MERIDIAN HOLDINGS INC
Form 10QSB/A
August 29, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-QSB/A
Amendment Number 2

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

For the Quarterly Period Ended March 31, 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 March 31, 2005, Meridian Holdings, Inc., Registrant had 14,370,649 shares of its $0.001 par value common stock outstanding.

Form 10-Q
First Quarter 2005

MERIDIAN HOLDINGS, INC.

INDEX

EXPLANATORY NOTE

This Amendment Number 2 to our quarterly report on Form 10-QSB, for the quarter ended March 31, 2005, includes an explanation note, removal of judgment receivable from the Balance Sheets and Statement of Cashflow sections, reclassification of liabilities section, restatement of December 31, 2004 financials to include loses from investments in CGI Communications Services, Inc, subsidiary and other minor changes to improve our disclosures. Except as required to reflect the changes noted above, this Form 10-QSB/A does not attempt to modify or update any other disclosures set forth in the original filing. Additionally 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.

MERIDIAN HOLDINGS, INC.

Consolidated Balance Sheets
(Unaudited)

ASSETS

	As of March 31, 2005	December 31, 2004 (Restated)
Current assets		
Cash and cash equivalents	$ 22,449	$ 173,628
Restricted cash	189,563	217,283
Accounts receivable, net of allowance for doubtful accounts of $ 198,030	1,764,723	1,645,838
Other current assets	8,302	11,420
Total current assets	1,985,037	2,048,170
Fixed assets, net of accumulated depreciation	29,289	33,945
Investments	3,458,565	3,424,997
Total assets	$ 5,472,891	$ 5,507,111
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accrued Expense	335,504	299,504
Reserve for incurred but not reported claims	201,311	201,311
Line of credit	67,596	50,263
Current portion of long-term debt	4,112	4,112
Total current liabilities	608,523	555,195
Long Term liabilities		
Long-term debt	$ 435,224	391,821
Total liabilities	1,043,747	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; 14,370,649 shares issued and outstanding at December 31, 2004 and March 31, 2004 respectively	14,370	14,370
Additional paid-in capital	5,526,760	5,526,760

Accumulated deficit	(1,111,986)	(981,035)
Total stockholders' equity	4,429,144	4,560,095
Total liabilities and stockholders' equity	$ 5,472,891	$ 5,507,111

See accompanying notes to consolidated financial statements

3

MERIDIAN HOLDINGS, INC.

Consolidated Statements of Operations
(UNAUDITED)

	Three Months Ended March 31, 2005	2004
Revenues		
Capitation	$ 203,227	$ 379,183
Risk Pool Revenue	118,965	168,041
Fee for Service Revenue	138,086	440
	460,278	547,664
Cost of revenues		
Cost of Service- Claims and Capitation payments	(159,603)	(205,296)
Gross margin	300,675	342,368
Operating expenses		
General and administrative	450,983	376,579
(Loss)/Income from operations	(150,308)	(37,211)
Other income and (expense)		
Other, net	(14,211)	(2,279)
	(14,211)	(2,279)
Net Income/(Loss)	(164,519)	$ (39,490)
Net Loss per share:		
Basic and diluted	$ 0.0	$ 0.000
Weighted average shares outstanding	14,370,649	9,370,200

See accompanying notes to consolidated financial statements

MERIDIAN HOLDINGS, INC.

Consolidated Statements of Cash Flows
(UNAUDITED)

	Three Months Ended March 31, 2005	2004
Cash flows from operating activities		
Net Loss	$ (164,519)	$ (39,490)
Adjustments to reconcile net Loss to net cash used in operating activities:		
Depreciation and amortization	13,573	4,404
Equity interest in earnings of investments		
(Increase) decrease in:		
Restricted cash	27,720	28,375
Accounts receivable	(118,885)	(87,622)
Other current assets	3,118	-
Increase(Decrease) in		
Accounts payable	67,969	122,918
Accrued payroll and other	36,000	653
Incurred but not reported reserve	0	(26,509)
Net cash provided by operating activities	(135,024)	2,729
Cash flow from investing activities		
Acquisition of fixed assets	(8,917)	(4,178)
Net cash used in investing activities	(8,917)	(4,178)
Cash flow from financing activities		
Repayments of debt	(15,128)	-
Borrowings from related party	(9,444)	-
Borrowing from Line of Credit	17,334	2,025
Repayments of Line of Credit	0	(1,040)
Net cash provided by financing activities	(7,238)	985

Increase(Decrease) in cash and cash equivalents	(151,179)	(464)
Cash and cash equivalents, beginning of period	173,628	1,218
Cash and cash equivalents, end of period	$ 22,449	$ 754

See accompanying notes to consolidated financial statements

MERIDIAN HOLDINGS, INC.

