

Edgar Filing: MERIDIAN HOLDINGS INC - Form 10QSB

MERIDIAN HOLDINGS INC
Form 10QSB
August 14, 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 June 30, 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 June 30, 2003, Meridian Holdings, Inc., Registrant had 9,370,649
shares of its \$0.001 par value common stock outstanding.

Edgar Filing: MERIDIAN HOLDINGS INC - Form 10QSB

Page 1 of 14 sequentially numbered pages

Form 10-Q

Second Quarter 2003

MERIDIAN HOLDINGS, INC.

INDEX

	PAGE

PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements	
Condensed Consolidated Balance Sheets	3
Condensed Consolidated Statements of Operations	4
Condensed Consolidated Statements of Cash Flows	5
Notes to Condensed Consolidated Financial Statements	6-7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	8
PART II OTHER INFORMATION	
Item 1. Legal Proceedings	13
Item 6. Exhibits and Reports on Form 8-K	14
Signature	14

MERIDIAN HOLDINGS, INC.
Condensed Consolidated Balance Sheets
(Unaudited)

ASSETS	As of June 30, 2003 =====	December 2002 =====
Current assets		
Cash and cash equivalents	\$ 4,891	\$ 23,040
Restricted cash	330,133	400,993
Accounts receivable, net of allowance for doubtful accounts of \$179,812 and \$179,812	1,263,444	1,155,971
Other current assets	81,425	8,302
	-----	-----
Total current assets	1,679,893	1,588,306
Fixed assets, net of accumulated depreciation	40,926	45,693
Intellectual property, net of accumulated \$0, depreciation as at June 30, 2002 (Note2)	-	315,002
Investments	3,448,565	3,911,211
	-----	-----
Total assets	\$ 5,169,384	\$ 5,860,212
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 252,310	\$ 282,726
Accrued payroll and other	86,809	391,697
Reserve for incurred but not reported claims	216,553	265,958
Accrued interest	-	-
Line of credit	80,908	43,885
Current portion of long-term debt	-	96,375
	-----	-----
Total current liabilities	636,580	1,080,641
Long Term liabilities		

Edgar Filing: MERIDIAN HOLDINGS INC - Form 10QSB

Loan from majority stockholder/officer	-	-
Long-term debt, net of current portion	41,737	335,530
	-----	-----
Total liabilities	678,317	1,416,171
	=====	=====
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 \$0.001; 9,345,649 shares issued and outstanding at June 30, 2001 and 9,370,648 as at June 30, 2002	9,370	9,370
Additional paid-in capital	5,031,475	5,031,760
Accumulated deficit	(549,778)	(597,089)
	-----	-----
Total stockholders' equity	4,491,067	4,444,041
	-----	-----
Total liabilities and stockholders' equity	\$ 5,169,384	\$ 5,860,212
	=====	=====

See accompanying notes to Condensed consolidated financial statements

3

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

	Three Months Ended June 30, 2003 =====	2002 =====	Six Months Ended June 30, 2003 =====	2002 =====
Revenues				
Capitation	\$ 458,342	\$ 421,847	955,033	831,313
Risk Pool	(1,433)	107,854	387,359	300,772
Fee For Service	624	7,749	1,102	16,197
Sale of software	-	-	-	-
	-----	-----	-----	-----
	457,533	537,450	1,343,494	1,148,282
Cost of revenues				
Capitation	(202,533)	(136,685)	(497,140)	(284,729)
	-----	-----	-----	-----
Gross margin	255,000	400,765	846,354	863,553
	-----	-----	-----	-----
Operating expenses				
General and administrative	159,118	445,257	734,116	855,695
Research and development	-	-	-	-
	-----	-----	-----	-----
Income/(loss) from Operations	95,882	(44,492)	112,238	7,858
	-----	-----	-----	-----
Other income and expense				
Equity interest in earnings	-	116,412	-	111,656
(loss) of investment	-	-	-	-

Edgar Filing: MERIDIAN HOLDINGS INC - Form 10QSB

Other net	(26,297)	(13,928)	(64,926)	(23,326)
	-----	-----	-----	-----
	(26,297)	102,484	(64,926)	88,330
	-----	-----	-----	-----
Net income/(loss)	69,585	57,992	47,311	96,188
	=====	=====	=====	=====
Basic and diluted	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01
Weighted average shares outstanding	9,383,149	9,383,149	9,383,149	9,383,149

