements, and that we do not need to reduce the recorded value of the HIS software asset at this time. Amortization will be recognized when the asset is placed in service and over its useful life.

Recent Accounting Pronouncements:

In June 2009, the FASB issued Statement No. 168, The FASB Accounting Standards modification and Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162 ("FAS 168"). Effective for financial statements issued for interim and annual periods ending after September 15, 2009 the FASB ASC (the "Codification") is now the authoritative source of U.S. generally accepted accounting principles. The Codification changes the structure of the authoritative guidance to a Topic based model versus the previous model of the Original Pronouncements, modified by Emerging Issues Task Force abstracts, FASB Staff Positions, etc. Among other things, the Codification is expected to: reduce the amount of time and effort required to solve an accounting research issue; mitigate the risk of noncompliance through improved usability of literature; provide accurate information with real-time updates as Accounting Standards Updates are released; and assist the FASB with research and convergence efforts. The adoption of the Codification did not impact the Company's financial condition or operating results

In May 2009, the FASB issued Statement 165, Subsequent Events (FASB Accounting Standards Codification (ASC) 855, Subsequent Events), to incorporate the accounting and disclosure requirements for subsequent events into U.S. generally accepted accounting principles. Prior to the issuance of the Statement, these requirements were included in the auditing standards in AICPA AU section 560, Subsequent Events. ASC 855 introduces new terminology, defines a date through which management must evaluate subsequent events, and lists the circumstances under which an entity must recognize and disclose events or transactions occurring after the balance-sheet date and disclose events or transactions occurring after the balance-sheet date. It is effective prospectively for interim or annual reporting periods ending after June 15, 2009. The adoption of this standard did not have an impact on our results of operations or financial position.

Classification

Certain items of 2008 have been reclassified to conform to 2009 classification.

NOTE 2 - GOING CONCERN UNCERTAINTY:

Modern Medical's December 31, 2009 and 2008 financial statements have been presented on a basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred losses of \$675,846 and \$657,022 from continuing operations for the years ended December 31, 2009 and 2008. In addition the Company had a working capital deficiency for the year ending December 31, 2008 of \$1,678,860. Also, as of December 31, 2008 the Company had a stockholder deficiency of \$373,525. These factors raise doubt about the Company's ability to continue as a going concern. Although the Company has experienced financial gains for fiscal years ended December 31, 2009 and 2008 and has made improvements since last recording losses, the audit reports have an explanatory paragraph stating that Modern Medicals' continued existence is in doubt.

The accompanying consolidated financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate continuation of the Company as a going concern. The Company's working capital deficiency of \$1,678,859 as of December 31, 2008, and has historically sustained significant losses from operations, which raise doubt about the Company's ability to continue as a going concern. In view of these matters, realization of the assets of the Company is dependent upon the Company's ability to meet its financing requirements and the success of future operations. The consolidated financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

The Company has continued its implementation of a restructuring plan and believes this plan will make the Company profitable in future periods. The plan includes focusing on providing outsourced administrative and information services through our wholly-owned subsidiary HealthIXS Corporation, in order to expand into the more profitable information and administrative services markets. We will also invest in businesses or ventures that may or may not be synergistic with our past operations or our remaining information and administrative services business operated by HealthIXS. Management believes that the steps it is taking will allow the Company to continue in existence.

NOTE 3 - MERGERS, ACQUISITIONS AND MATERIAL DISPOSALS:

On November 19, 2009, we and our wholly-owned subsidiaries Union Imaging Associates, Inc. ("UIA"), Union Imaging Center, LLC ("UIC") and PET Scan at Union Imaging, LLC ("PET") (UIA, UIC and PET, each a "Seller Company", collectively, the "Seller Companies") entered into an Asset Purchase Agreement (the "Agreement") with New Jersey Imaging Partners, Inc., a New Jersey corporation ("NJIP"), and NJIP's parent corporation RadNet, Inc., a Delaware corporation whose common stock is publicly traded on the NASDAQ Global Market under the symbol RDNT ("RadNet"), pursuant to which NJIP agreed to purchase substantially all of the assets of the Seller Companies that are used in connection with the Seller Companies' diagnostic imaging business (the "Asset Sale"), for cash consideration of \$5,000,000 (the "Cash Consideration") plus 75,000 shares of restricted common stock of RDNT. Other than in respect of the Asset Sale, there is no material relationship between NJIP or RDNT and us, or any of our affiliates, or any of our directors or officers, or any associate of any such director or officer. NJIP, RadNet and the Seller Companies have agreed that the Asset Sale closed on December 31, 2009.

NOTE 4 - PROPERTY AND EQUIPMENT:

Property and equipment are summarized by major classification as follows:

	Useful lives	December 31,	
		2009	2008
Furniture and Fixtures	3 - 5 years	\$ 3,902	\$ 6,402
Automobiles	5 years	67,865	67,865
Computer equipment and software	3 years	45,928	17,447
		117,695	91,714
Less: Accumulated Depreciation and Amortization		81,929	67,146
		<u>\$ 35,766</u>	<u>\$ 24,568</u>
Depreciation expense for the years ended		<u>\$ 17,285</u>	<u>\$ 19,767</u>

NOTE 5 - EMPLOYEE STOCK OPTIONS AND RELATED BONUS PLANS:

The purpose of the 2003 and 1999 Option Plans is to grant officers, employees and others who provide significant services to the Company a favorable opportunity to acquire Common Stock so that they have an incentive to contribute its success and remain in its employ. Under the 2003 and 1999 Option Plans, the Company is authorized to issue options for a total of 2,000,000 and 500,000 shares of Common Stock, respectively.

On June 11, 2007, we filed an S-8 registration statement for securities related to our 2003 Stock Option Plan. Descriptions of our 2003 Stock Option Plan and the securities are contained in our filing of the S-8 registration statement, which includes 2,000,000 shares of common stock to cover stock options for up to 2,000,000 shares with a proposed maximum offering price of \$0.67 per share and a proposed maximum aggregate offering price of \$1,340,000. On November 6, 2007, we entered into incentive stock option agreements with employees of the Company to provide incentives for remaining with the Company and to encourage extra efforts and increased performance. We issued stock options for 190,000 shares of our common stock at an exercise price of \$0.37 per share. The stock options have a 10 year term and the vesting criteria is based on a 3 year period, whereby 1/3 of the shares are vested each year for the periods November 5, 2008, November 5, 2009, and November 5, 2010. The terms of the employee stock option plan requires an employee to exercise their option within 90 days of leaving the Company. Effective December 31, 2009, as a result of the sale of substantially all the Company's operating assets effective December 31, 2009, the majority of our employees were terminated. Effective March 30, 2010, all employee stock options were canceled.

