

Edgar Filing: MERIDIAN HOLDINGS INC - Form 10QSB

MERIDIAN HOLDINGS INC
Form 10QSB
May 15, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-QSB

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

For the Quarterly Period Ended March 31, 2003

() 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 March 31, 2003, Meridian Holdings, Inc., Registrant had 93,706,485
shares of its \$0.001 par value common stock outstanding.

Page 1 of 13 sequentially numbered pages

Form 10-Q
First Quarter 2003

MERIDIAN HOLDINGS, INC.

INDEX

	PAGE

PART I. FINANCIAL INFORMATION	
Consolidated Balance Sheets	3
Consolidated Statements of Operations	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6-8
The Company	9
Management's Discussion and Analysis of Financial Condition and Results of Operations	10
PART II OTHER INFORMATION	
Additional Information	13
Signature	13

MERIDIAN HOLDINGS, INC.

Consolidated Balance Sheets
(Unaudited)

ASSETS

	As of March 31, 2003	March 31, 2002
	=====	=====
Current assets		
Cash and cash equivalents	\$ 18,000	\$ 58,559
Restricted cash	567,760	357,653
Accounts receivable, net of allowance for doubtful accounts of \$151,744	1,258,096	1,452,509
Other current assets	8,302	52,680
	-----	-----
Total current assets	1,852,158	1,921,401
Fixed assets, net of accumulated depreciation	44,614	38,679
Intellectual property, net of accumulated amortization of \$506,250 and \$337,500, respectively	-	-
Investments	4,178,850	3,798,935
	-----	-----
Total assets	\$6,075,621	\$ 5,759,015
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 245,579	\$ 236,262
Accrued payroll and other	487,996	319,777
Dividend payable	-	-
Reserve for incurred but not reported claims	303,361	132,357
Accrued interest	-	31,198
Line of credit	203,490	71,268
Current portion of long-term debt	96,375	96,375
	-----	-----
Total current liabilities	1,336,800	887,237
Long Term liabilities		
Loan from majority stockholder/officer	250,993	299,687
Long-term debt, net of current portion	72,333	45,905
	-----	-----
Total liabilities	1,660,127	1,232,829
	-----	-----
Commitments and contingencies		

Edgar Filing: MERIDIAN HOLDINGS INC - Form 10QSB

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 \$0.001; 93,706,485 shares issued and outstanding at March 31, 2003 and 93,456,485 as at March 31, 2002	93,706	93,706
Additional paid-in capital	4,947,424	4,947,424
Accumulated deficit	(625,635)	(514,944)
	-----	-----
Total stockholders' equity	4,415,495	4,526,186
	-----	-----
Total liabilities and stockholders' equity	\$ 6,075,621	\$ 5,759,015
	=====	=====

See accompanying notes to consolidated financial statements

3

MERIDIAN HOLDINGS, INC.

Consolidated Statements of Operations
(UNAUDITED)

	Three Months Ended March 31,	
	2003	2002
	====	====
Revenues		
Capitation	\$496,692	\$ 409,466
Risk Pool Revenue	388,792	192,918
Fee for Service Revenue	466	8,448
Royalties from Software License	-	-
Services related to software	-	-
	=====	=====
	885,950	610,832
Cost of revenues		
Cost of Service- Claims and Capitation payments	499,822	148,044
	-----	-----
Gross margin	386,127	462,788
	-----	-----
Operating expenses		
General and administrative	376,315	410,438
	-----	-----
Income(Loss) from operations	9,812	52,350
	-----	-----
Other income and (expense)		
Equity interest in earnings (loss) of investment	(47,363)	(4,756)
Other, net	9,005	(9,398)
	-----	-----
	38,358	(14,154)
	-----	-----
Net Loss	\$ (28,546)	\$ (38,196)
	=====	=====
Net Loss per share:		
Basic and diluted	\$ 0.000	\$ 0.000

Edgar Filing: MERIDIAN HOLDINGS INC - Form 10QSB

Weighted average shares outstanding 93,831,485 93,831,485

See accompanying notes to consolidated financial statements

4

MERIDIAN HOLDINGS, INC.

