MERIDIAN HOLDINGS INC
Form 10QSB/A
November 18, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-QSB/A

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

For the Quarterly Period Ended September 30, 2002

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

For the Transition Period From ___________ to ____________

COMMISSION FILE NUMBER: 0-30018

MERIDIAN HOLDINGS,INC.
(Exact Name of Registrant as Specified in its Charter)

| | |
|---|---|
| COLORADO | 52-2133742 |
| (State of Other Jurisdiction of Incorporation or Organization) | (I.R.S. Employer Identification Number) |

900 WILSHIRE BOULEVARD, SUITE 500, LOS ANGELES, CALIFORNIA 90017
(Address of Principal Executive Offices)

(213) 627-8878
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months and, (2) has been subject to such filing requirements for the past 90 days. Yes ( X ) No ( )

As of September 30, 2002, Meridian Holdings, Inc., Registrant had 93,706,485 shares of its $0.001 par value common stock outstanding.

MERIDIAN HOLDINGS, INC.

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

ASSETS

| | As of Sept. 30, 2002 | 2001 |
|---|---|---|
| Current assets | | |
| Cash and cash equivalents | $ 2,071 | $ 19,944 |
| Restricted Cash (Note 1) | 623,286 | 269,022 |
| Accounts receivable, net of allowance for doubtful accounts of ($179,812) | 1,099,909 | 1,382,161 |
| Other current assets | 53,140 | 37,920 |
| Total current assets | 1,778,406 | 1,708,777 |
| Fixed assets, net of accumulated depreciation | 380,122 | 51,445 |
| Pre-paids | 4,541 | 4,761 |
| Investments | 3,915,003 | 4,018,100 |
| Total assets | $6,078,072 | $ 5,783,083 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable | $ 180,388 | $ 99,542 |
| Accrued payroll and other | 144,000 | 213,103 |
| Reserve for incurred but not reported claims | 366,258 | 203,794 |
| Accrued interest | 45,716 | 23,668 |
| Line of credit | 65,063 | 33,473 |
| Current portion of long-term debt | 96,375 | 96,375 |
| Total current liabilities | 897,800 | 669,955 |
| Long Term liabilities | | |
| Loan from majority stockholder/officer | 266,380 | 253,767 |
| Long-term debt, net of current portion | 297,625 | 51,636 |
| Total liabilities | 1,461,805 | 975,358 |
| 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; 93,706,485 shares issued and outstanding as at September 30, 2002 and 93,206,485 as at September 30, 2001 | 93,706 | 93,206 |
| Additional paid-in capital | 4,947,424 | 4,947,424 |
| Accumulated deficit | (424,863) | (232,905) |
| Total stockholders' equity | 4,616,276 | 4,807,725 |
| Total liabilities and stockholders' equity | $ 6,078,072 | $ 5,783,083 |

See accompanying notes to Condensed consolidated financial statements

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

| | Three Months Ended Sept 30, 2002 | 2001 | Nine Months Ended Sept 30, 2002 | 2001 |
|---|---|---|---|---|
| Revenues | | | | |
| HMO Capitation Revenue | $ 492,033 | $ 324,485 | $ 1,323,347 | $ 999,129 |
| Risk Pool Revenue (Note7) | 264,612 | 862,362 | 565,384 | 1,241,501 |
| Other Software Sales | - | - | - | 149,600 |
| Fee For Service | 9,131 | - | 25,327 | - |
| | 765,776 | 1,186,847 | 1,914,058 | 2,390,230 |
| General Operating expenses | | | | |
| Cost of Provider Services | 156,668 | 111,182 | 441,360 | 573,918 |
| Research and development | - | - | | 80,833 |
| General and Administrative | 574,644 | 1,082,037 | 1,424,444 | 2,018,955 |
| Income/loss from operations | 34,464 | (6,372) | 48,254 | (283,476) |
| Other income and expense | | | | |
| Equity interest in earnings (loss) of investment | 99 | (12,687) | 111,312 | (86,868) |
| Other net | 8,209 | (2,865) | (31,289) | (17,639) |
| Net Other | 8,308 | (15,552) | 80,023 | (104,507) |
| Net income/loss before Extraordinary items. | 26,156 | (21,924) | 128,277 | (387,983) |
| Extraordinary items | | | | |
| Loss on abandonment of Software (Note 2) | - | - | - | (2,193,750) |
| Gain on forgiveness of debt | - | - | - | 2,891,250 |
| | - | - | - | 697,500 |