On October 9, 2007, we entered amended, cancelled, and issued new Performance Stock Agreements with certain directors and management to encourage extraordinary efforts in key categories that better fit our expanded growth strategy, which now includes obtaining new direct sales of our information system and administrative services to other healthcare organizations in addition to obtaining new business through acquisitions and to provide incentives based on new performance criteria. The Company believes that Paul Harrison will be very instrumental in providing growth strategy and guidance and in using his experience, contacts, and track record to help rapidly grow the Company through direct sales of its systems and services and through acquisitions, and certain management will be important to helping integrate the acquisitions and the Modern Medical Network System on a profitable basis. On October 9, 2007, we amended Paul Harrison's performance based stock warrant agreement with the same number of 1,800,000 shares at the same exercise price of \$0.65 per share based on the following new criteria and allocations: 360,000 stock warrants upon execution of the Agreement; 360,000 stock warrants awarded for each \$1,000,000, up to an aggregate award of 1,080,000 stock warrants based on up to \$3,000,000 in aggregate revenues, contracted for, or generated by, the Company (including its subsidiaries and affiliates) in information systems and services related sales or transactions and in related administrative services sales or transactions using the Company's information system; and 360,000 stock warrants after the Company's Information System is used by another organization. We cancelled Bruce Phillips' performance based stock option agreement for 400,000 shares at \$0.65 per share issued on June 1, 2007 and on October 9, 2007, issued him a performance based warrant agreement for the same number of 400,000 shares at the same price of \$0.65 per share based on the following criteria and allocations: 200,000 stock warrants upon execution of the Agreement; 50,000 stock warrants awarded for each \$1,000,000, up to an aggregate award of 150,000 stock warrants based on up to \$3,000,000 in aggregate revenues, contracted for, or generated by the Company (including its subsidiaries and affiliates) in information systems and services related sales or transactions and in related administrative services sales or transactions using the Company's information system; 50,000 stock warrants after the Company's Information System is used by another organization. On October 9, 2007, the Company entered into a warrant agreement with Baruh Hayut and granted him a stock warrant for 720,000 shares at \$0.75 per share based on the following criteria: 720,000 stock warrants awarded once \$3,000,000 in aggregate revenues have been contracted for, or generated by, the Company (including its subsidiaries and affiliates) in information systems and services related sales or transactions and in related administrative services sales or transactions using the Company's information system. On September 2, 2008, to provide incentives to the above named parties and build long term commitment to the Company, the Board of Directors authorized removal of performance conditions with the exception that the exercise price remained the same of the above Stock Option and Warrant agreements for Baruh Hayut, Paul Harrison and Bruce Phillips.

There are no other material relationships between the Company or its affiliates and any of the parties that were granted the Performance Based Stock Options, Three-Year Stock Options and Cash Performance Bonus other than those described herein.

A summary of stock option activity as of December 31, 2009 and 2008 and changes during the years ended on those dates is presented below:

Stock Options	2009		2008	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	1,241,000	\$ 0.4801	1,558,000	\$ 0.4841
Granted	0	\$ 0.0000	0	\$ 0.0000
Exercised	0	\$ 0.0000	0	\$ 0.0000
Forfeited or expired	(390,000)	\$ 0.4367	(317,000)	\$ 0.5000
Outstanding at end of year	<u>851,000</u>	\$ 0.5000	<u>1,241,000</u>	\$ 0.4801

The following table summarizes the status of non-vested shares of stock options as of December 31,

Non-vested Shares	Shares	2009		2008.	
		Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares
Non-vested at beginning of year	259,995	\$ 0.4367	1,291,330	\$ 0.4809	
Grant	0	\$ 0.0000	0	\$ 0.0000	
Vested	66,664	\$ 0.5000	(772,669)	\$ 0.4893	
Forfeited or expired	193,331	\$ 0.4148	(258,666)	\$ 0.5000	
Non-vested at end of year	0	\$ 0.0000	259,995	\$ 0.4367	

The following table summarizes information about stock options outstanding at December 31, 2009:

Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$ 0.5000	851,000	2.75	\$ 0.5000	851,000	\$ 0.5000

Note 6 - SHARE-BASED PAYMENTS IN ACCORDANCE WITH SFAS 123(R):

On January 1, 2006, we adopted SFAS No. 123(R), *Share-Based Payment*, which requires companies to expense the grant date fair value of employee stock options and other forms of share-based awards. SFAS 123(R) addresses accounting for share-based awards, including shares issued under employee stock purchase plans, stock options, and share-based awards, with compensation expense measured using the fair value, for financial reporting purposes, and recorded over the requisite service period of the award. In accordance with SFAS 123(R), we recognize compensation expense for awards granted and awards modified, repurchased, or cancelled after the adoption date. Under SFAS 123(R), we estimate the fair value of stock options and share-based awards using the Simple Black-Scholes European Option Pricing Model.

For the twelve month periods ended December 31, 2009 and 2008, we conducted an outside independent analysis and our own review, and based on the results, we recognized \$145,592 and \$1,599,528, respectively, in share-based payments related to warrants and stock options issued with the rights to exercise 1,390,000 shares in 2009 and 4,494,000 shares in 2008 of our common stock.

At December 31, 2009, the Company has no unrecognized compensation cost related to unvested stock options. The balance of these costs, \$39,063 was recognized in the 4th quarter 2009.

The fair value of our options issued during the years ended December 31, 2009 and 2008, was determined using the Simple Black-Scholes European Option Pricing Model with the following range of assumptions:

	Year Ended December 31,			
	2009		2008	
Risk-free interest rate	3.5% - 3.9	%	3.5% - 3.9	%
Expected dividend yield	0.0	%	0.0	%
Option remaining term (in years)	5.0		5.0	
Expected stock volatility	134%-327	%	134%-327	%

NOTE 7 - LONG-TERM DEBT:

Long-term debt consists of the following:

	December 31, 2009
Notes payable	\$ 250,000
Capitalized lease obligations	13,439
Less current portion	(259,097)
Long-term debt, net of current portion	\$ 4,342

Notes Payable:

The future principal payments for long-term notes payable obligations are as follows:

	December 31, 2009
2010	\$ 250,000

On September 14, 2007 we entered into an Asset Purchase Agreement (the "Agreement") with MTI Partners II, L.P. ("MTI-II") to acquire MTI-II's Healthcare Payer Admin Software Asset (the "Asset") in exchange for 500,000 shares of our common stock ("Common Stock"), warrants ("Warrants") for 900,000 shares of our common stock with an exercise price of \$0.70 per share, and \$250,000 to be paid within 12 months from the date of the Agreement. The transaction is expected to close by the end of September 2007. The Asset consists of healthcare payer admin computer software that helps organize, manage, and maintain health plans, membership, eligibility, claims administration, and includes other customized components. The shares of Common stock were issued pursuant to Section 4(2) of the Securities Act of 1933, as amended. Paul Harrison, a member of the Board of Directors of MODM, is the President of INEX Group, Inc., which serves as the General Partner of MTI-II. Mr. Harrison will be entitled to receive 281,250 shares of our Common Stock, and a Warrant for 506,250 of our Common Stock with an exercise price of \$0.70 per share issuable to MTI-II pursuant to this Agreement. We renegotiated the \$250,000 note, paying \$83,000 on January 14, 2010 and extending the balance to December 31, 2010. Starting February 1, 2010, we are paying \$1,113.33 monthly interest or a 8% annual rate of interest.