Consolidated Statements of Cash Flows
(UNAUDITED)

	Three Months Ended March 31,	
	2003	2002
	=====	=====
Cash flows from operating activities		
Net Loss	\$ (28,546)	\$ 38,196
Adjustments to reconcile net Loss to net cash used in operating activities:		
Depreciation and amortization	3,604	2,659
Equity interest in earnings of investments	47,363	4,756
(Increase) decrease in:		
Restricted cash	(166,768)	(26,421)
Accounts receivable	(102,125)	32,021
Inventories		-
Other current assets		(24,211)
Accounts payable	(37,147)	(13,729)
Accrued payroll and other	96,299	(37,969)
Incurred but not reported reserve	37,403	(11,668)
Accrued interest		31,198
Line of Credit	159,605	
	-----	-----
Net cash provided by operating activities	9,688	88,639
	-----	-----
Cash flow from investing activities		
Acquisition of fixed assets	(2,525)	(3,467)
Organization costs	-	-
	-----	-----
Net cash used in investing activities	(2,525)	(3,467)
	-----	-----
Cash flow from financing activities		
Borrowings from majority stockholder / officer	-	-
Borrowings on long-term debt	-	-

Edgar Filing: MERIDIAN HOLDINGS INC - Form 10QSB

Repayment of debt	(12,204)	(33,981)
Borrowings on line of credit		149
	-----	-----
Net cash provided by financing activities	(12,204)	(33,832)
	-----	-----
Increase/(Decrease) in cash and cash equivalents	(5,040)	51,340
Cash and cash equivalents, beginning of period	23,040	7,219
	-----	-----
Cash and cash equivalents, end of period	\$ 18,000	\$ 58,559
	=====	=====

See accompanying notes to consolidated financial statements

5

MERIDIAN HOLDINGS, INC.

Notes to Consolidated Financial Statements

1. General

Basis of Reporting

The interim accompanying unaudited 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, 2002 included in its Annual Report on Form 10-KSB. Operating results for the three-month period ended March 31, 2003 are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2003.

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 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

Edgar Filing: MERIDIAN HOLDINGS INC - Form 10QSB

synergistic business opportunities.

The Company also provides medical services management to its' Capnet IPA health care provider network. We provide the following services:

- disease management -- a method to manage the costs and care of high risk patients and produce better patient care
- quality management -- a review of overall patient care measured against best medical practice patterns
- utilization management -- a daily review of statistical data created by encounters, referrals, hospital, admissions and nursing home information
- claims adjudication and payment

Cash And Cash Equivalentents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalentents (e.g. restricted cash). From time to time, the Company maintains cash balances with financial institutions in excess of federally insured limits.

Use of Estimates

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

6

Fiscal Year

The Company operates on a December 31st year end.

Revenue Recognition

The Company prepares its financial statements and federal income taxes on the accrual basis of accounting. The Company recognizes capitation revenue on a monthly basis from managed care plans that contract with the Company for the delivery of health care services. This capitation revenue is at the contractually agreed-upon per-member, per-month rates.

Costs of Revenues

The Company recognizes costs of revenues paid to physicians on a monthly basis who contract with the Company for the delivery of health care services. These costs are at the contractually agreed-upon per-member, per-month rates or at the California Medi-cal fee for service rates.

Fair Value of Financial Instruments and Concentration of Credit Risk

The carrying amounts of cash, receivables, accounts payables and accrued liabilities approximate fair value because of the immediate or short-term maturity of these financial statements.

Equity Method

Investments in certain companies whereby the Company owns 20 percent or more interest are carried at cost, adjusted for the Company's proportionate share of

Edgar Filing: MERIDIAN HOLDINGS INC - Form 10QSB

their undistributed earnings or losses, because the Company exercises significant influence over their operating and financial activities. Such investee entities include InterCare.com-dx, Inc. ("InterCare") and CGI Communications Services, Inc. ("CGI").

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.

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 March 31, 2002.

7

3. Fixed Assets

Fixed assets consist of the following:

	As of March 31, 2003	March 31, 2002
Computer equipment	\$91,666	\$ 77,283
Leasehold improvements	6,500	6,500
Office furniture and fixtures	36,603	36,603
Office equipment	25,312	25,312
Software	25,803	22,389
Medical equipment	6,654	5,391
	-----	-----
	192,538	173,478
Less accumulated depreciation	(147,925)	(134,799)
	-----	-----
	\$ 44,613	\$ 38,679
	=====	=====

4. Line of Credit

The Company has a \$50,000 line of credit with a financial institution. Related

Edgar Filing: MERIDIAN HOLDINGS INC - Form 10QSB

advances bear interest at 11%, and interest is payable monthly. The line of credit expires March 21, 2004.

5. Long-term Debt

The Company has various loans with financial institutions 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 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 Consolidated statements of operations for the for the quarters ended March 31, 2003 and 2002.

The Company has also reflected the monies in the escrow account as of March 31, 2003 and March 31, 2002 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.