Notes to Consolidated Financial Statements

1. General

Basis of Reporting

The interim accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal, recurring accruals) considered necessary for a fair presentation have been included. For further information, management suggests that the reader refer to the audited financial statements for the year ended December 31, 2004 included in its Annual Report on Form 10-KSB. Operating results for the three-month period ended March 31, 2005 are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2005.

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 Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents (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. The most significant area requiring estimates relate to the Company's

Global Risk arrangement with County of Los Angeles Community Health Plan, (CHP) and Tenet Healths Systems, such estimates are based on knowledge of current events and anticipated future events, and accordingly, actual results may ultimately differ materially from those estimates.

Fiscal Year

The Company operates on a December 31st year end.

Revenue Recognition

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

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.

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.

As of December 2004, Centinela Hospital, one of Tenets facilities under global risk contract with the Company, was sold to Centinela Freeman Health Systems, Inc. A replacement contract between the Company, CHP and Centinela Freeman Health System is still in process. All IBNR calculations and estimates for the previous contracts with Centinela Hospital /Tenet has been suspended. A new IBNR calculation and estimate will be established, as soon as the replacement contracts between the Company, CHP and Centinela Freeman Health are activated.

From time to time, CHP charges the Company for certain medical expenses, which the Company believes are erroneous or are not supported by its underlying agreements with CHP. Management's estimate of recovery on these contestations is based upon its judgment and its consideration of several factors including the nature of the contestations, historical recovery rates and other qualitative factors.

Non-HMO accounts receivable (Fee for Service Revenue), aggregating approximately $138,086 as at March 31, 2005, relate 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.

7

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 entity is 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. The company earlier in 2003 completely divested itself from InterCare DX, but continues to provide management and administrative services for InterCare for a fee.

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 expired on December 30, 2004.

3. Fixed Assets

Fixed assets consist of the following:

	As of March 31, 2005	December 31,2004
Computer equipment	$111,155	$ 111,155
Leasehold improvements	6,500	6,500
Office furniture and fixtures	36,603	36,603
Office equipment	25,312	25,312
Software	25,803	25,803
Medical equipment	6,654	6,654
	212,027	212,027
Less accumulated depreciation	(182,738)	(178,082)
	$ 29,289	$ 33,945

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 with interest rates ranging from 4% to 15% and maturity dates ranging from 2015 to 2024.

6. Risk Pool Agreement

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

These revenues and expenses have been reflected in the accompanying Consolidated statements of operations for the for the quarters ended March 31, 2005 and 2004.

The Company has also reflected the monies in the escrow account as of March 31, 2005 and March 31, 2004 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.

13 Judgment Award

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% The company is pursuing collection of this judgment very vigorously.

MERIDIAN HOLDINGS, INC.

BUSINESS

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 establish and the development of new 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.

Meridian Holdings, Inc. (the "Company") was incorporated under the laws of the State of Colorado on October 13, 1998. The Company is located in 6201 Bristol Parkway, Culver City, California, U.S.A. and provides management services to its' affiliated group of Companies.

Meridian Holdings, Inc., assigns a dedicated team to each affiliated company and actively assists in their management, operations and finances. The Company seeks to maximize shareholder value by actively providing operational assistance and expertise to help its partner companies grow and develop and by giving its shareholders the opportunity to participate in the initial public offerings of its partner companies while retaining a significant ownership interest after the initial public offering.

Its network of partner companies creates an environment through which companies can leverage one another's information technology, operational experience, business contacts and industry expertise.

We plan to hire additional senior management personnel to lend expert guidance in further development of our business plan. Also, we will actively seek opportunities for strategic transactions intended to raise capital to develop our emerging business strategy, potentially including issuance of additional equity or debt instruments. In addition, we will continue to evaluate and may enter into strategic transactions, including mergers and acquisitions.

BUSINESS UNITS AND AFFILIATED PARTNERS

The Company has under management the following business units:

1. Capnet IPA
2. InterCare DX, Inc.
3. CGI Communications Services, Inc.

CAPNET IPA

Capnet IPA ("Independent Physician Association"), with over 300 physicians, 15 community hospitals, 4 teaching Hospitals and other ancillary service companies contracted within its network, is the core component of Meridian Holdings, Inc. healthcare management division business. The linkage of these entities is imminent as the convergence of technology brings to bear the burden of information overload, currently one of the most critical problems in the healthcare industry. The Company believes that by using currently available Software technology, most of the healthcare industry information processing could be handled more efficiently. To be competitive, the Company must license leading technologies, enhance its existing services and content, develop new technologies that address the increasingly sophisticated and varied needs of healthcare professionals and healthcare consumers and respond to technological

advances and emerging industry standards and practices on a timely and cost-effective basis.

