

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

MERIDIAN HOLDINGS INC
Form 10QSB/A
November 30, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-QSB/A
Amendment Number 1

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

For the Quarterly Period Ended September 30, 2005

() 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)

6201 Bristol Parkway, Culver City, California 90230

(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, 2005, Meridian Holdings, Inc., Registrant had 18,120,200
shares of its \$0.001 par value common stock outstanding, with a total
market value of \$1,812,020.

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

Page 1 of 12 sequentially numbered pages
Form 10-QSB
Third Quarter 2005

MERIDIAN HOLDINGS, INC.

INDEX

EXPLANATORY NOTE

This Amendment Number 1 to our quarterly report on Form 10-QSB/A, for the quarter ended September 30, 2005, was required to correct data entry error in the current liabilities section of the balance sheet. This Form 10-QSB/A does not purport to provide a general update or discussion of any other developments at the Company subsequent to the original filing.

	PAGE

PART I. FINANCIAL INFORMATION	
Condensed Consolidated Balance Sheets	3
Condensed Consolidated Statements of Operations	4
Condensed Consolidated Statements of Cash Flows	5
Notes to Condensed Consolidated Financial Statements	6-8
Management's Discussion and Analysis of Financial Condition and Results of Operations	9-12
PART II OTHER INFORMATION	
Legal Proceedings	12
Additional Information	12
Signature	12
Exhibits	13-14

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

ASSETS	As of September 30, 2005 =====	December 31 2004 (Restated) =====
Current assets		
Cash and cash equivalents	\$ 132,974	\$ 173,628
Restricted cash	94,942	217,283
Accounts receivable, net of allowance for doubtful accounts of \$282,896 and \$198,813 respectively	2,344,893	1,645,838
Other current assets	8,302	11,420
	-----	-----
Total current assets	2,581,111	2,048,170
Fixed assets, net of accumulated depreciation	20,650	33,944
Investments	3,424,997	3,424,997
	-----	-----
Total assets	\$ 6,026,758 =====	\$ 5,507,111 =====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accrued Expense	552,424	299,504
Reserve for incurred but not reported claims	55,738	201,311
Line of credit	62,741	50,263
Current portion of long term debt	4,465	4,117
	-----	-----
Total current liabilities	675,368	555,195
Long Term liabilities		
Long-term debt	359,475	391,821
	-----	-----
Total liabilities	1,034,843	947,016
	-----	-----
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; 18,120,200 shares issued and outstanding at September 30, 2005 and 14,370,200 as at December 31, 2004 respectively)	18,120	14,370
Additional paid-in capital	5,526,760	5,526,760

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

Accumulated deficit	(552,966)	(981,035)
	-----	-----
Total stockholders' equity	4,991,914	4,560,095
	-----	-----
Total liabilities and stockholders' equity	\$ 6,026,758	\$ 5,507,111
	=====	=====

See accompanying notes to Condensed consolidated financial statements

3

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

	Three Months Ended Sept 30, 2005	2004 (Restated)	Nine Months Ended Sept 30, 2005	2004 (Restated)
	=====	=====	=====	=====
Revenues				
HMO Capitation Revenue	\$ 54,646	\$ 290,495	\$ 384,125	\$ 991,316
Risk Pool Revenue (Note7)	50,986	113,099	230,664	429,932
Fee For Service	338,678	54,070	886,290	55,875
	-----	-----	-----	-----
	444,310	457,664	1,501,079	1,477,123
General Operating expenses				
Cost of Provider Services	10,514	136,616	284,118	528,989
General and Administrative	348,455	466,116	1,073,263	1,287,738
	-----	-----	-----	-----
(Loss)/Income from operations	85,341	(145,068)	143,698	(339,604)
	-----	-----	-----	-----
Other income and (expense)				
Stock option issued	-	-	-	(500,000)
Other net	(2,654)	(5,173)	(16,916)	(10,342)
	-----	-----	-----	-----
Net Other	(2,654)	(5,173)	(16,916)	(510,342)
	-----	-----	-----	-----
Net Income	82,718	(150,241)	126,781	(849,946)
	-----	-----	-----	-----
Earnings per share:				
	\$ 0.005	\$ (0.01)	\$ 0.008	\$ (0.07)
	=====	=====	=====	=====
Weighted average shares outstanding	15,203,533	11,870,200	15,203,533	11,870,200