| | | | | |
|---|---|---|---|---|
| Net income after Extraordinary items | $ 26,156 | (21,924) | $ 128,277 | $ 309,517 |
| Net income/loss per share: | | | | |
| Basic and diluted - Net Income(loss) before Extraordinary items | $ .0003 | (0.0002) | $ .001 | $ (0.004) |
| Basic and diluted Extraordinary items | $ - | $ - | $ - | 0.007 |
| Basic and diluted Net income (loss)after extraordinary items | $ .0003 | $ (0.0002) | $ .001 | $ 0.003 |
| Common Shares (Note 8) outstanding | 93,706,485 | 93,206,485 | 93,706,485 | 93,206,485 |

See accompanying notes to Condensed consolidated financial statements

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

| | Nine Months Ended Sept 30, 2002 | 2001 |
|---|---|---|
| Cash flows from operating activities | | |
| Net income | $ 128,276 | $ 309,517 |
| Adjustments to reconcile net Loss to net cash used in operating activities: | | |
| Loss on abandonment of software | - | 2,193,750 |
| Gain on forgiveness of debt | - | (2,891,250) |
| Depreciation and amortization | 26,182 | 129,579 |
| Equity interest in earnings of investments | - | 86,868 |
| (Increase) decrease in: | | |
| Restricted cash | (292,054) | (793,395) |
| Accounts receivable | 385,621 | 1,382,161 |
| Other current assets | ( 39,799) | (37,920) |
| Accounts payable | ( 22,362) | (99,542) |
| Accrued payroll and other | (139,475) | (213,103) |
| Incurred but not reported reserve | 222,233 | (269,022) |
| Accrued interest | 45,716 | (23,668) |
| Net cash used in operating activities | 314,388 | (226,025) |
| Cash flow from investing activities | | |
| Acquisition of fixed assets | (368,434) | (15,162) |
| Invenstment in Intercare | (111,312) | - |
| Net cash used in investing activities | (479,746) | (15,162) |
| Cash flow from financing activities | | |
| Borrowings from majority stockholder/officer | 266,380 | 253,767 |

| | | |
|---|---|---|
| Borrowings on long-term debt | - | 51,636 |
| Repayment of debt | (124,905) | (25,288) |
| Borrowings on line of credit | 18,785 | (3,733) |
| Net cash (used in) provided by financing activities | 160,260 | 276,382 |
| (Decrease) increase in cash and cash equivalents | (5,148) | 35,195 |
| Cash and cash equivalents, beginning of period | 7,219 | 253,501 |
| Cash and cash equivalents, end of period | $2,071 | $ 288,696 |

Supplemental Disclosure of non-cash investing and financing activities

During the nine months ended September 30, 2002, the Company recorded non-cash fixed assets of $350,000, This represented the purchased of ICE source-code from InterCare.com-Dx, Inc., an affiliated company.

See accompanying notes to Condensed consolidated financial statements



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, 2001 included in its Annual Report on Form 10-KSB. Operating results for the nine-month period ended Septmber 30, 2002 are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2002.

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

Cash And Cash Equivalents

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

Reclassification

Certain amounts in the unaudited financial statements for the three month period ended September 30, 2001 have been reclassified to conform with the September 30, 2002 financial statement presentation.

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 opportunity.

2. Investments and Intellectual Property

On June 29, 2000, the Company purchased all of the assets of Sirius Computerized Technologies Limited (Israel), consisting primarily of intellectual property and technology related to that company's software used in healthcare management. The asset purchase includes the highly innovative intellectual property commonly known as MedMaster and the associated Virtual Multi-object-architecture Database, as well as all components, subsystems, source code, and documentation. The purchase price was $2.7 million.