AFFILIATION STRATEGY

Central to the new dynamic delivery model of management services is an economic alignment between Capnet IPA and:

1. Physicians and providers of healthcare services as partners and Shareholders who have demonstrated established practice patterns resulting in optimal utilization of healthcare services and disciplined cost control.

2. Tertiary care and community hospitals with shared interest in managing risk contracts in a highly capitated managed care environment

3. Health plans and third-party payors whose members are assigned to Capnet IPA for provision of healthcare services.

To this end, the Company is in the process of acquiring additional healthcare-related companies whose business purpose and technology will further enhance the Company's ability to achieve its business goals and objectives in the healthcare industry.

The key components of management services to be provided to Capnet's affiliated healthcare providers and organizations include:

1. Cost efficiency and quality outcome analysis.
2. R&D product substitution compliance.
3. Drug utilization data analysis.
4. Care utilization data analysis.
5. Care provider network and referral pattern analysis.
6. Quality management incentive compliance.
7. Dynamic and comprehensive clinical pathways.
8. Health risk and needs assessments of the patient population served
9. Electronic medical record system.
10. Clinical laboratory and diagnostic database repositories.
11. Contract negotiations, mergers and acquisition.
12. Strategic healthcare planning, marketing and implementation utilizing

CAPNET will create compensation formulas which are designed to attract and retain good practitioners and maintain long-term harmony and productivity. A sound compensation formula can help avoid many of the problems in a "medical group." Practitioner incentives are designed to engage the practitioners in the pursuit of CAPNET's mission. CAPNET will use member meetings as a tool to nourish the benefits of synergy.

CAPNET will pursue the application and continuous enhancement of technology to support efficient and effective clinical and business operations. This includes "bottom up" and "top down" analysis, so as not to unduly interfere with current clinical and business operations.

When practical, local area networks in practices and administrative offices will be connected to CAPNET's wide area network to eliminate duplication and allow efficient interchange of information at a minimal cost.

CAPNET will develop a proper mix of physician specialties, mid-level providers and medical facilities in order to insure the success of the above strategy.

CAPNET will develop a business approach to contracting with HMOs, PPOs and other managed care carriers and entities Contracts among the various elements of the health care delivery business should be fair to all parties, provide for reasonable administration and allow a fair profit.

CAPNET plans to use the business approach to assess contracting opportunities, negotiate mutually beneficial agreements and then, monitor the cost and profit

of each agreement.

CAPNET will conduct periodic operations analyses and reviews to evaluate practice operations in the context of the patient, practitioners, staff, community and business environment in which the practice operates. The result of the analyses are specific recommendations for improvement along with a plan for implementation.

CAPNET provides expertise to member practices in the area of clinical and business operations. Expertise is provided through standard operational techniques and procedures, as well as through an internal and contracted staff with expertise in a wide variety of fields. Support includes:

1. Marketing
2. Development and implementation of clinical protocol
3. Development and negotiation of risk contracts

CAPNET will select providers based on credentials and ethical standards. A system of screening potential members is used to assure that problem practitioners are not invited to join. Providers will be selected based on the following criteria:

1. Exceptional clinical standards
2. High ethical standards
3. A demonstrated history of providing quality and cost-effective medical care.

The Company also provides medical services management to its' Capnet IPA health care provider network within the greater Los Angles County area.
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.

Due to mounting pressures from the industry, managed care organizations have altered their strategy, returning to the traditional model of selling insurance and transferring the risk to a provider service network such as us. Under such arrangements, managed care organizations receive premiums from the Center for Medicare and Medicaid Services, State Medicaid programs and other commercial groups and pass a significant percentage of the premium on to a third party such as us, to provide covered benefits to patients, including sometimes pharmacy and other enhanced services. After all medical expenses are paid, any surplus or deficit remains with the provider service network. When managed properly, accepting this risk can create significant surpluses.

InterCare DX, Inc.

InterCare DX, Inc. formerly known as Inter-Care Diagnostics, Inc., is organized in the State of California. The company is an innovative software products and services company specializing in providing healthcare management

12

and information system solutions. The Company recently completed the development of ICE(tm) software, which comprises of three primary layers:

Healthcare Enterprise Layer

This layer implements the entire capabilities of ICE(tm) which includes the Medical knowledge base, Clinical decision support; Microsoft speech recognition and Voice command technologies; Human anatomical navigation using a three-dimensional virtual reality technology.