See accompanying notes to Condensed consolidated financial statements

4

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

	Six Months Ended June 30,	
	2003	2002
	=====	=====
Cash flows from operating activities		
Net income	\$ 47,311	96,189
Adjustments to reconcile net Loss/income to net cash used in operating activities:		
Loss on abandonment of software		-
Gain on forgiveness of debt		-
Depreciation and amortization	7,292	5,412
Equity interest in earnings of investments		-
(Increase) decrease in:		
Restricted cash	70,860	38,445
Accounts receivable	(160,506)	348,769
Other current assets	163,715	(354,355)
Accounts payable	98,328	4,267

Edgar Filing: MERIDIAN HOLDINGS INC - Form 10QSB

Accrued payroll and other	(836,467)	13,530
Incurred but not reported reserve	-	6,137
Accrued interest	-	14,877
	-----	-----
Net cash used in operating activities	(609,468)	173,270
Cash flow from investing activities		
Acquisition of fixed assets	(2,524)	(4,560)
Investment in InterCare	278,841	(111,411)
Disposition Of fixed assets	315,002	-
	-----	-----
Net cash used in investing activities	591,319	(115,971)
Cash flow from financing activities		
Borrowings from majority stockholder/officer	-	(11,262)
Borrowings on long-term debt	-	-
Repayment of debt		(2,046)
Borrowings on line of credit		
	-----	-----
Net cash (used in) provided by financing activities	-	(13,308)
	-----	-----
(Decrease) increase in cash and cash equivalents	(18,149)	43,991
Cash and cash equivalents, beginning of period	23,040	7,219
	-----	-----
Cash and cash equivalents, end of period	\$ 4,891	51,210
	=====	=====

Supplemental Disclosure of non-cash investing and financing activities

See accompanying notes to Condensed consolidated financial statements

5

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.

Edgar Filing: MERIDIAN HOLDINGS INC - Form 10QSB

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 six-month period ended June 30, 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 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.

Fiscal Year

The Company operates on a December 31 year end.

6

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

Edgar Filing: MERIDIAN HOLDINGS INC - Form 10QSB

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 their undistributed earnings or losses, because the Company exercises significant influence over their operating and financial activities. Such investee entities include InterCare-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.

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.

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

Edgar Filing: MERIDIAN HOLDINGS INC - Form 10QSB

30, 2004, and none have been exercised as of June, 2003.

7

3. Fixed Assets

Fixed assets consist of the following:

	As of	
	June 30, 2003	December 31, 2002
Computer equipment	\$ 91,666	\$ 78,129
Leasehold improvements	6,500	6,500
Office furniture, fixtures and equipment	61,915	72,928
Software	25,803	25,803
Medical equipment	6,654	6,654
	-----	-----
	192,538	190,014
Less accumulated depreciation	(151,612)	(144,321)
	-----	-----
	\$ 40,926	\$ 45,693
	=====	=====

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, 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 quarters ended June 30, 2003 and 2002.

The Company has also reflected the monies in the escrow account as of June 30, 2003 and June 30, 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.

During the last quarter filing, the registrant disclosed that it 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.

Edgar Filing: MERIDIAN HOLDINGS INC - Form 10QSB

On August 4, 2003, the registrant was informed that the Tenet HealthSystems Hospitals contract with the County of Los Angeles Community Health Plan, will be renewed for another successive contract period.

Related party Transaction

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.

8

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 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.

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

Edgar Filing: MERIDIAN HOLDINGS INC - Form 10QSB

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 \$1,043,313 as at June 30, 2003 compared to \$ 507,665 at December 31, 2002. This represents an increase in working capital of 106%. This increase in working capital is attributed to decrease in amounts owed to the majority shareholder who forgave debts owed to him by the Company, in exchange for transfer of certain assets of the company, as was approved by the board of directors of the registrant.

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.

9

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, 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 effect on our operations.

RESULTS OF OPERATIONS

THE FINANCIAL RESULTS DISCUSSED BELOW RELATE TO THE OPERATION OF MERIDIAN

Edgar Filing: MERIDIAN HOLDINGS INC - Form 10QSB

HOLDINGS FOR THE THREE MONTHS ENDED AND SIX MONTHS ENDED JUNE 30, 2003 AS COMPARED TO THE THREE MONTHS ENDED AND SIX MONTHS ENDED JUNE 30, 2002.

REVENUE

Medical services revenues increased by 9% from \$ 421,847 for the three months ended June 30, 2002 to \$458,342 for the three months ended June 30, 2003, and by 15% from \$ 831,313 for the six months ended June 30, 2002 to \$955,033 for the six months ended June 30, 2003.