On May 1, 2003, the registrant was informed that Tenet HealthSystems Hospitals, Inc., has not been able to renew the hospital agreement with the County of Los Angeles Community Health Plan, due to a contract dispute. The agreement terminated as of November 30, 2002, and the parties remain in renewal discussions. If this contract is not renewed, the registrant will incur a significant loss of revenue since 50% of these fees are reflected as income in the registrants' financial statements.

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 greater of Los Angeles County.

The Company became fully reporting under Securities & Exchange Commission guidelines on March 31, 1999. The Company's common stock started trading on the OTCBB on August 26, 1999. 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.

Edgar Filing: MERIDIAN HOLDINGS INC - Form 10QSB

The Company also provides medical services management to its' Capnet IPA health care provider network. We provide the following services:

- disease management -- a method to manage the costs and care of high risk patients and produce better patient care
- quality management -- a review of overall patient care measured against best medical practice patterns
- utilization management -- a daily review of statistical data created by encounters, referrals, hospital, admissions and nursing home information
- claims adjudication and payment

Under our model, the primary care physicians maintain their independence but are aligned with a professional staff to assist in providing cost effective medicine. Each primary care physician provides direct patient services as a primary care doctor including referrals to specialists, hospital admissions and referrals to diagnostic services. These physicians are compensated on a per member per month capitation basis.

We believe our expertise allows us to provide a service and manage the risk that health insurance companies cannot provide on an efficient and economic level. Health insurance companies are typically structured as marketing entities to sell their products on a broad scale. Due to mounting pressures from the industry, managed care organizations have altered their strategy, returning to the traditional model of selling insurance and transferring the risk to a provider service network such as us. Under such arrangements, managed care organizations receive premiums from the Center for Medicare and Medicaid Services, State Medicaid programs and other commercial groups and pass a significant percentage of the premium on to a third party such as us, to provide covered benefits to patients, including sometimes pharmacy and other enhanced services. After all medical expenses are paid, any surplus or deficit remains with the provider service network. When managed properly, accepting this risk can create significant surpluses.

SELECTED FINANCIAL DATA

The Company had net working capital of \$515,358 as at March 31, 2003 compared to \$1,034,165 at March 31, 2002. This represents an decrease in working capital of about 50%. This decrease in working capital is attributed increase in monthly medical claims fees paid by the registrant to contracted healthcare providers.

9

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.

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

Edgar Filing: MERIDIAN HOLDINGS INC - Form 10QSB

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, expected operating cash flow improvements through HMO premium increases and improvements in the benefit structure of HMO contracts.

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.

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 impact on our operations.

RESULTS OF OPERATIONS

THE FINANCIAL RESULTS DISCUSSED BELOW RELATE TO THE OPERATION OF MERIDIAN HOLDINGS FOR THE THREE MONTHS ENDED MARCH 31, 2003 AS COMPARED TO THE THREE MONTHS ENDED MARCH 31, 2002.

REVENUE

The Company generated revenues from operations of \$885,950 during the first quarter ended March 31, 2003, compared to the revenues from operations of \$610,832 during the comparable period in 2002. This represents a 45% increase in revenues. This increase in revenue is as a result of increase in enrollment of members to Capnet IPA physician network.

The Company recorded a net income from operations of \$9,812 during the three-month period ended March 31, 2003, compared to \$52,350 during the comparable period in 2002. This is as a result of increased in cost of revenue attributed to high volume of medical claims paid by the registrant during this reporting period.

Revenue generated from our managed care contracts with HMOs as a percentage of medical services revenue was approximately 99% and 96%, respectively, during the three months ended March 31, 2003 and 2002. Revenue generated from the Los Angeles County Community Health Plan ("CHP") contracts was 99% and 98% of

10

medical services revenue for the three months ended March 31, 2003 and 2002, respectively. Revenue generated by LACARE Health Plan ("LACARE") contract was less than 1% of medical services revenue for the comparable period.

Cost of Revenues

The cost of revenue for three months ended March 31, 2003 is \$499,822 compared to \$148,044 for three months ended March 31, 2002. This represents a 238% increase in cost of revenue. The increase in cost of revenue is

Edgar Filing: MERIDIAN HOLDINGS INC - Form 10QSB

attributed to high volume of medical claims paid by the registrant during this reporting period as well as reclassification of capitation fees paid to our primary care physicians from General and Administrative expense to cost of revenue.

