

Edgar Filing: MERIDIAN HOLDINGS INC - Form 10QSB/A

MERIDIAN HOLDINGS INC  
Form 10QSB/A  
March 08, 2005

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-QSB/A

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

For the Quarterly Period Ended September 30, 2004

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

For the Transition Period From \_\_\_\_\_ to \_\_\_\_\_

COMMISSION FILE NUMBER: 0-30018

MERIDIAN HOLDINGS, INC.

-----  
(Exact Name of Registrant as Specified in its Charter)

COLORADO

52-2133742

-----  
(State of Other Jurisdiction of  
Incorporation or Organization)

-----  
(I.R.S. Employer  
Identification Number)

900 WILSHIRE BOULEVARD, SUITE 500, LOS ANGELES, CALIFORNIA 90017

-----  
(Address of Principal Executive Offices)

(213) 627-8878

-----  
(Registrant's telephone number, including area code)

N/A

-----  
(Former name, former address and formal fiscal year, if changed since last  
report)

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 and, (2) has been subject to such filing  
requirements for the past 90 days. Yes ( X ) No ( )

As of September 30, 2004, Meridian Holdings, Inc., Registrant had  
14,370,200 shares of its \$0.001 par value common stock outstanding.

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Page 1 of 12 sequentially numbered pages

Form 10-QSB

Third Quarter 2004

MERIDIAN HOLDINGS, INC.

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MERIDIAN HOLDINGS, INC.  
Condensed Consolidated Balance Sheets

ASSETS	As of Sept 30, 2004 (Unaudited) =====	as of Dec 31 2003 (audited) =====
Current assets		
Cash and cash equivalents	\$ 13,815	\$ 1,218
Restricted Cash (Note 1)	168,918	281,010
Judgement Receivable	31,422,202	-
Accounts receivable, net of allowance for doubtful accounts of (\$179,812)	1,697,121	1,499,482
Other current assets	8,302	8,302
	-----	-----
Total current assets	33,310,358	1,790,012
Fixed assets, net of accumulated depreciation	38,606	43,258
Investments	3,448,564	3,448,564
	-----	-----
Total assets	\$ 36,797,528 =====	\$ 5,281,834 =====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 404,680	\$ 233,301
Reserve for incurred but not reported claims	201,311	227,820
Line of credit	76,209	48,912
	-----	-----
Total current liabilities	682,200	510,033
Long Term liabilities		
Loan from majority stockholder/officer	38,879	189,479
Long-term debt, net of current portion	263,504	-
	-----	-----
Total liabilities	984,584 =====	699,512 =====
Commitments and contingencies		
Stockholders' equity		
Preferred stock (20,000,000 shares authorized, par value \$0.001; no shares issued and outstanding)	-	-
Common stock (100,000,000 shares authorized, par value		

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\$0.001; 14,370,200 shares issued and outstanding as at September 30, 2004 and 9,370,649 as at

December 31, 2003	14,370	9,370
Additional paid-in capital	5,526,760	5,031,760
Accumulated deficit	30,271,814	(458,808)
	-----	-----
Total stockholders' equity	35,812,944	4,582,322
	-----	-----
Total liabilities and stockholders' equity	\$36,797,528	\$ 5,281,834
	=====	=====

See accompanying notes to Condensed consolidated financial statements

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MERIDIAN HOLDINGS, INC.  
Condensed Consolidated Statements of Operations  
(UNAUDITED)

	Three Months Ended Sept 30, 2004	2003	Nine Months Ended Sept 30, 2004	2003
	=====	=====	=====	=====
Revenues				
HMO Capitation Revenue	\$ 290,495	\$ 444,006	\$ 991,316	\$ 1,399,039
Risk Pool Revenue (Note7)	113,099	185,337	429,932	572,696
Fee For Service	54,070	1,808	55,875	2,910
	-----	-----	-----	-----
	457,664	631,151	1,477,123	1,974,645
General Operating expenses				
Cost of Provider Services	136,616	197,746	528,989	698,538
General and Administrative	330,990	364,607	1,129,630	1,092,615
	-----	-----	-----	-----
(Loss)/Income from operations	(9,942)	68,798	(181,496)	183,492
	-----	-----	-----	-----
Other income and (expense)				
Judgment Award	-	-	30,687,926	-
Interest on judgment	269,318	-	734,636	-
Stock option issued	-	-	(500,000)	-
Other net	(5,173)	(4,066)	(10,678)	(68,992)
	-----	-----	-----	-----
Net Other	264,145	(4,066)	30,911,883	(68,992)
	-----	-----	-----	-----
Net Income	254,203	64,732	30,730,388	114,500
	-----	-----	-----	-----
Earnings per share:				
	\$ 0.02	\$ 0.01	\$ 2.59	\$ 0.01
	=====	=====	=====	=====
Weighted average shares outstanding	14,370,200	9,370,649	11,870,200	9,370,649