Capitalized Lease Obligations:

The Company entered into certain leases for the rental of equipment, which have been recorded as capital leases for financial statement reporting purposes and are included in equipment. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair market value of the asset. Accumulated depreciation of assets under capital lease at December 31, 2009 aggregated \$40,767. The interest rates on these capital leases vary between 10.0% and 20.3% per annum. Monthly payments for these leases are approximately \$1,505 for interest and principal.

The future principal payments for capital lease obligations are as follows:

	December 31, 2009
2010	\$ 9,096
2011	2,416
2012	1,927
2013	0
2014 & Beyond	0

On June 11, 2007, we purchased an automobile from Medical Equipment Solutions, Inc. for \$57,200. The terms were a \$19,200 down payment, \$10,000 in cash and \$9,200 by issuing a warrant valued at \$9,200 with five-year duration for 50,000 shares at an exercise price of \$0.75 per share. The balance is being paid in 36 equal monthly payments of \$1,226 per month with a 10% annual interest rate.

On August 19, 2009, we purchased miscellaneous Apple computer equipment for use in our corporate offices from Apple, Inc. for \$6,849.00. The terms were \$260.81 equal monthly payments plus applicable taxes for 36 months, with a 21.79% annual interest rate. There was no advance payment and there is a \$1 purchase option at the end of the lease.

NOTE 8 - INCOME TAXES:

The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the differences between the financial statement carrying amounts and tax basis of assets and liabilities using enacted rates in effect in the years in which the differences are expected to reverse.

The Company has recorded an income tax provision (credit) at December 31, 2009 and 2008 of \$207,968 and \$145,336, respectively. The Company has a net operating loss carry-forward for federal income tax purposes of approximately \$3,379,956, available to offset income taxes through 2016 - 2023.

The components of the Company's provision (benefit) for income taxes, for the fiscal years ended 2009 and 2008 are as follows: Update Table

	2009	2008
Current:		
Federal	\$ 58,046	\$ -
State and local	149,921	145,335
Deferred:		
Federal	-	-
State and local	-	-
Provision for income taxes	<u>\$ 207,968</u>	<u>\$ 145,335</u>

A reconciliation of income tax computed at the federal and state statutory rates of 34% and 9%, respectively to income tax expense (benefit) is as follows:

	2009	2008
U.S. Federal statutory rate	\$ (1,149,185)	\$ (5,207,800)
State taxes	(304,196)	(1,339,200)
Effective tax rate	<u>\$ (1,453,381)</u>	<u>\$ (6,547,000)</u>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2009 and 2008 are presented below: Update Table

	2009	2008
Deferred tax assets:		
Net operating loss carry forward	\$ (1,453,381)	\$ (6,547,000)
Less valuation allowance	<u>1,453,381</u>	<u>6,547,000</u>
Net deferred tax asset	<u>\$ -</u>	<u>\$ -</u>

The valuation reserve decreased by \$5,093,619.

Based on the Company's continued historical losses and going concern uncertainties, the net deferred tax assets are fully offset by valuation allowances.

In assessing the ability to realize the deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

Under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), the utilization of net operating loss carry forwards is limited under the change in stock ownership rules of the Code. As a result of ownership changes, which occurred in June 2002, the Company's operating loss carry forwards are subject to these limitations. Future ownership changes could also further limit the utilization of any net operating loss carry forwards as of that date.

NOTE 9 - Equity Compensation Plan Information:

Plan category Number of Securities to be issued upon exercise price of remaining available for outstanding options, outstanding options, future issuance under warrants and rights warrants and rights equity compensation plans (excluding securities reflected in column (a))

Equity Compensation Plan Information

Plan Category	Number of Securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options, warrants and rights plans (excluding securities reflected in column (a))	Number of Securities remaining available for future issuance under equity compensation
Equity compensation plans approved by security holders	851,000	\$ 0.5000	1,649,000
Equity compensation plans not approved by security holders	8,535,198	\$ 0.5202	-0-

NOTE 10 - RELATED PARTY TRANSACTIONS:

Modern Medical believes that the transactions set forth below were made on terms no less favorable to it than could have been obtained from unaffiliated third parties. All future transactions, including any loans between Modern Medical and any of its officers, directors, principal stockholders and their affiliates will be approved by a majority of Modern Medicals board of directors and will continue to be on terms no less favorable to Modern Medical than could be obtained from unaffiliated third parties.

Ronnie Antebi has provided term financing for various loan restructurings and Mr. Antebi beneficially owns more than 5% of our outstanding shares of common stock. The Company charged operations \$192,709 in 2009 and \$203,289 in 2008 under these agreements. Ronnie Antebi and Yosef Azoulai have jointly and individually provided term financing for various loan restructurings, of which approximately \$192,000 remains outstanding at December 31, 2009. On November 16, 2009, MODM entered into and consummated a new Agreement for Purchase and Sale of Assets with MES (the "New MES Agreement"), pursuant to which MODM reacquired all of MES' interests in the MES Assets. MODM acquired the MES Assets in consideration of a non-interest bearing promissory note in the principal amount of \$670,000 (the "New MES Note"), due at the earlier of February 1, 2010 or the closing date Asset Sale to NJIP; provided that if the New Note is not paid in full on or before February 1, 2010, the New MES Agreement will be null and void and ownership of the MES Assets will revert back to MES. The New Note is in satisfaction of all outstanding payment obligations of MODM to MES. This was paid in full December 31, 2009, at the closing of the sale of the imaging center assets.

On August 23, 2006, we issued a Warrant for the right to buy 100,000 shares of the Company's common stock to Paul W. Harrison in connection with his appointment as a director of the Company. The Warrant Agreement terms include an exercise price of \$0.18 per share, which was above market price at the time of the execution of the Warrant Agreement. The exercise date is August 23, 2006 and the expiration date is August 22, 2011. On August 24, 2006, Paul W. Harrison exercised his rights under the August 23, 2006 Warrant Agreement and bought 45,000 shares of the Company's common stock for \$8,100. The 45,000 shares were issued on October 20, 2006.