The purchase of intellectual property was funded by the majority



stockholder/officer of the Company, and the Company has recorded a note payable to the majority stockholder/officer in the amount of $2.7 million. Intellectual property has been capitalized in the amount of $2.7 million in the accompanying condensed consolidated balance sheet. The acquisition was made with the understanding that the Company would have free and clear title to the intellectual property.
The intellectual property, including its subsystems, source code and documentation, was acquired out of the bankruptcy proceedings of Sirius Computerized Technologies Limited (Israel) and Sirius Technologies of America (Collectively, "Sirius"). The acquisition was made with the understanding that the Company would have free and clear title to the intellectual property.

However, during fiscal year 2000, a significant creditor of Sirius, Lockheed Martin Systems Integration, Owego ("Lockheed") obtained a judgment against Sirius and executed same to obtain possession of the source code underlying the Sirius MedMaster suite of software products, and has expressed its intention to exploit same, thus creating competition with the Company. In April 2001, the receiver for Sirius filed the appropriate documents to prevent the Company from taking the software from the Corsys premises. In May 2001, the Company notified the receiver of its intent not to pursue the intellectual property rights further and to cancel the original purchase agreement.

The original intent of the related note payable to the majority stockholder/officer was to pay him back for the proceeds of $2,700,000 which he had pledged in connection with the acquisition of the intellectual property. The majority stockholder/officer is now seeking return of the stock, and, in July 2001, has also rescinded the note payable, plus accrued interest. This forgiveness of debt was recorded as of June 30, 2001 to match the timing of the cancellation of the acquisition.

Given the above events, the Company has recorded a loss on abandonment of software during the nine months ended September 30, 2001 in the amount of $2,193,750, which is classified as an extraordinary item in the accompanying condensed consolidated statement of operations.

During the nine months ended September 30, 2002, the Company recorded non-cash fixed assets of $350,000, this represented the purchase price of ICE(tm) software source-code from InterCare.com-Dx, Inc., an affiliated company. The soruce-code as well as the prototype application so developed, will form the basis of further development of a replacement software program for the now abandoned Medmaster Software.

3. Fixed Assets

Fixed assets consist of the following:

| | As of Sept 30, 2002 | December 31,2001 |
|---|---|---|
| Computer equipment | $ 87,574 | $ 73,816 |
| Leasehold improvements | 6,500 | 6,500 |
| Office furniture, fixtures and equipment | 61,915 | 72,928 |
| Software | 25,803 | 22,389 |
| Medical equipment | 6,654 | 5,391 |
| ICE software source code | 350,000 | - |
| | 538,446 | 170,012 |
| Less accumulated depreciation | (158,324) | (132,141) |
| | $ 380,122 | $ 48,883 |

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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, 2003.

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 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, 2002 and 2001.

MERIDIAN HOLDINGS, INC.

THE COMPANY

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

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

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 Healthcare Financing Administration (HCFA), 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 $880,605 as at September 30, 2002 compared to $1,038,822 at September 30, 2001. This represents a decrease in working capital of 15%. This decrease in working capital is the result of increase in operating expense during the reporting period.

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 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 royalities 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 could have a dilutive effect on current shareholders and a significant effect on our operations.

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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, 2002 AS COMPARED TO THE THREE MONTHS ENDED AND NINE MONTHS ENDED SEPTEMBER 30, 2001.

REVENUE

Medical services (Capitation) revenues increased by 51.5% from $324,485 for the three months ended September 30, 2001 to $492,033 for the three months ended September 30, 2002, and by 32.5% from $999,129 for the nine months ended September 30, 2001 to $1,323,347 for the nine months ended September 30, 2002. The increase in revenue is as a result of increased membership enrolment in the Capnet IPA physician network. There was $0 revenue generated from software sales or services during the three and nine months ended September 30, 2002, respectively, compared to revenue of $149,600 during comparable period in 2001. Risk pool revenue for the three months ended September 30, 2002 was $264,612 a decrease of 69% compared to $862,362 for the same period in 2001.

For the nine months ended September 30, 2002, risk pool revenue was $565,384, a decrease of 46% compared to $1,241,501 for the nine month ended September 30, 2001. The decrease in risk pool revenue was due to a change in recording procedures for risk pool revenue.

We provided managed care services for approximately 75,000 and 55,000 member months (members per month multiplied by the months for which services were available) during the nine months ended September 30, 2002 and 2001, respectively.