We provided managed care services for approximately 30,000 and 25,000 member months (members per month multiplied by the months for which services were available) during the six months ended June 30, 2003 and 2002, respectively.

This figure is comparative for both the three months and six months ended June 30, 2003 and 2002 respectively.

Revenue generated by our managed care entities under our contracts with HMOs as a percentage of medical services revenue was approximately 99% and 96%, respectively, during the six months ended June 30, 2002 and 2001. Revenue generated by the Los Angeles County Community Health Plan ("CHP") contracts was 99% and 99.9% of medical services revenue for the six months ended June 30, 2003 and 2002, respectively. Revenue generated by LACARE Health Plan ("LACARE") contract was 1% and less than 1% of medical services revenue for the six months ended June 30, 2003 and 2002, respectively. For the three month ended June 30, 2003, revenue from LA CARE Health Plan was 2% of medical services revenue as opposed to less than 1% for the comparable period, June 2002

10

EXPENSES

Medical claims paid, which includes capitation payments to our contracted primary care IPA physicians and medical claims paid revenue after giving account to IBNR reserves, for the three month period ended June 30, 2003 were \$ 94,417 or 21% of medical services revenue, compared to \$ 136,685 or 25% of medical services revenue for the three month period ended June 30, 2002. Medical services expenses, for the six month period ended June 30, 2003 were \$351,249 or 26% of medical services revenue, compared to \$284,729 or 25% of medical services revenue for the six month period ended June 30, 2002. The decrease for the three month ended June 30, 2003 is due to decrease in volume of claims paid to contracted providers for services rendered. Conversely, the increase for the six months ended June 30, 2003 is due to the high volumes of claims paid during the first quarter of 2003.

Medical claims represent the costs of medical services provided by 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. Our claim 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.

For the three months ended June 30, 2003 and 2002, payroll and employee benefits for administrative personnel was \$121,227, or 26% of total revenues, compared to \$121,554 or 23% of revenue, respectively. Payroll and employee benefits for administrative personnel was \$238,617 for the six months ended June 30, 2003, or 18% of total revenues, compared to \$275,766 or 24% of revenue for the six months ended June 30, 2002. The decrease in employee payroll expenses for the six month was due to reduction in the support staff as well as other cost containment measures implemented by the registrant.

Edgar Filing: MERIDIAN HOLDINGS INC - Form 10QSB

The company had embarked on an aggressive cost containment measures such as closing of the Israeli operation and laying-off of some personnel in order to reduce its operating expense.

Management anticipates that general operating expenses will increase, as it pursues, vigorously, its acquisition of new business opportunities and the integration of the existing ones.

INCOME/LOSS FROM OPERATIONS

The registrant recorded a net income from operations for the three months ended June 30, 2003 of \$95,882, or 21% of total revenues, compared to a loss of \$44,492, or 8% of total revenues, for the three months ended June 30, 2002. During the six months ended June 30, 2003, the registrant recorded an income from operations of \$112,238, or 8.3% of total revenues compared to a net income from operations of \$7,858 or 0.7% of total revenues for the six months ended June 30, 2002. The increase in net income from operations is due to the decrease in other operating expenses, as a result of a cost reduction measures.

NET INCOME (LOSS)

The net income for the three months ended June 30, 2003 and 2002 was \$69,585 and \$57,992 respectively. The net income for six months ended June 30, 2003 and 2002 was \$47,311 and \$96,188 respectively. The increase in net income for the three month ended June 30, 2003 is due to the reduction in some other expenses, compared to decrease in net income for the six months ended June 30, 2003 as a result of the decrease in equity investment income.

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.

11

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 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

Edgar Filing: MERIDIAN HOLDINGS INC - Form 10QSB

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

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.

During the last quarter filing, the registrant disclosed that it 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 August 4, 2003, the registrant was informed that the Tenet HealthSystems Hospitals contract with the County of Los Angeles Community Health Plan, will be renewed for another successive contract period.

The company has negotiated on behalf of Capnet IPA physician network a capitated risk contract with one of the federally qualified HMO located in Los Angeles County, operating within Southern California. This contract will be effective September 1, 2003. The registrant believes that this new contract will increase it's revenue significantly.