On September 14, 2007 we entered into an Asset Purchase Agreement (the "Agreement") with MTI Partners II, L.P. ("MTI-II") to acquire MTI-II's Healthcare Payer Admin Software Asset (the "Asset") in exchange for 500,000 shares of our common stock ("Common Stock"), warrants ("Warrants") for 900,000 shares of our common stock with an exercise price of \$0.70 per share, and \$250,000 to be paid within 12 months from the date of the Agreement. The transaction is expected to close by the end of September 2007. The Asset consists of healthcare payer admin computer software that helps organize, manage, and maintain health plans, membership, eligibility, claims administration, and includes other customized components. The shares of Common stock were issued pursuant to Section 4(2) of the Securities Act of 1933, as amended. Paul Harrison, a member of the Board of Directors of MODM, is the President of INEX Group, Inc., which serves as the General Partner of MTI-II. Mr. Harrison will be entitled to receive 281,250 shares of our Common Stock, and a Warrant for 506,250 of our Common Stock with an exercise price of \$0.70 per share issuable to MTI-II pursuant to this Agreement. We renegotiated the \$250,000 note, paying \$83,000 on January 14, 2010 and extending the balance to December 31, 2010. Starting February 1, 2010, we are paying \$1,113.33 monthly interest or a 8% annual rate of interest.

NOTE 11 - CHANGES IN DIRECTORS AND OFFICERS:

The Company has no changes in Directors and Officers.

NOTE 12 - COMMITMENTS AND CONTINGENCIES:

(a) Employment Agreements:

The Company has no employment agreements.

(b) Properties:

In April 2005 Modern Medical entered into a five (5) year lease agreement for approximately 7,150 square feet on 441-445 Chestnut St. in Union, NJ for approximately \$15,000 per month. This lease is renewable for an additional 5-year term at no more than \$17,875 per month, which term expires on April 1, 2015. On March 19, 2008, Modern Medical exercised its lease option through March 31, 2015 at \$17,875 per month and obtained an additional 5 year option through March 31, 2020 at \$19,067 per month. NJIP, the purchaser of the imaging center assets, has assumed this lease and the landlord has consented to the assumption. The company does have a potential of this lease liability should the assuming party default on the lease.

In April 2005 Modern Medical entered into a five (5) year lease agreement for approximately 2,250 square feet on 439 Chestnut St. in Union, NJ for approximately \$3,844 per month. This lease is renewable for an additional 5-year term at no more than \$4,500 per month, which term expires on April 1, 2015. On March 19, 2008, Modern Medical exercised its lease option through March 31, 2015 at \$4,500 per month and obtained an additional 5 year option through March 31, 2020 at \$4,875 per month. . NJIP, the purchaser of the imaging center assets, has assumed this lease and the landlord has consented to the assumption. The company does have a potential of this lease liability should the assuming party default on the lease.

The Company has leased office space in Atlanta, Georgia from the Regus Management Group, LLC. The lease agreement is month to month, the monthly lease payment is \$1,105. The lease gives us the ability to grow within the same location and we feel it is ideal to start the expansion of our healthcare administrative and information services under our HealthIXS banner.

The Company continues to maintain its corporate offices at 439 Chestnut Street, Union, New Jersey. As part of the asset sale to NJIP the lease for the property moved to them, however, under the transaction it was agreed that Modern Medical would be able to maintain its corporate office at that location.

As of December 31, 2009 the Company has no future rent payments under non-cancelable property leases. Facility rental expense charged to operations in 2009, 2008 and 2007 was \$278,303, \$291,196 and \$297,071, respectively.

Modern Medical believes that its current facilities are adequate to operate and grow its business.

(c) Other:

In April 2005 the Company completed buyout of the balance of CitiCorp lease for a lump sum payment of \$175,000 made on April 15, 2005 plus 25 equal monthly installments of \$1,000, which were completed in April 2007. As a result of this negotiated settlement the Company recorded a gain of \$211,171 on the settlement of this debt as of December 31, 2004. We have a contingent liability of \$130,000 with CitiCorp who has notified us of past due late fees on this note. The Company is currently disputing this charge with CitiCorp and believes it was forgiven as part of the overall settlement.

NOTE 13 – LITIGATION:

On September 29, 2008, we were served with a legal complaint and summons by Burgio Enterprises, Ltd. (“Burgio”) for breach of contract and other related claims. Burgio is seeking a judgment, and awards for contract damages in an amount in excess of \$10,000, compensatory damages in an amount in excess of \$10,000, punitive damages in an amount in excess of \$10,000, and recovery of attorney fees and costs of court and other expenses. We intend to vigorously defend this claim.

On April 9, 2008, a complaint was filed by Spur Imaging Service, L.L.C. against Modern Medical and Union Imaging Associates for breach of contract and other related matters. The complaint was related to a Sub-Lease Agreement that we entered into with Spur on or about May 18, 2005 for using certain MRI equipment that was leased from Siemens Medical Solutions, USA, Inc. by Spur Imaging Service, LLC. We agreed to make 63 payments of \$21,400 totaling \$1,348,200. We also entered into a Forbearance Agreement with Spur that modified the Sub-Lease Agreement payment terms. Spur filed the complaint claiming we owe them for payments not made per the Sub-Lease and Forbearance Agreements, and for other costs, fees, and expenses, and declared that we should return the MRI equipment. On September 16, 2008, we negotiated a settlement whereby Parent agreed to pay Siemens Medical Solutions, USA, Inc. \$525,000 and Spur Imaging Service, LLC \$25,000, in exchange for full settlement of the sub-lease. In October 2008, in exchange for Siemens Medical Solutions, USA, Inc. (“Siemens Medical”) and Spur Imaging Service, LLC (“Spur”) agreeing to forbear from exercising their enforcement rights under the Consent Judgment through February 15, 2009. We paid Siemens Medical \$525,000 between October 6, 2008 and February 15, 2009 and paid Spur \$25,000 between October 6, 2008 and February 28, 2009 in full payment of the \$550,000 settlement of a sub-lease involving Siemens. On April 24, 2009 we received documentation confirming that the Judgment was satisfied.

On July 9, 2008, we received copies of a lawsuit from Antoinette Gregoire. The lawsuit claims that on or about July 11, 2006, Plaintiff Antoinette Gregoire underwent a mammography at the facilities of Park Imaging Associates, P.A. and Union Imaging Associates P.A. and that at such time, a suspicious abnormality of the left breast was noted, consisting of a nodule requiring biopsy and it was later determined that such nodule constituted ductal carcinoma. We are defending against any claims being made.

On April 3, 2009, we received copies of a lawsuit from Mary Monar and David R. Monar, her husband. The lawsuit claims that on or about December 29, 2004 and July 5, 2006, Plaintiff Mary Monar underwent a mammography at the facilities at Union Imaging Center, LLC and that at such time, the suit claims a deviation and departure from acceptable medical practice and negligence in failing to properly diagnose the plaintiff. As a result, the plaintiff developed breast cancer that went untreated for two years. This suit is under discovery and we will defend against any alleged claims being made.