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

See accompanying notes to Condensed consolidated financial statements

4

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

	Nine Months Ended September 30, 2005 =====	2004 (restated) =====	Three Months Ended September 2005 =====	2004 (restated) =====
Cash flows from operating activities				
Net income/(loss)	\$ 126,781	(849,946)	\$ 78,358	(150,242)
Adjustments to reconcile net Loss/income to net cash used in operating activities:				
Stock Option issued	-		-	-
Depreciation and amortization	13,294	13,570	4,013	4,662
(Increase) decrease in:				
Accounts receivable	(695,937)	(197,639)	(347,335)	(65,878)
Other current liabilities	(10,345)	-	(16,828)	36,349
Accounts payable	234,806	(6,634)	198,876	(8,573)
Accrued expense	101,425	93,363		-
Incurred but not reported reserve	(145,573)	59,785	-	-
Net cash used in operating activities	(375,549)	(887,501)	(83,316)	(183,682)
Cash flow from investing activities				
Acquisition of fixed assets	0	(8,918)	0	-
Net cash used in investing activities	0	(8,918)	0	-
Cash flow from financing activities				
Borrowings from majority stockholder/officer	8,700	34,433	10,050	7,781
Repayment on long-term debt	(95,268)		-	
Long Term Debt		120,863	(261,800)	26,721
Repayment on line of credit	(11,784)			
Repayment of shareholder loan		-	-	
Proceed from the sale of common stock	306,146	495,000	296,250	
Net cash (used in) provided by financing activities	209,578	650,295	44,500	34,502
Increase/(Decrease) in cash and cash equivalents	(165,971)	(246,123)	(38,816)	(149,180)
Cash and cash equivalents, beginning of period	390,912	282,462	263,357	185,517

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

Cash and cash equivalents, end of period	\$ 224,941	36,338	224,941	36,337
	=====	=====	=====	=====
Supplemental Disclosure of non-cash investing and financing activities				
Stock Issued	3,750,000	500,000	3,750,000	500,000

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. For further information, management suggests that the reader refer to the audited financial statements for the year ended December 31, 2004 included in its Annual Report on Form 10-KSB. Operating results for the nine-month period ended September 30, 2005 are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2005.

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 Culver City, California, U.S.A. and contracts with physicians to provide healthcare 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,

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

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

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.

On September 2, 2005, Meridian Holdings, Inc, announced that pursuant to the written consent of the board of directors of both Meridian Holdings, Inc, and CGI Communications Services, Inc., (OTC: CGIC) dated August 24, 2005, in which

6

it was approved that Meridian Holdings, Inc., declare a dividend of shares of CGI Communications Services, Inc., Common Stock it owns, to each of its shareholders with the exception of all current and past officers, directors and affiliates, by transferring or causing to be issued one (1) share of the CGI Stock for every ten (10) shares of Meridian Holdings, Inc., common Stock held by each of such shareholder ("Dividends") of record as of September 26, 2005. Since this event occurred close to the end of third quarter, 2005, and the delivery of shares to the shareholders of the registrant continued into the forth quarter of 2005, its impact on the registrants' investment in CGI Communications, Inc., has not been reflected in the balance sheet or income Statement as of September 30, 2005, until the registrant receives the final tally of the share holder list and reconciliation of the issued CGI Communications Services, Inc., shares from the transfer agent.

3. Fixed Assets

Fixed assets consist of the following:

	As of Sept 30, 2005	September 30, 2004
Computer equipment	\$ 111,155	\$ 111,155
Leasehold improvements	6,500	6,500
Office furniture, fixtures and equipment	61,915	61,915
Software	25,803	25,803
Medical equipment	6,654	6,654
	-----	-----
	212,027	212,027

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

Less accumulated depreciation	(191,377)	(173,421)
	-----	-----
	\$ 20,650	\$ 38,606
	=====	=====

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, 2006

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 consolidated statements of operations for the for the quarters ended September 30, 2005 and 2004 respectively..