PART II - OTHER INFORMATION

Item 3: LEGAL PROCEEDINGS

On May 6, 2003, the registrant was served with a summons for a lawsuit filed in the District Court of Jerusalem, Case No A3359/01(BSA 1646/03) titled "Dr. Danny Basel vs Corsys Group LTD; Meridian Holdings, Inc., and Anthony C. Dike." The plaintiff is seeking amongst other things: enforcement of contract, compensation, negligent misrepresentation, cause in breach of contract and equitable relief. The registrant has been advised that Dr. Basel's employment was terminated for cause by Corsys Group LTD, due to intentional interference with contract and other economic relationship; and negligent

13

interference with economic relationship; breach of fiduciary duty and other complicity in the Sirius/MedMaster matter as disclosed above, as well as an act of sabotage against the registrant, which resulted in significant loss of income and future business opportunities. The registrant has filed a responsive pleading, believes that the allegations against it are without merit, and intends to defend itself vigorously. The case is now in the discovery phase.

On June 5, 2003, the registrant filed a petition and a supporting declaration of Moses O. Onyejekwe, Esq., with the Superior Court of the State of California for the County of Los Angeles, case number BS083660, styled "Meridian Holdings, Inc.(Petitioner) vs. Dale Church, and DOES 1 through 50, inclusive" requesting that the Court grant an order permitting the registrant to file a complaint against the named defendant to alleged Attorney-Client Conspiracy. As of the

Edgar Filing: MERIDIAN HOLDINGS INC - Form 10QSB

date of this Quarterly Report, the registrant has not received a hearing date from the Court.

On July 8, 2003, the registrant filed a petition for review with the State of California Supreme Court, case number S117457, styled "Sirius Computerized Technologies, LTD (Petitioner) vs Superior Court of the State of California For the County of Los Angeles (Respondent), Meridian Holdings, Inc. (Real Party in Interest), " after a decision by the Court of Appeal, Appellate District, Division Seven Case No. B166285, which overturned the earlier decision of the Superior Court of California with respect to the issue of jurisdiction, as disclosed in the last quarter filing with SEC. The registrant is requesting that the California Supreme Court grant the registrant's request for review on the basis that there is a need for the law to impose harsh punishments on parties who are guilty of fraud in connection with their contractual dealings and yet expect to benefit from their choice of forum. The case is still pending.

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
- 31.2 Certification pursuant to Section 302 of The Sarbanes-Oxley Act of 2002 of Foday Sorsor Conteh
- 32.1 Certification pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 of Anthony C. Dike and Foday Sorsor Conteh

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: August 13, 2003

By: /s/ Anthony C. Dike

Signature

Anthony C. Dike
Chief Executive officer

Exhibit Number	Description of Document
-------------------	-------------------------

- | | |
|------|---|
| 31.1 | Certification pursuant to Section 302 of The Sarbanes-Oxley Act of 2002 |
|------|---|

Edgar Filing: MERIDIAN HOLDINGS INC - Form 10QSB

- of Anthony C. Dike
- 31.2 Certification pursuant to Section 302 of The Sarbanes-Oxley Act of 2002
of Foday Sorsor Conteh
- 32.1 Certification pursuant to Section 906 of The Sarbanes-Oxley Act of 2002
of Anthony C. Dike and Foday Sorsor Conteh

EXHIBIT 31.1

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

I, Anthony C. Dike, certify that:

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

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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-15(e) and 15d-15(e)) for the registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure 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 quarterly report is being prepared;

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

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

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, 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 information; and

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

Edgar Filing: MERIDIAN HOLDINGS INC - Form 10QSB

Date: August 13, 2003

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

16

EXHIBIT 31.2

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

I, Foday Sorsor Conteh, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Meridian Holdings, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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-15(e) and 15d-15(e)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure 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 quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - c) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

Edgar Filing: MERIDIAN HOLDINGS INC - Form 10QSB

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 information; and

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

Date: August 13, 2003

By: /s/ Foday Sorsor Conteh
Foday Sorsor Conteh
Vice President Finance (Principal Financial Officer)

17

Exhibit 32.1

CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Meridian Holdings, Inc. (the "Company") on Form 10-QSB for the period ending June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Anthony C. Dike, the Chief Executive Officer, and Mr. Foday Sorsor Conteh, Vice President Finance, of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report 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 Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Meridian Holdings, Inc., and will be retained by Meridian Holdings, Inc., and furnished to the Securities and Exchange Commission or its staff upon request.

DATE: August 13, 2003

By: /s/ Anthony C. Dike

Anthony C. Dike
Chairman and CEO

By: /s/ Foday Sorsor Conteh

Edgar Filing: MERIDIAN HOLDINGS INC - Form 10QSB

Foday Sorsor Conteh
Vice President Finance