Note 14 - FILING OF S-8 REGISTRATION STATEMENT FOR 2003 STOCK OPTION PLAN:

On June 11, 2007, we filed an S-8 registration statement for securities related to our 2003 Stock Option Plan. Descriptions of our 2003 Stock Option Plan and the securities are contained in our filing of the S-8 registration statement, which includes 2,000,000 shares of common stock to cover stock options for up to 2,000,000 shares with a proposed maximum offering price of \$0.67 per share and a proposed maximum aggregate offering price of \$1,340,000. On November 6, 2007, we entered into incentive stock option agreements with employees of the Company to provide incentives for remaining with the Company and to encourage extra efforts and increased performance. We issued stock options for 190,000 shares of our common stock at an exercise price of \$0.37 per share. The stock options have a 10 year term and the vesting criteria is based on a 3 year period, whereby 1/3 of the shares are vested each year for the periods November 5, 2008, November 5, 2009, and November 5, 2010. All options for the 190,000 shares issued to the employees on November 6, 2007, have expired as a result of the sale of our imaging center assets to New Jersey Imaging Partners, LLC a wholly owned subsidiary of RadNet, Inc. All employees left the Company at that time and either joined the new owners or went to work elsewhere; under the employee stock option plan an employee has 90 days within which to exercise their options once they have left the Company. The 90 day period was up March 31, 2010 and no options were exercised, resulting in the 190,000 options reverting to the plan.

NOTE 15 - TERMINATION OF ASSET PURCHASE AGREEMENT WITH HD:

On February 2, 2009, MODM filed a Form 8-K reporting that it and the Seller Companies had entered into an asset purchase agreement with Health Diagnostics of New Jersey, L.L.C. (“HD”), pursuant to which HD agreed to purchase substantially all of the assets of Seller Companies used in connection with Seller Companies’ diagnostic imaging business, subject to a condition that HD obtain financing to consummate the transaction (the “HD Agreement”). In the event the HD Agreement failed to close on or before March 31, 2009, MODM, the Seller Companies and HD each had the right to terminate the HD Agreement at any time thereafter. As MODM reported in Part II, Item 5 of its Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, on August 18, 2009 MODM notified HD that MODM was terminating the HD Agreement as the final closing date specified therein had passed, and HD informed MODM that HD would be unable to close the transaction until an indeterminate date. Until MODM terminated the Asset Purchase Agreement, MODM was bound by the HD Agreement to not enter into any discussions or negotiations with another potential purchaser regarding the sale of the Seller Companies’ diagnostic imaging business. None of MODM, the Seller Companies or any of their respective affiliates had or has a material relationship with HD, other than in respect of the HD Agreement.

NOTE 16 - BUSINESS COLLABORATION AGREEMENT WITH RADNET MANAGEMENT, INC.:

On December 31, 2009, HealthIXS Corporation, a Delaware corporation and wholly owned subsidiary of Modern Medical Modalities Corporation (“MODM”), entered into a Business Collaboration Agreement (the “Collaboration Agreement”) with RadNet Management, Inc., a California corporation (“RadNet Management”), and New Jersey Imaging Partners, Inc., a New Jersey corporation (“NJIP”), each of which is a wholly-owned subsidiary of RadNet, Inc., a Delaware corporation whose common stock is publicly traded on the NASDAQ Global Market under the symbol RDNT (“RDNT”). RadNet Management and NJIP are referred to herein collectively as “RadNet”. Pursuant to the Collaboration Agreement, RadNet agreed to license from HealthIXS, on a non-exclusive basis for an initial term of one year, the private labeled RadNet Derivative Information System (“RADIS”) based on proprietary software of HealthIXS designed to provide information technology services to the healthcare sector. RadNet agreed to pay HealthIXS a cash license fee payable in 12 equal monthly installments, starting with the signing of the agreement, plus a single balloon payment in one year from the date of the agreement. The amount of the fee is the subject of a confidential treatment request filed by us with the Securities and Exchange Commission. For no additional fee, HealthIXS will provide RadNet with certain technical support and maintenance services with respect to the licensed RADIS product during the initial term of the Collaboration Agreement. HealthIXS will retain all rights, title and interest in the HealthIXS and RADIS systems and related intellectual property rights; provided, however, that RadNet will own all rights, title and interest in custom software developed by HealthIXS exclusively for RADNET pursuant the Collaboration Agreement or statements of work thereunder. Either party may terminate the Collaboration Agreement in the event of any material breach by the other party if the breach continues and is not cured within 30 days of receipt of written notice from the non-breaching party.

NOTE 17 - SUBSEQUENT EVENTS:

On March 21, 2010, we entered into discussions with Best Plastics, LLC to pursue a new business opportunity in order to grow our revenues and potentially increase our value. This action was taken since we sold our medical clinics and are pursuing new sources of revenues. As part of these discussions and due diligence process we have entered into a six month Convertible Promissory Note in the amount of \$500,000 at a 6% annualized rate of interest on the outstanding principal. The Convertible Promissory Note includes a provision for the right to increase the amount of the Note, and includes a provision to convert the outstanding balance to specified ownership in Best Plastics, LLC.

Exhibit 10.11

NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE CONVERTIBLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL, IN A FORM REASONABLY ACCEPTABLE TO THE COMPANY, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.

US\$500,000.00

April 12, 2010

BEST PLASTICS, LLC

AND

MICHAEL BOHBOT

CONVERTIBLE PROMISSORY NOTE

Due October 11, 2010

FOR VALUE RECEIVED, the adequacy of which is hereby acknowledged, Best Plastics, LLC, a limited liability company organized under the laws of the state of New Jersey (the “Company”), and Michael Bohbot (Michel Buchbot, Michel Buchbut, Aliases), individually, hereby promise unconditionally to pay to Modern Medical Modalities Corporation, a company organized under the laws of the State of New Jersey (including any successor or permitted transferee hereunder, the “Holder”) in lawful money of the United States of America (“Dollars” or “US\$”) and in immediately available funds, the principal sum of Five Hundred Thousand Dollars (US\$500,000.00) on the Maturity Date, as hereinafter defined, and to pay interest on such principal amount of this Unsecured Convertible Promissory Note (the “Note”).

1. Principal. The Company, and Michael Bohbot, individually, agree that the Holder, and any other investor(s) that the Holder may include, collectively, have the right to increase the principal amount of this Note from \$500,000.00 to \$1,000,000.00 before the Maturity Date. Unless earlier repaid or otherwise converted in full, the entire unpaid principal amount of this Note shall be paid on the Maturity Date. Promptly following the payment in full of this Note, the Holder shall surrender this Note to the Company for cancellation.

2. Allocation. Except as otherwise provided herein, all payments made hereunder (whether in prepayment or otherwise) shall be applied first against any sums incurred by the Holder for the payment of any expenses in enforcing the terms of this Note, then against any interest then due hereunder and finally against principal.