Revenue generated by our managed care entities under our contracts with HMOs as a percentage of medical services revenue was approximately 100% during the nine months ended September 30, 2002 and 2001 respectively. Revenue generated by the Los Angeles County Community Health Plan ("CHP") contracts was 99% of medical services revenue for the nine months ended September 30, 2002 and 2001, respectively. Revenue generated by LACARE Health Plan ("LACARE") contract was approximately 1% of medical services revenue for the three and nine months ended September 30, 2002 and 2001, respectively.

EXPENSES

Of the $574,644 General Operating expense for the three months ended September 30, 2002, $156,668 was paid for the cost of provider services, which consist of capitation payments to our contracted primary care providers or 20.5% of medical services revenue after giving account to IBNR reserves, compared to $111,182 or 34% of medical services revenue for the three month period ended September 30, 2001.

General and administrative expenses were $574,644 or 75 % of total revenues and $1,082,037 or 91% of total revenues, for the three months ended September 30, 2002 and September 30, 2001 respectively and $1,424,444 or 74.4% of total revenues compared to $2,018,955 or 84.5% of total revenues for the nine months ended September 30, 2002 and 2001 respectively. Medical claims expenses, for the nine month period ended September 30,2002 were $488,582 or 25.5% of medical services revenue, compared to $573,918 or 24% of medical services revenue for the nine month period ended September 30, 2001.

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. 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 counter balancing increases in capitation revenues.

For the three months ended September 30, 2002, payroll and employee benefits



for administrative personnel was $111,913 or 15% of total revenues, compared to $148,540 or 15% of revenue for comparable period in 2001, respectively. Payroll and employee benefits for administrative personnel was $349,995 for the nine months ended September 30, 2001, or 18% of total revenues, compared to $408,115 or 29% of revenue for comparable period in 2001. The decrease in employee payroll expenses was due to recent cost cutting measures, including laying-off of some employees.

INCOME/LOSS FROM OPERATIONS

The registrant recorded a profit from operations for the three months ended September 30, 2002 of $34,464, or 4.5% of total revenues, and a loss of $6,372, or 2% of total revenues, for the three months ended September 30, 2001. During the nine months ended September 30, 2002, the registrant recorded a profit from operations of $48,254, or 2.5% of total revenues compared to a loss from operations of $283,476 or 28% of total revenues for the nine months ended September 30, 2001. The increase in net profit from operations are due to the decrease in operating expenses, decrease in cost of medical claims paid and outside consultants fees.

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, 2001, including the following: our success or failure in implementing our current business and operational strategies; the availability, terms and access to capital and customary trade credit; general economic and business conditions; competition; changes in our business strategy; availability, location and terms of new business development; availability and terms of necessary or desirable financing or refinancing; labor relations; the outcome of pending or yet-to-be instituted legal proceedings; and labor and employee benefit costs.

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

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

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



PLAN OF OPERATIONS

On September 16, 2002, the Company announced the release of version 3.0 of its' flagship software application known as ICE(tm), a scalable healthcare software solution that integrates every aspect of the healthcare enterprise, designed for information tracking, error reduction, patient safety.

ICE 's extensive, scalable system flexibility allows its adaptation to clinical workflow, operating independently in centralized and decentralized facilities. The program features intuitive order entry, "tapering" orders, a clinical knowledge base, digital video enhanced patient education module, real-time electro-physiological data capture and display, voice command, voice recognition, digital dictation module and numerous other capabilities to complement and document the diagnostic and treatment processes, including unlimited free-text notes.

ICE provides practical business solutions unique to current health care environments, where error reduction, medical necessity checking, HIPAA compliance and revenue loss reduction are essential. The software meets HL-7 standards, operating as a stand-alone system or integrated with other Legacy or third-party healthcare applications.

Microsoft OCX, GRID, SQL Server and PUSH technologies are provided on ICE , and the system provides real-time information to physicians and other healthcare providers on a need-to-know basis. Maximized information displays increase workflow efficiency by minimizing mouse clicks and screen changes.
ICE is available for both inpatient and outpatient clinical documentations, thus enabling healthcare providers to create a life-time longitudinal multimedia patient clinical record.