See accompanying notes to Condensed consolidated financial statements

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MERIDIAN HOLDINGS, INC.  
Condensed Consolidated Statements of Cash Flows  
(UNAUDITED)

	Nine Months Ended Sept 30,	
	2004	2003
	=====	=====
Cash flows from operating activities		
Net income	\$ 30,730,622	\$ 114,499
Adjustments to reconcile net Loss to net cash used in operating activities:		
Stock option issued	500,000	-
Depreciation and amortization	13,570	11,353
(Increase) decrease in:		
Restricted cash	112,092	(9,981)
Judgment receivable	(31,422,202)	-
Accounts receivable	(197,639)	(245,155)
Other current assets	-	(20,390)
Accounts payable	171,379	71,844
Accrued payroll and other	-	(606,650)
Incurred but not reported reserve	(26,509)	(49,405)
Accrued interest	-	(47,172)
	-----	-----
Net cash used in operating activities	(118,687)	(781,058)
	-----	-----
Cash flow from investing activities		
Acquisition of fixed assets	(8,917)	(10,792)
Disposition of Fixed Asset	-	315,002
Investment in Intercare	-	298,931
Investments in CGI	-	163,715
	-----	-----
Net cash used in investing activities	(8,917)	766,856
	-----	-----
Cash flow from repayment of debt/financing activities		
Borrowings from majority stockholder/officer	(150,600)	-

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Borrowings on long-term debt	263,504	-
Borrowings on line of credit	27,297	-
	-----	-----
Net cash (used in) provided by financing activities	140,201	-
	-----	-----
(Decrease) increase in cash and cash equivalents	12,597	(14,202)
Cash and cash equivalents, beginning of period	1,218	23,040
	-----	-----
Cash and cash equivalents, end of period	\$ 13,815	\$ 8,838
	=====	=====

See accompanying notes to Condensed consolidated financial statements

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### MERIDIAN HOLDINGS, INC.

#### Notes to Condensed Consolidated Financial Statements

##### 1. General

###### Basis of Reporting

The interim accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal, recurring accruals) considered necessary for a fair presentation have been included. For further information, management suggests that the reader refer to the audited financial statements for the year ended December 31, 2003 included in its Annual Report on Form 10-KSB. Operating results for the nine-month period ended September 30, 2004 are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2004.

The interim accompanying unaudited condensed consolidated financial statements include the operations of the Company and its majority-owned subsidiary Corsys Group Limited.

###### Cash And Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

###### Nature of Operations

Meridian Holdings, Inc. (the "Company") was incorporated under the laws of the State of Colorado on October 13, 1998. The Company is located in the City of Los Angeles, California, U.S.A. and contracts with physicians to provide health

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care services primarily within the area of Los Angeles County.

The Company is an acquisition-oriented holding company focused on building, operating, and managing a portfolio of business-to-business companies. It seeks to acquire majority or controlling interests in companies engaged in e-commerce, e-communication, and e-business services, which will allow the holding company to actively participate in management, operations, and finances. The Company's network of affiliated companies is designed to encourage maximum leverage of information technology, operational excellence, industry expertise, and synergistic business opportunity.

### 2. Investments

#### InterCare

On September 18, 1999, the Company acquired 51% of all the outstanding Common Stock of InterCare in exchange for services and assumption of certain debts of InterCare. During fiscal year 2000, additional stock issued by InterCare combined with a dividend distribution by the Company of InterCare stock resulted in a net decrease in the Company's ownership percentage to 32% as at December 31, 2000. A dividend of approximately \$160,800 was recorded reflecting the relative net book value of the Company's investment in InterCare that was distributed to Meridian Holdings, Inc., shareholders as at that time.