3. Interest. Interest on the Note shall accrue at a rate of six percent (6%) per annum from the date of this Note. Interest shall be computed on the basis of a 360-day year applied to actual days elapsed. The rate of interest payable under the Note from time to time shall in no event exceed the maximum rate, if any, permissible under applicable law. All payments of Interest shall be made in cash or in Membership Interests of the Company’s in connection with and at such time as each conversion of the Note occurs at the option of the Holder.

4. Payments and Redemption. All payments to be made by the Company in respect of this Note shall be made in U.S. Dollars by wire transfer to an account designated by the Holder by written notice to the Company. If the due date of any payment in respect of this Note would otherwise fall on a day that is not a Business Day, such due date shall be extended to the next succeeding Business Day. All amounts payable under this Note shall be paid free and clear of, and without reduction by reason of, any deduction, setoff, or counterclaim. All payments to be made by the Company shall be collateralized with all the assets of Best Plastics, LLC, and further secured with a personal guaranty from Michael Bohbot. The assets to collateralize and secure the Note shall include 100% of the total ownership of Best Plastics, LLC, and Michael Bohbot hereby declares and agrees that he is the sole owner of the Company. The Holder acknowledges that in the event of a claim, it would have a second lien position after Coral Capital Solutions.

5. Conversion of Notes. This Note shall be convertible by the Holder into membership interests of the Company (the “Membership Interests”) on the terms and conditions set forth in this Section 5.

(a) At any time or times on or after the Issuance Date, the Holder shall be entitled to convert, at the Holder's sole option, any portion of the outstanding and unpaid Conversion Amount (as defined below) into fully paid and nonassessable Membership Interests, at the Conversion Rate (as defined below).

(b) Conversion Rate. For each \$100,000.00 of the Note that is converted, the Company shall immediately issue five percent (5%), of its fully-diluted Membership Interests to Holder (the "Conversion Rate"). If the remaining amount or balance of the Note that is being converted represents a fractional amount of \$100,000.00, the Company shall immediately issue the prorata percent of five percent (5%) equal to the fractional amount of \$100,000.00 being converted divided by \$100,000.00 times 5%, of its fully-diluted Membership Interests to Holder (the "Conversion Rate"). For example, if the fractional amount of the \$100,000.00 of the Note that is being converted is \$50,000.00, the percent of Membership Interests issued to the Holder would be equal to \$50,000.00 divided by \$100,000.00 times 5%, or 2.5%.

(i) "Conversion Amount" means the sum of (A) the portion of the principal to be converted, redeemed or otherwise with respect to which this determination is being made, and (B) accrued and unpaid interest with respect to such principal, if any.

(c) Mechanics of Conversion

(i) Optional Conversion. To convert any Conversion Amount into Membership Interests on any date (a "Conversion Date"), the Holder shall (A) transmit by facsimile (or otherwise deliver), for receipt on or prior to 11:59 p.m., Eastern Standard Time, on such date, a copy of an executed notice of conversion in the form attached hereto as

(ii) Exhibit I (the "Conversion Notice") to the Company and (B) surrender this Note to a common carrier for delivery to the Company as soon as practicable on or following such date (or an indemnification undertaking with respect to this Note in the case of its loss, theft or destruction), however, until this Note is converted or repaid in full the Holder shall not be required to surrender this Note and the Company shall record all such conversions in its internal records. On or before the second (2nd) Business Day following the date of receipt of a Conversion Notice, the Company shall transmit by facsimile a confirmation of receipt of such Conversion Notice to the Holder. If this Note is physically surrendered for conversion and the outstanding principal amount of this Note is greater than the principal portion of the Conversion Amount being converted, then the Company shall as soon as practicable and in no event later than three (3) Business Days after receipt of this Note and at its own expense, issue and deliver to the holder a new Note representing the outstanding principal amount not converted. The person or persons entitled to receive the Membership Interests issuable upon a conversion of this Note shall be treated for all purposes as the record holder or holders of such Membership Interests on the Conversion Date. In the event of a partial conversion of this Note pursuant hereto, the principal amount converted shall be deducted from the outstanding principal amount for purposes of calculating interest payments due on the Note pursuant to Section 3.

(iii) Delivery of Certificates. On or before the third (3rd) Business Day following the date of receipt of a Conversion Notice, the Company shall issue and deliver to the address as specified in the Conversion Notice, a membership certificate, registered in the name of the Holder or its designee, for the number of Membership Interests to which the Holder shall be entitled.

6. Rights Upon Issuance of Purchase Rights. The Company, and Michael Bohbot, individually, represent that Michael Bohbot owns 100% of the Company's Membership Interests, and agree that the Company and Michael Bohbot shall obtain written approval from the Holder before they grant, issue or sell any options, securities convertible into Membership Interests, or rights to purchase Membership Interests, securities or any other of the Company's properties or assets. If at any time the Company grants, issues or sells any options, securities convertible into Membership Interests, or rights to purchase Membership Interests, securities or other property pro rata to the members of the Company (the "Purchase Rights"), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of Membership Interests acquirable upon complete conversion of this Note immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of Membership Interests are to be determined for the grant, issue or sale of such Purchase Rights.

7. Adjustment Upon Issuance Of Membership Interests. If the Company issues or sells, or in accordance with this Section 7 is deemed to have issued or sold, any additional Membership Interests as a price lower than the applicable Conversion Rate (a “Dilutive Issuance”), then the Conversion Rate shall be adjusted accordingly, only if such Conversion Rate is more favorable to the Holder.

8. Noncircumvention. The Company hereby covenants and agrees that the Company will not, by amendment of its Articles of Organization, corporate charter or through any reorganization, transfer of assets, consolidation, merger, scheme of arrangement, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Note, and will at all times in good faith carry out all of the provisions of this Note and take all action as may be required to protect the rights of the Holder of this Note.

9. Representations and Warranties and Covenants of the Company.

Representations and Warranties of the Company. As a material inducement of the Holder to purchase this Note the Company hereby represents to the Holder as follows:

(i) Organization and Standing. The Company is a limited liability company duly organized, validly existing and in good standing under the laws of the State of New Jersey, has full power to carry on its respective business as and where such business is now being conducted and to own, lease and operate the properties and assets now owned or operated by it and is duly qualified to do business and is in good standing in each jurisdiction where the conduct of its business or the ownership of its properties requires such qualification.

(ii) Authority. The execution, delivery and performance of this Note by the Company and the consummation of the transactions contemplated hereby have been duly authorized by the Board of Directors or Managers of the Company.

(iii) No Conflict. The execution, delivery and performance of this Note and the consummation of the transactions contemplated hereby do not (A) violate or conflict with the Company’s Articles of Organization or corporate charter, (B) conflict with or result (with the lapse of time or giving of notice or both) in a material breach or default under any material agreement or instrument to which the Company is a party or by which the Company is otherwise bound, (C) violate any order, judgment, law, statute, rule or regulation applicable to the Company, except where such violation, conflict or breach would not have a material adverse effect on the Company or (D) trigger any change of control clause in any employment agreement, membership interest equivalent or other agreement. This Note when executed by the Company will be a legal, valid and binding obligation of the Company enforceable in accordance with its terms (except as may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles relating to or limiting creditors’ rights generally).