InterCare.com-Dx Inc. an affiliate of the Company has now embarked on aggressive marketing and sales efforts in other to introduce the application into the highly competitive healthcare market. As of this writing, no sales prospects have been closed, however, this event represents a significant milestone in the Company's overall business plan. The Company anticipates a significant revenue increase in future from software licensing royalties.

RECENT EVENTS

On October 21, 2002, the registrants CGI Communications Services, Inc., subsidiary announced that it has teamed up with Superwire, Inc., an integrated broadband Managed Service Provider (MSP) delivering local and long distance voice, high-speed Internet, network monitoring and support for small to medium enterprises (SMEs), to give a series of joint presentations in Los Angeles beginning on October 23, 2002 to provide Superwire and CGI products to the healthcare market.

CGI also announced that it is releasing the new ASP version of ICE software, a Scalable healthcare software solution that integrates every aspect of the healthcare enterprise, designed for information tracking, error reduction, patient safety. The project calls for delivery of a turnkey solution which includes broad-band connectivity, Voice Over IP telephony, brand new, state of the art computers and software to create a wireless network in the healthcare providers office or clinic, at a minimal monthly cost. The Company believes that the potential for this market is big, as a result of recent healthcare initiatives geared towards improving patient care, safety and confidentiality.

PART II - OTHER INFORMATION

LEGAL PROCEEDINGS

On October 21, 2002, the Company announced that effective October 17 2002, it has reached a settlement agreement of the entire action with Silicon Valley Bank Corporation, including the registrant's cross complaint, entitled Silicon Valley Bank Corporation .v. Meridian Holdings, Inc., a Colorado Corporation, InterCare.com, Inc., a Nevada Corporation, Los Angeles California, Superior Court Case number BC 259513.

The salient terms of the settlement include mutual general releases with prejudice by all parties.

The lawsuit, as well as the cross-complaint, resulted from the earlier acquisition of the asset of Sirius Computerized Technology of Israel, for which Silicon Valley Bank claimed that said asset was pledged as collateral by Sirius et al for a loan in the amount of $450,000. The company had earlier abandoned the proposed asset purchase, and filed a lawsuit against Sirius et al as described in the company's Quarterly report on form 10-QSB for the quarter ended June 30, 2002 filed with the SEC and accessible at www.sec.gov.

On May 3, 2002 the registrant filed a counter-claim styled Ventures & Solutions, LLC., Plaintiff v. Meridian Holdings, Inc, in Virginia Circuit Court for the City of Alexandria, Case No. CL020075, as amended. The Company is seeking over $1,500,000 for both compensatory and punitive damages against the plaintiff and Mr. Dale Church the CEO of Ventures and Solutions, LLC, for misrepresentation and fraud, breach of contract and breach of fiduciary duties. This counter-claim was as a result of a lawsuit filed by the P laintiff, which was earlier dismissed as a non-suit by the State of Virginia Circuit Court for the City of Alexandria, for which the plantiff had filed an amended lawsuit in November 2001. This lawsuit is in the discovery phase.

Equitable Relief in Superior Court of the State of California, for the County of Los Angeles (Case No. BC 2566860), titled "Meridian Holdings, vs Sirius Technologies of America, a Delaware Corporation; Sirius Computerized
On August 27, 2001, the Company filed a Civil Complaints for Damages and Technologies Ltd; an Israeli Corporation, Amir Dolev; an individual; Glen Crowe, an individual;

Danny Basel, an individual; Shaul Bergerson, an individual and DOES through 500, inclusive. This lawsuit is in connection to the recent cancellation by the registrant, the purchase of the intellectual property commonly known as Medmaster Software including the Source-Code and Subsystems. The registrant is claiming amongst order things: 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; negligent interference with economic relationship; breach of fiduciary duty etc. As of this filing, no trial date has been set.

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.

ADDITIONAL INFORMATION

Exhibits 99.1 Certification pursuant to 18 U.S.C. section 1350 as adopted Pursuant to Section 906 of the SARBANES-OXLEY ACT OF 2002 Filed a correspondence.

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.

MERIDIAN HOLDINGS, INC.

DATE: November 17, 2002 By: /s/ Foday Sorsor Conteh

Foday Sorsor Conteh
Vice-President Finance