Terminal Services Platform

This layer enables care providers which are not members of the healthcare enterprise to have access to an internet Version of ICE(tm) with some stripped down functionality such Voice Command; Speech recognition, utilizing either standard or biometric authentication.

Consumers

This layer, based on standard browser access, enables full integration of the patient/consumer in the entire care process. This layer places the convenience and the satisfaction of each consumer/patient (i.e. health plan member) at its prime target. It supports the following major components: Request and allocation of care services per the consumer's personal preferences, provider-patient communication and consumer-centric medical content.

ICE(tm) Internet capabilities will facilitate the proactive participation of the consumer in the entire care delivery process. As such, InterCare will have ICE(tm) positioned to become a significant player in the growing market of Internet-based, e-healthcare community solutions. This will significantly expand the scope of available healthcare solutions.

The strength of ICE(tm) application is derived from differentiated core technologies consisting of: Mainstream SQL Database with full open architecture ;human anatomy and graphical user interfaces that simplify documentation and information access; data mining and data query tools; end-user tool sets; and interface capabilities to facilitate peaceful coexistence with other systems. Over 10 years of research and development have been spent in the development of ICE(tm) software.

CGI COMMUNICATIONS SERVICES, INC.

CGI Communications Services, Inc., a state of Delaware Corporation, with place Of business located at 6201 Bristol Parkway., Culver City, California,90230 specializes in providing cost-effective turnkey support for implementation and operation of Telemedicine and other information technology services in healthcare and associated environments, including providers at all levels, insurance carriers, pharmaceutical and clinical research.

By combining enabling technology with industry leading companies supplying telecommunications, medical products and services, CGI is poised to make InterCare DX, Inc.'s ICE(tm) Suite of clinical applications, the global leader in providing comprehensive telemedicine and telecare solutions. CGI will now begin a Pilot-testing of this technology among over 150 healthcare providers affiliated with CAPNET IPA, an integrated healthcare delivery system, located in Los Angeles, California, managed by Meridian Holdings, Inc., the ASP version of ICE(tm) when released.

BUSINESS STRATEGY

CGI Communications Services, Inc., intends to capitalize on the enormous public attention focused on the telemedicine and telecare especially in the rural and underserved areas of the world, especially in the third world countries by increasing its' sales and technical support staff, targeting its advertising to

its core audience, and by providing the most efficient, lowest-cost telemedicine products and services. CGI is focusing its marketing efforts to specialty and small business entities.

CORPORATE INFORMATION

CGI Communications Services, Inc., was incorporated under Delaware law on April 12, 1997. Its executive offices are at 6201 Bristol Parkway, Culver City California. Its telephone number is (213) 627-8878. Its fax number is (310) 215-0404. The stock transfer agent is corporate stock transfer of Denver Colorado.

SELECTED FINANCIAL DATA

The Company has net working capital of $1,006,897 as at March 31, 2005 compared to $1,243,335 at March 31, 2004. This represents a decrease in working capital of about 19%. This decrease in working capital is attributed to the decrease in account receivable as well as increase in operating expense from new clinic acquisition.

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

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

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

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

RESULTS OF OPERATIONS

THE FINANCIAL RESULTS DISCUSSED BELOW RELATE TO THE OPERATION OF MERIDIAN HOLDINGS FOR THE THREE MONTHS ENDED MARCH 31, 2005 AS COMPARED TO THE THREE MONTHS ENDED MARCH 31, 2004.

REVENUE

The Company generated revenues from operations of $460,278 during the first quarter ended March 31, 2005, compared to the revenues from operations of $547,664 during the comparable period in 2004. This represents a 16% decrease in revenues. This decrease in revenue is as a result of decrease in capitation and risk pool revenue for the comparable period ended in 2004.

The Company recorded a net income from operations of $100,937 during the three-month period ended March 31, 2005, compared to net loss of $37,211 during the comparable period in 2004. The increase in net income is due to additional revenue generated from the clinic operations.

Revenue generated from our managed care contracts with HMOs as a percentage of medical services revenue was approximately 70% and 99%, respectively, during the three months ended March 31, 2005 and 2004. Revenue generated from the clinic operations for the first 3 months ended March 31, 2005 was $138,086 or 30% of the total revenue for the period then ended.

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. The risk pool revenue component of the total revenue generated from our managed care contracts is $118,965 or 26% of total revenue for the period ended March 31, 2005.