(iv) Litigation and Other Proceedings. There are actions, suits, proceedings or investigations pending or, to the knowledge of the Company, threatened against the Company at law or in equity before or by any court or Federal, state, municipal or their governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign which could materially adversely affect the Company. The Company is not subject to any continuing order, writ, injunction or decree of any court or agency against it which would have a material adverse effect on the Company. In the event of any litigation or other proceedings outstanding, Michael Bohbot, individually, assumes full responsibility and agrees to indemnify the Company and Holder from any liabilities including but not limited by his entire equity ownership holdings in the Company.

(v) Financial Statements. The Company agrees to make available to the Holder its financial statements for its last two fiscal years (collectively, the “Company Financial Statements”). Since the most recent Company Financial Statement date, there has been no circumstance, change in or effect on the Company that, individually or in the aggregate with any other circumstance, changes in or effects on the Company, is, or would reasonably be expected to be materially adverse to the assets, business, operation, condition (financial or otherwise) or results of operations of the Company. The Company also agrees to give the Holder access to, and rights to review, its financial records, and to joint decision making authority for all financial decisions made by the Company until this note is satisfied or a new, mutually agreed upon management services or other agreement is executed.

(b) Affirmative Covenants of the Company. Until all principal and interest and any other amounts due and payable under this Note have been paid or converted in full, the Company shall:

(i) provide prompt written notice to the Holder of: (i) the occurrence of any Event of Default, or any event which with the giving of notice or lapse of time, or both, would constitute an Event of Default, hereunder, and (ii) any issuance of additional debt (subject to the limitations contained herein) which may be senior to or pari passu with the indebtedness evidenced by this Note;

(ii) do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges and franchises material to the conduct of its business;

(iii) maintain, with financially sound and reputable insurance companies, customary insurance for its insurable properties, all to such extent and against such risks, including fire, casualty, fidelity, business interruption and other risks insured against by extended coverage, as is customary with companies in the same or similar businesses operating in the same or similar locations;

(iv) use the proceeds from the Note for working capital ("Use of Proceeds").

10. Transferability. This Note (and the shares of Membership Interests issuable upon conversion hereof) may be transferred by the Holder to any person or entity provided that such transfer complies with all applicable securities laws, including delivery to the Company of an appropriate legal opinion or other evidence thereof. Such transfer may be made without any restriction other than compliance with all applicable securities laws.

11. Events of Default. The term "Event of Default" as used herein means any one of the following events (whatever the reasons of such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) Payments. Any failure by the Company to pay in full the principal due under the Note on the Maturity Date;

(b) Breach of Representation and Warranty or Covenant under this Note. Any material breach of any of the Company's representations and warranties hereunder, or any failure by the Company to observe any covenant or agreement on its part contained in this Note for, to the extent curable, a period of more than ten (10) Business Days after notice thereof in writing from the Holder (other than a failure to make payments hereunder, which shall not be subject to any grace period);

(c) Breach of Representation and Warranty or Covenant under any other transaction document. The material breach of any provision of, or the failure of performance of any of the terms, conditions or covenants under any other document executed and/or delivered in connection with this Note or otherwise furnished to Payee in connection with the debt evidenced by this Note;

(d) Default under Any Other Outstanding Note. Any occurrence of an "Event of Default" under any other outstanding note, unless subsequently "cured" by the Company;

(e) Failure to Timely Issue and Deliver Membership Certificates. Any failure by the Company to issue and deliver within three (3) Business Days following the date of receipt of a Conversion Notice, a certificate, registered in the name of the Holder or its designee, for the number of Membership Interests to which the Holder is entitled;

(f) Insolvency. (i) The failure by the Company generally to pay its debts as they become due (other than unsecured trade accounts payable paid in the ordinary course of business);

(ii) The entry of a decree or order by a court having jurisdiction in the premises adjudging the Company bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment, or composition of or in respect of the Company under applicable bankruptcy law, or appointing a receiver, liquidator, assignee, trustee, sequestrator or similar official of the Company or affecting a substantial part of the property of the Company, or ordering the winding up or liquidation of the affairs of the Company, and the continuance of any such decree or order unstayed and in effect for a period of sixty (60) consecutive days; or

(iii) The institution by the Company of proceedings to be adjudged as bankrupt or insolvent, or the consent by the Company to the institution of bankruptcy or insolvency proceedings against it, or the filing by the Company of a petition or answer or consent seeking reorganization or relief under applicable bankruptcy law, or the consent by the Company to the filing of such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequestrator or similar official of the Company or affecting a substantial part of the property of the Company, or the making by the Company of an assignment for the benefit of creditors, or the admission by the Company of inability to pay its debts generally as they become due, or the taking of corporate action by the Company in furtherance of such action.

(g) Use of Proceeds. If any funds provided to the Company pursuant to the Note are not used substantially as set forth in Section 9(iv).

12. Acceleration of Note. If an Event of Default occurs and is continuing, then and in every such case the Holder may declare the Aggregate Note Amount to be due and payable immediately, by a notice in writing to the Company, and upon any such declaration such Aggregate Note Amount shall become immediately due and payable. Notwithstanding the foregoing, if an Event of Default referenced in paragraphs (f)(ii) or (f)(iii) of Section 11 occurs, the Aggregate Note Amount shall automatically become due and payable immediately without any declaration or other action on the part of the Holder, all of which are hereby expressly waived by the Company. Notwithstanding the foregoing, if an Event of Default referenced in paragraph (d) of Section 11 occurs, the Aggregate Note Amount shall not become due and payable until any holder of any other outstanding note commences a legal action in a court of competent jurisdiction with respect to payment of the note. At any time after the Aggregate Note Amount shall become immediately due and payable as a result of an acceleration thereof, and before a decree or judgment for payment of the money due has been obtained, the Holder may, by written notice to the Company, rescind and annul such acceleration and its consequences. Further, the Company agrees to pay all fees, costs and expenses, including reasonable attorneys' fees and legal expenses, incurred by the Holder in endeavoring to collect any amounts payable hereunder which are not paid when due, whether by acceleration or otherwise.

13. Definitions. The following terms shall have the meanings set forth below:

"Aggregate Note Amount" means, at any time, the aggregate unpaid principal amount outstanding under this Note at such time, together with all accrued but unpaid interest then outstanding.

"Business Day" means a day other than Saturday, Sunday, or any day on which the banks located in the State of New Jersey are authorized or obligated to close.

"Issuance Date" means April 12, 2010.

"Maturity Date" means October 11, 2010, if this Note has not been earlier repaid or satisfied in full.