The Company has also reflected the monies in the escrow account as of September 30, 2005 and September 30, 2004 as restricted cash in the accompanying

7

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 August 5, 2005 the board of directors of the registrant approved the issuance of 3,750,000 restricted shares of common stock with a fair market value of 0.08 cents per share as of date of issuance, to Anthony C. Dike, our Chairman/CEO, exchange for forgiveness of \$300,000 debt owed to him by the registrant.

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 damages are \$30,687,926, with a pre-judgment interest at the annual rate of 10%. This amount and potential interest is not reflected in the balance sheet and the income statement.

Other Events

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

On October 4, 2005, Tenet HealthSystem Hospitals, Inc, (Tenet) announced that it has entered into an agreement to sell Community & Mission Hospitals of Huntington Park in Huntington Park, Calif., to Karykeion, Inc., a privately held Corporation. These are two of the hospitals contracted with CAPNET IPA and County of Los Angeles Community Health Plan . This transaction is expected to close within the next several months. Subsequently, Capnet IPA will seek for a delegation and assignment of the contract with TENET to the new owners upon completion of this transaction.

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 Culver City, 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.

SELECTED FINANCIAL DATA

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

The Company had net working capital of \$ 1,905,551 as at September 30, 2005 compared to \$ 1,009,341 as of December 30, 2004. This represents an increase in working capital of 53%. This increase in working capital is due to increase in account receivable, net allowance for doubtful accounts, as well as decrease in current liabilities.

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.

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

9

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, 2005 AS COMPARED TO THE THREE MONTHS ENDED AND NINE MONTHS ENDED SEPTEMBER 30, 2004.

REVENUE

Medical services revenues decreased by 2% from \$457,663 for the three months ended September 30, 2004 to \$ 444,310 for the three months ended September 30, 2005, and increased by 1.6% from \$1,477,123 for the nine months ended September 30, 2004 to \$1,501,079 for the nine months ended September 30, 2005. The

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

increase in revenue for the nine months ended September 2005, is due to increase in fee for service revenue.

Risk pool revenue for the three months ended September 30, 2004 was \$50,986, a decrease of 55% compared to \$113,099 for the same period in 2004. For the nine months ended September 30, 2005, risk pool revenue was \$230,644, a decrease of 46 % compared to \$ 429,932 for the nine month ended September 30, 2004. The decrease in risk pool revenue for the three and nine months ended September 2005 was due to decrease in membership enrolment, with concomitant increase in claims expense, non renewal of Hospital Contract between the County of Los Angeles Department of Health Services Community Health Plan (CHP) and Tenet Health Systems.

Capitation revenues from our CHP contract decreased by 81% from \$290,495 for the three months ended September 30, 2004 to \$ 54,646 for the three months ended September 30, 2005, and by 61% from \$ 991,316 for the nine months ended September 30, 2004 to \$ 384,125 for the nine months ended September 30, 2005. The decrease in capitation revenue was due in part to the termination of some of our Managed care contracts with CHP, delay in procuring a replacement contracts for the new hospital owners, dis-enrollment of members, and increased withholding of our capitation fees by CHP. Management is pursuing all its available options to mitigate further losses, including but not limited to procuring new manage care contracts, expansion of our primary care physician network into adjoining counties in Southern California. There can be no guarantee that these efforts will be successful in reversing these losses.

Fee for Service Revenue, increased by 84% to \$338,678 for three months ended September 30, 2005, as compared to \$54,070 for comparable period in 2004. For nine months ended September 30, 2005, fee for service revenue increased by 33% to \$886,290, as compared to \$55,875, during the comparable period in 2004. This receivable relates principally, to medical services provided on a fee-for-service basis, and are reduced by amounts estimated to be uncollectible. These receivables are typically uncollateralized customer obligations due under normal trade terms requiring payment within 30-90 days from the invoice date. The Company does not charge late fees or penalties on delinquent invoices, however it continually evaluates the need for a valuation allowance. Management's estimate of uncollectible amounts is based upon its analysis of historical collections and other qualitative factors.

Of the \$444,310 total medical services revenue generated for the three months ended September 30, 2005, \$338,678 was from the fee for service component, and \$105,632 was from capitated managed care contract.