EXPENSES

General and administrative expenses were \$376,315 or 42 % of total revenues for the three months ended March 31, 2003 compared to \$410,438 or 67% of total revenues for three months ended March 31, 2002. The decrease in general and administrative expense is due to the continued implementation of the 2001 restructuring program by the registrant.

Direct medical costs includes all costs associated with providing services for CAPNET IPA contracted members, including direct medical payment to physician providers, hospitals and ancillary services on capitated and fee for service basis. For the quarter ended March 31, 2003, these costs represents 56% of total revenue. This is referred to as Medical Loss Ratio (MLR). Our Medical Loss Ratio varies from quarter to quarter due to fluctuations in utilization, the timing of claims paid by the HMOs on our behalf, as well as increases in medical costs without counterbalancing increases in capitation revenues.

Medical claims represent the costs of medical services provided by other healthcare providers other than our contracted primary care providers, but which are to be paid by us for individuals covered by our capitated risk contracts with HMOs. Of the \$499,822 total expenditure for the three months ended March 31, 2003, \$205,216 or 41% was for payment of medical claims.

Payroll and employee benefits for administrative personnel was \$376,315 for the three months ended March 31, 2003, compared to \$410,438 during comparable period in 2002. This decrease in payroll expense is due to the continued implementation of the 2001 restructuring program as well as downsizing of operation with resultant lay-off of personnel.

Management anticipates that general operating expenses will increase, as the IPA membership continues to grow.

INCOME/LOSS

The registrant recorded a net loss from operations for the three months ended March 31, 2003 of \$28,546, compared to net loss of \$38,196 during comparable period in 2002.

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, 2002, including the following: our success or failure in implementing our current business and operational

11

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

Edgar Filing: MERIDIAN HOLDINGS INC - Form 10QSB

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 of operations and financial condition.

PLAN OF OPERATIONS

The Company intends to embark on more aggressive marketing campaign to increase its enrollment of membership into its Capnet IPA Healthy Family Program contract with the County of Los Angeles Community Health Plan, and LACARE Health Plan.

Also, the Company has submitted applications for contracting on behalf of Capnet IPA, to other HMO's within the greater Los Angeles County, in order to increase its membership base. There can be no assurances that such contract will be approved by the HMO.

RECENT EVENTS

On March 8 2003, the following individuals were elected to serve as directors of the company until the next annual meeting or until their successors are elected and qualified :

1. James Kyle II
2. James Truher
3. Scott Wellman
4. Marcellina Offoha

Also, Anthony C. Dike, MD, elected as Chairman of the Board of Directors of the Company, will serve a three-year term.

Additionally, shareholders ratified the reappointment of Andrew Smith, CPA, as the independent auditor for the fiscal year ending December 31, 2002 and reapproved the Company's 2001 Joint Incentive and Non-Qualified Stock Option Plan for fiscal year 2003. Shareholders of the Company also granted the board of directors the discretion to, at any time prior to the next annual meeting, effect a reverse split of the Company's common shares at an exchange ratio of 1 for 3, 1 for 5 or 1 for 10. Based upon such vote, the board retained discretion to elect to implement a reverse split according to the aforementioned ratios, or not to implement a reverse stock split at all within the referenced time period.

Following the shareholder meeting, the newly elected Board of Directors voted to

Edgar Filing: MERIDIAN HOLDINGS INC - Form 10QSB

extend the Company's authorization to buy back up to one million shares of its common stock in the open market from time to time through March 2005. Thus far, the Company has repurchased 250,000 shares of its common stock under the previously granted authorization.

On March 26, 2003, the board of directors approved the appointment of Mr. Randy Simpson, CPA, as a new member of the board of Directors, of the registrant, following the acceptance of the resignation of Dr. James Kyle, 11 as a member of the board of directors.

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.

On May 1, 2003, the registrant was informed that Tenet HealthSystems Hospitals, Inc., has not been able to renew the hospital agreement with the County of Los Angeles Community Health Plan, due to a contract dispute. The agreement terminated as of November 30, 2002, and the parties remain in renewal discussions. If this contract is not renewed, the registrant will incur a significant loss of revenue since 50% of these fees are reflected as income in the registrants' financial statements.

On May 2, 2003, the registrant issued a press release announcing the implementation of a 1 for 10 reverse stock split approved earlier by the Shareholders. The reverse split was effective as of midnight May 1, 2003, and trading in the registrant's post-reverse stock split commenced as of May 5, 2003, under the trading symbol "MRDH."