"Person" means any person or entity of any nature whatsoever, specifically including an individual, a firm, a company, a corporation, a partnership, a limited liability company, a trust or other entity.

14. Delay or Omission Not A Waiver. No delay or omission of the Holder in exercising any right, power or privilege hereunder shall impair such right, power or privilege or be a waiver of any default or an acquiescence therein; and no single or partial exercise of any such right or power shall preclude other or further exercise thereof, or the exercise of any other right; and no waiver shall be valid unless in writing signed by Holder, and then only to the extent specifically set forth in such writing. All rights and remedies hereunder or by law afforded shall be cumulative and shall be available to Holder until the principal amount of and all interest on this Note have been paid in full.

15. Binding Effect. All terms and conditions of this Note and all covenants of the Company in this Note shall be binding upon the Company, and Michael Bohbot, individually, and its successors and permitted assigns. This Note shall inure to the benefit of the Holder and its successors and assigns, and any subsequent holder of this Note.

16. Delegation. The Company, and Michael Bohbot, individually, may not delegate any of its obligations hereunder without the prior written consent of the Holder.

17. Waiver of Demand. The Company, and Michael Bohbot, individually, waive demand, presentment for payment, notice of dishonor, protest, notice of protest, and notice of non-payment of this Note.

(a) Notices. Any notice, demand, offer, request or other communication required or permitted to be given pursuant to the terms of this Note shall be in writing and shall be deemed effectively given the earlier of (i) when received, (ii) when delivered personally, (iii) on the Business Day on which notice is delivered by facsimile (with receipt of appropriate confirmation), (iv) one Business Day after being deposited with an overnight courier service, or (v) four days after being deposited in the U.S. mail, First Class with postage prepaid, and addressed to the recipient at the address set forth below unless another address is provided to the other party in writing:

if to Company, to:
Best Plastics, LLC

Attn: Michael Bohbot, _____
Fax: () _____

if to Holder, to:
Modern Medical Modalities Corporation
439 Chestnut Ave.
Union New Jersey 07083

Attn: Barry Hayut
Fax:

18. Amendments, Waivers or Termination. Neither this Note nor any term hereof may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought.

19. Defenses. The obligations of the Company, and Michael Bohbot, individually, under this Note shall not be subject to reduction, limitation, impairment, termination, defense, set-off, counterclaim or recoupment for any reason.

20. Attorneys' and Collection Fees. Should the indebtedness evidenced by this Note or any part hereof be collected at law or in equity or in bankruptcy, receivership or other court proceedings, the Company agrees to pay, in addition to the principal and interest due and payable hereon, all costs of collection, including reasonable attorneys' fees and expenses, incurred by the Holder or its agent in collecting or enforcing this Note.

21. Governing Law. The validity of this Note, the construction of its terms, and the rights of the Company, and Michael Bohbot, individually, and Holder shall be determined in accordance with the laws of the State of New Jersey, excluding any principles of conflicts of laws that would refer the choice of law to another jurisdiction.

22. Consent to Jurisdiction and Venue. Each party hereto hereby irrevocably and unconditionally submits to the jurisdiction and venue of state court sitting in the State of New Jersey and irrevocably agrees that all actions or proceedings arising out of or relating to this Note shall be litigated exclusively in such court. Each party hereto agrees not to commence any legal proceeding related hereto or thereto except in such court. Each party hereto irrevocably waives any objection which it may now or hereafter have to the laying of the venue of any such proceeding in any such court and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum. Each party hereto consents to process being served in any such action or proceeding by mailing a copy thereof by registered or certified mail.

23. Waiver of Jury Trial. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS NOTE. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OF THE OTHER PARTIES HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT ANY OF THE OTHER PARTIES WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 23.

IN WITNESS WHEREOF, the Company has caused this Note to be signed by its duly authorized officer and this Note to be dated April 12, 2010.

COMPANY: BEST PLASTICS, LLC

By: _____

Name: _____

Title: _____

Michael Bohbot, Individual.

By: _____

Name: _____

Title: _____

[SIGNATURE PAGE TO PROMISSORY NOTE]

EXHIBIT I

BEST PLASTICS, LLC

CONVERSION NOTICE

Reference is made to the Convertible Note (the “Convertible Note”) issued to the undersigned by Best Plastics, LLC (the “Company”). In accordance with and pursuant to the Note, the undersigned hereby elects to convert the Conversion Amount (as defined in the Note) of the Note indicated below into Membership Interests (the “Membership Interests”) of the Company, as of the date specified below.

Date of Conversion: _____

Aggregate Conversion Amount to be converted: _____

Please confirm the following information:

Conversion Rate: _____

Number of Membership Interests to be issued: _____

Please issue the Membership Interests into which the Note is being converted in the following name and to the following address:

Issue to: _____

Facsimile Number: _____

Authorization: _____

By: _____

Title: _____

Dated: _____

Account Number: _____
(if electronic book entry transfer)

Transaction Code Number: _____
(if electronic book entry transfer)

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Baruh Hayut, hereby certify that:

1. I have reviewed the Annual Report on Form 10-K of Modern Medical Modalities Corporation for the fiscal year ended December 31, 2009;

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

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

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

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

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The issuer's certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: April 15, 2010

/s/ Baruh Hayut

Baruh Hayut, Chairman and Chief Executive Officer

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Minesh Patel, hereby certify that:

1. I have reviewed the Annual Report on Form 10-K of Modern Medical Modalities Corporation for the fiscal year ended December 31, 2009;

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

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

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

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

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: April 15, 2010

/s/ Minesh Patel

Minesh Patel, Chief Financial Officer and Chief Operating Officer

CERTIFICATION
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. 1350)

Pursuant to Section 906 of the Sarbanes-Oxley Act of (18 U.S.C. 1350), the undersigned officer of Modern Medical Modalities Corporation, a New Jersey corporation (the "Company"), does hereby certify, to the best of such officer's knowledge and belief, that:

1. The Annual Report on Form 10-K for the year ended December 31, 2009 (the "Form 10-K") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Form 10-K fairly presents, in all materials respects, the financial condition and results of operations of the Company.

Date: April 15, 2010

/s/ Baruh Hayut

Baruh Hayut, Chairman and Chief Executive Officer

This certification shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act or the Securities Exchange Act.

CERTIFICATION
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. 1350)

Pursuant to Section 906 of the Sarbanes-Oxley Act of (18 U.S.C. 1350), the undersigned officer of Modern Medical Modalities Corporation, a New Jersey corporation (the "Company"), does hereby certify, to the best of such officer's knowledge and belief, that:

1. The Annual Report on Form 10-K for the year ended December 31, 2009 (the "Form 10-K") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Form 10-K fairly presents, in all materials respects, the financial condition and results of operations of the Company.

Date: April 15, 2010

/s/ Minesh Patel

Minesh Patel, Chief Financial Officer and Chief Operating Officer

This certification shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act or the Securities Exchange Act.