The increase in fee for Service revenue from \$54,070 during the quarter ended September 30, 2004 to current amount of \$338,678 for the comparable period ended September 30, 2005 is as a result of the recent acquisition of two large clinics from Centinela Medical Center Clinics, Inc., as of January 1, 2005. These clinic facilities provides a wide array of medical and diagnostic services to the patient population they serve.

11

With regard to revenues, expenses and receivables arising from global risk agreements with CHP and TENET, the Company estimates amounts it believes will ultimately be realizable based in part upon estimates of claims incurred but not reported (IBNR) and estimates of retroactive adjustments or unsettled costs to be applied by CHP and/or Cap Management Systems. The IBNR estimates are made by CAP-Management Systems, utilizing actuarial methods and are continually evaluated by management of the Company based upon its specific claims experience. It is reasonably possible that some or all of these estimates could change in the near term by an amount that could be material to the financial statements.

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

EXPENSES

Total expenses decreased by 24% from \$466,116 for the three months ended September 30, 2004 to \$352,814 during comparable period in 2005.

For nine months ended September 30, 2005, the total expense decreased by 17%, to \$1,073,263 from \$1,287,738 during comparable period in 2004.

This decrease in total expense was due to decrease in enrolment in the membership in our capitated contract, out sourcing of some of the services previously performed in-house, as well as lay-off of employees to reduce cost.

Of the \$1,073,263 total expense for the nine month period ended September 30, 2005, general and administrative expense were \$789,145 or 74% of total expenses, as opposed to \$758,746 or 59% of the total expenses for the comparable period in 2004. Cost of revenue decreased by 46% from \$528,989 for the nine months ended in September 30, 2004 to \$284,117, for the same reasons as stated above.

INCOME/LOSS FROM OPERATIONS

For the quarter ended September 30, 2005, the Company recorded a net income of \$78,358, compared to a net loss of \$(150,241) in comparable period in 2004.

For the nine months ended September 30, 2005, the company reported a net income of \$126,781, compared to a net loss of \$(849,946) for comparable period in 2004.

The increase in net income is due to increase in fee for service revenue, decrease in operating expense due to cost cutting measures implemented by management.

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, 2004, 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.

PLAN OF OPERATIONS

The Company continues to aggressively expand its provider network, as well as seek for other managed care and PPO contracts for its contracted providers.

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

We plan to expand our provider network to Riverside, San Bernardino, Orange and greater Los Angeles, County, with the hope of increasing our membership enrollment. Also, the company is aggressively seeking for more managed care contracts in the four counties targeted for proposed network expansion. There can be no assurance that this plan of network expansion will yield immediate dividend.

The Company has initiated a community outreach program targeting Medicare eligible members about the Medicare Prescription Drug Program.

Passed by Congress and signed into law by President Bush on December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA), made sweeping changes to the Medicare program including the creation of Part D, the prescription drug coverage program that will be available beginning January 1, 2006. CMS noted in its September 23, 2005 press release, "People with Medicare will be able to get prescription drug coverage in January, through their choice of either a newly approved stand-alone prescription drug plan that works with traditional Medicare, or a Medicare Advantage plan that offers drug coverage and other benefits. We hope that by promoting this program to the communities we serve, we will be able to enroll patients into our provider network, while proving our patient population timely information regarding their healthcare needs.

Recent Events

On October 4, 2005, Tenet HealthSystem Hospitals, Inc, (Tenet) announced that it has entered into an agreement to sell Community & Mission Hospitals of Huntington Park in Huntington Park, Calif., to Karykeion, Inc., a privately held Corporation. These are two of the hospitals contracted with CAPNET IPA and County of Los Angeles Community Health Plan . This transaction is expected to close within the next several months. Subsequently, Capnet IPA will seek for a delegation and assignment of the contract with TENET to the new owners upon completion of this transaction.

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, 2005. 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, 2005, 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.

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

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 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 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 not been reflected in both the balance sheet and income statement of the registrant.

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: November 7, 2005

By: /s/ Anthony C. Dike

Signature

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

Anthony C. Dike
Chief Executive officer

13

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/A

Date: November 7, 2005

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

14

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 September 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Anthony C. Dike, the Chief Executive and Principal Financial Officer, 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: November 30 2005

By: /s/ Anthony C. Dike

Anthony C. Dike
(Principal Executive and Financial Officer)