PART II - OTHER INFORMATION

LEGAL PROCEEDINGS

On August 27, 2001, the Company filed a \$10 Million Civil Complaint for Damages and Equitable Relief in Superior Court of the State of California, for the County of Los Angeles (Case No. BC 2566860), styled Meridian Holdings, vs Sirius Technologies of America, a Delaware Corporation; Sirius Computerized Technologies Ltd, an Israeli Corporation; Amir Dolev, an individual; Glen Crowe, an individual; Danny Basel, an individual; Shaul Bergerson, an individual and DOES 1 through 500, inclusive. This lawsuit is in connection to the recent cancellation by the registrant of the purchase of the intellectual property commonly known as "Medmaster Software" including the Source-Code and Subsystems of Sirius Computerized Technologies Ltd. Through the Israeli bankruptcy court.

The registrant seek, among other relief, rescission based on fraud; damages for fraud; money had and received; rescission based on failure of consideration; damages for breach of written contract; negligent misrepresentation; conversion; declaratory relief; preliminary and permanent injunction and damages; intentional interference with contract and other economic relationship; and negligent interference with economic relationship; breach of fiduciary duty. As of this filing, no responses have been received from any of the named defendants.

On March 7, 2003, the Court, having taken defendants' Motion to Quash under Submission on February 28, 2003, issued its ruling as follows:

" Defendant Dolev, as Israeli court-appointed receiver for Defendant Sirius Computerized Technologies LTD., admittedly posted an ad on Sirius' assets. (Dolev Dec par.7)

Edgar Filing: MERIDIAN HOLDINGS INC - Form 10QSB

Defendant Sirius Limited maintained with Morgan Stanley, in Los Angeles, a bank account set up to receive securities paid by plaintiff to defendant. (Dolev Dec par.3) Communications between plaintiff's agent and Defendant Sirius' receiver and Defendant Sirius' attorney were made by telephone, fax,

13

and email.

The above activities render Defendant Sirius Limited subject to jurisdiction in California as some acts were done in California and acts done elsewhere causing an effect in California. "

"The motion to quash is Denied"

The defendant has since filed an appeal to this ruling, and the hearing is pending.

On July 19, 2001, Ventures & Solutions, LLC, filed a lawsuit against the company, styled Ventures & Solutions, LLC, Plaintiff v. Meridian Holdings, Inc., Defendant, Circuit Court of Alexandria, Virginia, Case No. C10517. The Company was served with a copy of the Complaint on August 6, 2001. Plaintiff has alleged that the company owes it approximately \$29,000.00, pre and post judgment interest, and attorneys' fees and costs. The court ruled in favor of the plaintiff in part on April 5, 2003, to this matter, and the Company is considering all its options including a negotiated settlement arrangement with the plaintiff, or filing an appeal.

On May 6, 2003, the registrant was served a summons by the US Marshals for a lawsuit titled "Dr. Danny Basel vs Corsys Group LTD; Meridian Holdings, Inc., and Anthony C. Dike." District Court of Jerusalem, Israel, file number 3359/0. The plaintiff is seeking amongst other things: Enforcement of contract, compensation, negligent misrepresentation, cause in breach of contract". Dr. Basel employment was terminated for cause by Corsys Group LTD, following his complicity in the Sirius/MedMaster matter as disclosed above, as well as act of sabotage against the Company, which resulted in significant loss of income and future business opportunities. The Company has retained a counsel in Israel to review this lawsuit, and will vigorously defend this lawsuit.

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.

CONTROLS AND PROCEDURES

Our management, including our Chairman and CEO, conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-14(c) promulgated under the Securities and Exchange Act of 1934, as amended) as of a date (the "Evaluation Date") within 90 days prior to the filing date of this report. Based upon that evaluation, our Chairman and CEO have concluded, that our disclosure controls and procedures are effective for timely gathering, analyzing and disclosing the information we are required to disclose in our reports filed under the Securities Exchange Act of 1934, as amended. There have been no significant changes made in our internal controls or in other factors that could significantly affect our internal controls subsequent to the Evaluation Date.

Signatures

Edgar Filing: MERIDIAN HOLDINGS INC - Form 10QSB

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.

14

Meridian Holdings, Inc.

Date: May 14, 2003

By: /s/ Anthony C. Dike

Signature

Anthony C. Dike
Chief Executive officer

EXHIBIT 99.1

I, Anthony C. Dike, certify that:

1. I have reviewed this annual report on Form 10-KSB of Meridian Holdings, Inc.;

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

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

Edgar Filing: MERIDIAN HOLDINGS INC - Form 10QSB

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003

By: /s/ Anthony C. Dike
Anthony C. Dike
Chairman and CEO (Principal Executive Officer)