On April 10, 2003, the board of directors of the registrant approved the transfer of certain assets of the registrant to Meridian Medical Group, P.C, an affiliated entity, valued at \$675,022, in exchange for forgiveness of \$714,833 debt owed by the registrant. As a result of the above incident, the registrant completely divested itself from InterCare DX, Inc.

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#### CGI

On December 10, 1999, the Company agreed to acquire a 20% equity interest in CGI for common stock. On December 20, 1999, the board of directors authorized the issuance of 4,000,000 pre-split (adjusted to 12,000,000 post-split) shares of common stock in consideration for the 20% of the interest in CGI. At the date of the transaction, the Company's shares opened at a price of \$3 per share. Between September 1, 1999 and the acquisition date, the Company's stock sold within a range of \$.25 to \$3.25 per share (an average of \$.97 per share). Because of the limited trading history of the Company, the six-month average was deemed to be a fair valuation of the transaction, resulting in a total investment balance of \$3,880,000 as of December 31, 2000 and 1999. The shareholders of CGI were also issued warrants to purchase an additional 1,000,000 pre-split (adjusted to 3,000,000 post-split) shares of common stock at \$2 pre-split share (or approximately \$0.67 on a post-split basis) over a five-year period as a hedge against any fluctuation of the share price of the common stock in the immediate future. These warrants will expire on December 30, 2004, and none have been exercised as of September 30, 2004.

### 3. Fixed Assets

Fixed assets consist of the following:

	As of Sept 30, 2004	December 31, 2003
Computer equipment	\$ 111,155	\$ 99,934
Leasehold improvements	6,500	6,500

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Office furniture, fixtures and equipment	61,915	61,915
Software	25,803	25,803
Medical equipment	6,654	6,654
	-----	-----
	212,027	200,806
Less accumulated depreciation	(173,421)	(155,673)
	-----	-----
	\$ 38,606	\$ 45,133
	=====	=====

#### 4. Line of Credit

The Company has a \$50,000 line of credit with a financial institution. Related advances bear interest at 11%, and interest is payable monthly. The line of credit expires March 21, 2005.

#### 5. Long-term Debt

The Company has various loans with financial institutions and majority shareholder, with interest rates ranging from 4% to 15% and maturity dates ranging from 2015 to 2024.

#### 6. Risk Pool Agreement

The Company is a party to a Risk Pool Agreement (the "Agreement") with Tenet HealthSystem Hospitals, Inc. ("Tenet"). Pursuant to the Agreement, 50% of the monthly capitation revenue is received directly by the Company, and the remaining 50% is deposited into an escrow account from which Cap-Management Systems, Inc., a subsidiary of Tenet pays all facility related claims expenses, reinsurance expenses, make allowance for IBNR reserve, and retains a management fee, the Company is responsible for 50% of Profit (loss) after all institutional claims reinsurance and management fees are paid, and Incurred But Not Reported ("IBNR") reserve have been accounted for.

These revenues and expenses have been reflected in the accompanying

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consolidated statements of operations for the for the quarters ended September 30, 2004 and 2003 respectively..

The Company has also reflected the monies in the escrow account as of September 30, 2004 and September 30, 2003 as restricted cash in the accompanying Consolidated balance sheets. Additionally, Cap-Management Systems, Inc., provides the Company with an estimate as to the incurred but not reported reserve, which has been recorded as such in the accompanying consolidated balance sheets.

#### Related party Transaction

On April 26, 2004 the registrant issued 5,000,000 shares of common stock with a fair market value of 0.10 cents per share as of June 30, 2004, to consultant and employees of the registrant, under the 2003 qualified and non-qualified stock option plan, following an S8 registration statement filing with the SEC.

#### 7. Judgment Receivable

On January 8, 2004, a default judgment was entered in favor of the registrant, by the Los Angeles County Superior Court in a case titled Meridian Holdings, Inc. versus Sirius Technologies of America, a Delaware Corporation Case Number BC256860. The amount of the judgment including damages, court cost and punitive

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damages are \$30,687,926, with a pre-judgment interest at the annual rate of 10%. This amount and potential interest has been reflected in the balance sheet and the income statement as a judgment receivable. Management is pursuing all collections options regarding this judgment.