The incurred but not reported (IBNR) claims did not change because the contract for which the IBNR was established for, terminated as of December 31, 2004, when TENET sold the hospitals to another entity. A replacement contract is still being processed between the new owners of the hospital and the HMO. A new IBNR reserve will be established with the new entities as soon as the new contract becomes effective. An IBNR run-out schedule over a six months period for the previous contract has been implemented, and management will continue to monitor this reserve and make appropriate adjustments accordingly on a quarterly basis.

Non-HMO accounts receivable (Fee for Service Revenue), aggregating approximately $138,086 or 30% of total revenue as at March 31, 2005, relate 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. The fee for service revenue increase was due to addition of two large clinic facilities under management by the Company effective January 1, 2005.

COST OF REVENUE

The cost of revenue for three months ended March 31, 2005 is $159,603 compared to $205,296 for three months ended March 31, 2004. This represents a 58% decrease in cost of revenue. The decrease in cost of revenue is due to

the reclassification of medical claims paid to our contracted specialist and ancillary services providers. The later which amounts to $133,518, has been included under General and Administrative expense during the quarter ended March 31, 2005, as discussed below, leaving only the capitation payments made to our contracted primary care providers in the amount of $159,603 as the cost of revenue.

EXPENSES

General and administrative expenses were $450,983 or 98% of total revenues for the three months ended March 31, 2005 compared to $379,579 or 69% of total revenues for three months ended March 31, 2004. This increase in expense is due to additional expense from the operation of the two clinic facilities.

Direct medical costs includes all costs associated with providing services for CAPNET IPA contracted members, including direct medical payment to physician providers, hospitals and ancillary services on capitated and fee for service basis. For the quarter ended March 31, 2005, these costs represents 36% of total revenue. This is referred to as Medical Loss Ratio (MLR). Our Medical Loss Ratio varies from quarter to quarter due to fluctuations in utilization, the timing of claims paid by the HMOs on our behalf, as well as increases in medical costs without counter-balancing increases in capitation revenues.

Medical claims represent the costs of medical services provided by other healthcare providers other than our contracted primary care providers, but which are to be paid by us for individuals covered by our capitated risk contracts with HMOs.

Of the $610,586 total expenditure for the three months ended March 31, 2005, $159,603 or 26% was paid to our capitated primary care providers, $211,803 or 35% was for payroll and employee benefits, $133,578 or 21% was for payment of medical claims, and the rest was for consultant fees and other corporate purposes.

Management anticipates that general operating expenses will increase, as the IPA membership continues to grow and the company hires more personnel.

INCOME/LOSS

The registrant recorded a net loss from operations for the three months ended March 31, 2005 of $ 164,519 compared to net loss of $39,490 during comparable period in 2004

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-QSB, 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-KSB 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.

Medical claims payable include estimates of medical claims expenses incurred

16

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

Pursuant to the Medicaid program, the federal government supplements funds provided by the various states for medical assistance to the medically indigent. Payment for such medical and health services is made to providers in an amount determined in accordance with procedures and standards established by state law under federal guidelines. Significant changes have been and may continue to be made in the Medicaid program which could have an adverse effect on our financial condition, results of operations and cash flows.
During certain fiscal years, the amounts appropriated by state legislatures for payment of Medicaid claims have not been sufficient to reimburse providers for services rendered to Medicaid patients. Failure of a state to pay Medicaid claims on a timely basis may have an adverse effect on our cash flow, results of operations and financial condition.

PLAN OF OPERATIONS

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

The Company has under management two clinic facilities acquired by Meridian Medical Group, P.C. effective January 1, 2005. These clinics are expected to generate additional revenue for the Company going forward.

The Company is also in process to opening a third clinic during the second quarter of 2005.

RECENT EVENTS

On March 5, 2005 the shareholders voted to re-appoint Madsen Associates CPA, Inc., as the Company's independent accountant for the fiscal year ended December 31, 2004. Also, the shareholders re-approved the Registrants' 2001 stock option plan for 2005, as well as the election of the following directors for another one year term:

Mr. James Truher
Dr. Jerry Aguolu

Mr. Randy Simpson
Mrs Marcelina Offoha

Item 3. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(e) 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 the end of this reporting period. 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

17

upon the required evaluation, the Management concluded that as of March 31, 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.

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 significant changes in the Company's internal controls or in other factors that could significantly affect internal controls as of March 31, 2005.

PART II - OTHER INFORMATION

LEGAL PROCEEDINGS

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. (Please see the 2004 form 10KSB filed with SEC at www.sec.gov for additional information.)

Exhibits

31.1	Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002

Signatures

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: August 20, 2005 By: /s/ Anthony C. Dike

______________________________________Signature

Anthony C. Dike

Chief Executive officer