### Other Events

In August, 2004, Tenet HealthSystem Hospitals, Inc, (Tenet) announced that it has entered into an agreement to transfer one of the hospitals contracted with CAPNET IPA and County of Los Angeles Community Health Plan to Centinela Freeman HealthSystem. This transaction is expected to close sometime in November 2004. Subsequently, Capnet IPA has signed a release and assignment of the contract with Tenet to Centinela Freeman HealthSystem.

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MERIDIAN HOLDINGS, INC.

### THE COMPANY

Meridian Holdings, Inc. (the "Company") was incorporated under the laws of the State of Colorado on October 13, 1998. The Company is located in the City of Los Angeles, California, U.S.A. and contracts with physicians to provide health care services primarily within the area of Los Angeles County.

The Company is an acquisition-oriented holding company focused on building, operating, and managing a portfolio of business-to-business companies. It seeks to acquire majority or controlling interests in companies engaged in e-commerce, e-communication, and e-business services, which will allow the holding company to actively participate in management, operations, and finances. The Company's network of affiliated companies is designed to encourage maximum leverage of information technology, operational excellence, industry expertise, and synergistic business opportunity.

Effective August 1, 2004, the registrant outsourced some of the IPA management

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functions to Cap-Management Systems, a subsidiary of Tenet Healthsystems, while retaining over-site.

### SELECTED FINANCIAL DATA

The Company had net working capital of \$ 32,628,158 as at September 30, 2004 compared to \$ 1,279,979 as of December 30, 2003. This represents an increase in working capital of 24.49%. This increase in working capital is attributed primarily to a judgment award (judgment receivable) against Sirius Technologies of America, a Delaware Corporation, et al.

The selected financial data set forth above should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and notes thereto.

### Item 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS:

The following section contains forward-looking statements that involve risks and uncertainties, including those referring to the period of time the Company's existing capital resources will meet the Company's future capital needs, the Company's future operating results, the market acceptance of the services of the Company, the Company's efforts to develop new products and services, and the Company's planned investment in the marketing of its current services and research and development with regard to future endeavors. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including: domestic and global economic patterns and trends.

### LIQUIDITY AND CAPITAL RESOURCES OF THE COMPANY.

We believe that we will be able to fund our capital commitments, operating cash requirements and satisfy our obligations as they become due from a combination of cash on hand, restricted cash as they become available, and expected operating cash flow improvements through HMO premium increases as well as royalties from software licensing.

However, there can be no assurances that these sources of funds will be sufficient to fund our operations and satisfy our obligations as they become due.

Long-term cash requirements, other than normal operating expenses, are anticipated for the continued development of the Company's business plans. The Company will need to raise additional funds from investors in order to complete these business plans.

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If we need additional capital to fund our operations, there can be no assurance that such additional capital can be obtained or, if obtained, that it will be on terms acceptable to us. The incurring or assumption of additional indebtedness could result in the issuance of additional equity and/or debt which could have a dilutive effect on current shareholders and a significant effect on our operations.

### RESULTS OF OPERATIONS

THE FINANCIAL RESULTS DISCUSSED BELOW RELATE TO THE OPERATION OF MERIDIAN HOLDINGS FOR THE THREE MONTHS ENDED AND NINE MONTHS ENDED SEPTEMBER 30, 2004 AS COMPARED TO THE THREE MONTHS ENDED AND NINE MONTHS ENDED SEPTEMBER 30, 2003.

### REVENUE

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Medical services revenues decreased by 22% from \$444,406 for the three months ended September 30, 2003 to \$ 344,565 for the three months ended September 30, 2004, and decreased by 25% from \$1,399,039 for the nine months ended September 30, 2003 to \$1,047,191 for the nine months ended September 30, 2004. The decrease in revenue for the three and nine months ended September 2004 respectively, is due to decreased membership enrolment in the Capnet IPA physician network.

Risk pool revenue for the three months ended September 30, 2004 was \$113,099, a decrease of 39% compared to \$185,337 for the same period in 2003. For the nine months ended September 30, 2004, risk pool revenue was \$429,932, a decrease of 25 % compared to \$ 572,696 for the nine month ended September 30, 2003. The decrease in risk pool revenue for the three and nine months ended September 2004 was due to decrease in membership enrolment, with concomitant increase in claims expense and in adjustment of IBNR reserve.

We provided managed care services for approximately 45,000 and 75,000 member months (members per month multiplied by the months for which services were available) during the nine months ended September 30, 2004 and 2003, respectively.

The decrease in member months was due to disenrollment of Medi-Cal members following the ongoing State of California Department of Health Services Medi-Cal membership redetermination efforts.

Revenue generated by our managed care entities under our contracts with HMOs as a percentage of medical services revenue was approximately 80% and 96%, respectively, during the nine months ended September 30, 2004 and 2003. Revenue generated by the Los Angeles County Community Health Plan ("CHP") Contracts was 80% and 99% of medical services revenue for the nine months ended September 30, 2004 and 2003, respectively.

Management is the process of launching the International Preferred Provider Network program, through the Meridian Health Systems division, which will be official launched during the fourth quarter of 2004, which we believe will significantly enhance our revenue generation.

### EXPENSES

Of the \$330,990 General Operating expenses for the three months ended September 30, 2004, \$136,616 was paid for the cost of provider services, which consist of capitation payments to our contracted primary care providers or 47% of medical services revenue after giving account to IBNR reserves, compared to \$197,746 or 45% of medical services revenue for the three month period ended September 30, 2003.

General and administrative expenses were \$ 330,990 or 72 % of total revenues and \$364,607 or 58% of total revenues, for the three months ended September 30, 2004 and September 30, 2003 respectively and \$1,129,630 or 76% of total revenues compared to \$1,092,615 or 55% of total revenues for the nine months  
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ended September 30, 2004 and 2003 respectively. Medical claims expenses, for the nine month period ended September 30, 2004 were \$387,517 or 26% of medical services revenue, compared to \$482,314 or 24% of medical services revenue for the nine month period ended September 30, 2003.

For the three months ended September 30, 2004, payroll and employee benefits for administrative personnel was \$148,403 or 32% of total revenues, compared to \$147,131 or 23% of revenue for comparable period in 2003.

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Payroll and employee benefits for administrative personnel was \$456,830 for the nine months ended September 30, 2004, or 30% of total revenues, compared to \$375,320 or 19% of revenue for comparable period in 2003. The increase in employee payroll expenses was due to hiring additional support staff.

### INCOME/LOSS FROM OPERATIONS

For the quarter ended September 30, 2004, the Company recorded a net income of \$254,203, compared to a net income of \$64,732 for the same period in 2003. The Increase in net income for this quarter is due to recognition of 10% interest from the judgment amount.

For the nine months ended September 30, 2004, the company reported a net income of \$30,730,388, compared to a net income of \$114,500 for comparable period in 2003. The increase in net income for nine months ended September 30, 2004 is Due to recognition of \$30,687,927 judgment award and \$734,636 (10%) interest income of the judgment amount. Management is currently pursuing all its available options regarding collections of this judgment.

### CERTAIN FACTORS AFFECTING FUTURE OPERATING RESULTS

This Form 10-QSB contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. When used in this Form 10-Q, the words "believe," "anticipate," "think," "intend," "plan," "will be," and similar expressions, identify such forward-looking statements. Such statements regarding future events and/or the future financial performance of our Company are subject to certain risks and uncertainties, which could cause actual events or our actual future results to differ materially from any forward-looking statement. Certain factors that might cause such a difference are set forth in our Form 10-K for the period ended December 31, 2003, including the following: our success or failure in implementing our current business and operational strategies; the availability, terms and access to capital and customary trade credit; general economic and business conditions; competition; changes in our business strategy; availability, location and terms of new business development; availability and terms of necessary or desirable financing or refinancing; labor relations; the outcome of pending or yet-to-be instituted legal proceedings; and labor and employee benefit costs.

Medical claims payable include estimates of medical claims expenses incurred by our members but not yet reported to us. These estimates are based on a number of factors, including our prior claims experience and pre-authorizations of treatment. Adjustments, if necessary, are made to medical claims expenses in the period the actual claims costs are ultimately determined. We cannot assure that actual medical claims costs in future periods will not exceed our estimates. If these costs exceed our estimates, our profitability in future periods will be adversely affected.

Pursuant to the Medicaid program, the federal government supplements funds provided by the various states for medical assistance to the medically indigent. Payment for such medical and health services is made to providers in an amount determined in accordance with procedures and standards established by state law under federal guidelines. Significant changes have been and may continue to be made in the Medicaid program which could have an adverse effect on our financial condition, results of operations and cash flows.

During certain fiscal years, the amounts appropriated by state legislatures for payment of Medicaid claims have not been sufficient to reimburse providers for services rendered to Medicaid patients. Failure of a state to pay Medicaid claims on a timely basis may have an adverse effect on our cash flow, results

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of operations and financial condition.

### PLAN OF OPERATIONS

The Company intends to embark on more aggressive marketing campaign to increase the enrollment of membership into its Capnet IPA Healthy Family Program contract with the County of Los Angeles Community Health Plan. There can be no assurance that such an effort will materialize in any meaningful results.

The Company through it's CGI Communications, Services, Inc., has embarked on a global telemedicine initiative, which we believe will expand our operational network to key strategic countries all over the world, and will increase our operational capacity and revenues.

Management is the process of launching the International Preferred Provider Network program, through the Meridian Health Systems division, which will be official launched during the fourth quarter of 2004, which we believe will significantly enhance our revenue generation.

In August, 2004, Tenet HealthSystem Hospitals, Inc, (Tenet) announced that it has entered into an agreement to transfer one of the hospitals contracted with CAPNET IPA and County of Los Angeles Community Health Plan to Centinela Freeman HealthSystem. This transaction is expected to close sometime in November 2004. Subsequently, Capnet IPA has signed a release and assignment of the contract with Tenet to Centinela Freeman HealthSystem.

### Item 3. Controls and Procedures

#### Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act" ), the Company carried out an evaluation under the Supervision and with the participation of the Company's management, including the Chief Executive Officer and President and the Principal Financial Officer, of the effectiveness of the Company's disclosure controls and procedures as of September 30, 2004. In designing and evaluating the Company's disclosure controls and procedures, the Company and its management recognize that there are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their desired control objectives. Additionally, in evaluating and implementing possible controls and procedures, the Company's management was required to apply its reasonable judgment. Based upon the required evaluation, the Management concluded that as of September 30, 2004, the Company's disclosure controls and procedures were effective (at the "reasonable assurance" level mentioned above) 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.

From time to time, the Company and its management have conducted and will continue to conduct further reviews and, from time to time put in place additional documentation, of the Company's disclosure controls and procedures, as well as its internal control over financial reporting. The Company may from time to time make changes aimed at enhancing their effectiveness, as well as changes aimed at ensuring that the Company's systems evolve with, and meet the needs of, the Company's business. These changes may include changes necessary or desirable to address recommendations of the Company's management, its counsel and/or its independent auditors, including any recommendations of its independent auditors arising out of their audits and reviews of the Company's

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financial statements. These changes may include changes to the Company's own systems, as well as to the systems of businesses that the Company has acquired or that the Company may acquire in the future and will, if made, be intended to enhance the effectiveness of the Company's controls and procedures. The Company is also continually striving to improve its management and operational efficiency and the Company expects that its efforts in that regard will from time to time directly or indirectly affect the Company's disclosure controls and procedures, as well as the Company's internal control over financial reporting.

### Changes in Internal Control Over Financial Reporting

There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date of the evaluation.

## PART II - OTHER INFORMATION

### LEGAL PROCEEDINGS

On January 8, 2004, a default judgment was entered in favor of the registrant, by the Los Angeles County Superior Court in a case titled Meridian Holdings, Inc. Versus Sirius Technologies of America a Delaware Corporation Case number BC256860. The amount of the judgment including damages, court cost and punitive damages is \$30,687,926, with a pre-judgment interest at the annual rate of 10%. This amount has been reflected in both the balance sheet and income statement of the registrant as a judgment receivable. Management is pursuing all collections options regarding this judgment.

From time to time, we may be engaged in litigation in the ordinary course of our business or in respect of which we are insured or the cumulative effect of which litigation our management does not believe may reasonably be expected to be materially adverse. With respect to existing claims or litigation, our management does not believe that they will have a material adverse effect on our consolidated financial condition, results of operations, or future cash flows.

### Item 6. Exhibits and Reports on Form 8-K

31.1 Certification pursuant to Section 302 of The Sarbanes-Oxley Act of 2002 of Anthony C. Dike

32.1 Certification pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 of Anthony C. Dike

### SIGNATURE

Pursuant to the requirements of Section 12 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.

Date: February 25, 2005

By: /s/ Anthony C. Dike

Signature

Anthony C. Dike  
Chief Executive officer

