MERIDIAN HOLDINGS INC
Form 10KSB
March 31, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-KSB

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

For the Fiscal Year Period Ended December 31, 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 former 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 ( )

The Registrant's revenues for the year ended December 31, 2002 were $2,618,984

As of December 31, 2002, the Registrant had 93,706,485 shares of its $0.001 par value common stock outstanding. Based upon the closing price at such date, aggregate market value was $1,874,130

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PART I

ITEM 1. DESCRIPTION OF BUSINESS

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 the City of Los Angeles, 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.com-dx, Inc.

3. CGI Communications Services, Inc.

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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 captitated 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.

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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.

CHANGES IN THE HEALTH CARE INDUSTRY COULD ADVERSELY AFFECT OUR BUSINESS

The $1 trillion health care industry is currently going through a period of tremendous change. Nowhere is this more evident than the patient care delivery network where the three main components--physician groups, insurers and hospitals - are scrambling for market share, volume and control.

The health care industry is also subject to changing political, economic, and Regulatory influences. These factors affect the purchasing practices and operations of health care organizations. Changes in current health care financing and reimbursement systems could cause us to make unplanned enhancements of applications or services, or result in delays or cancellations of orders, or in the revocation of endorsement of our applications and services by health care participants. Federal and state legislatures have periodically considered programs to reform or amend the U.S. health care system at both the federal and state level. Such programs may increase governmental involvement in health care, lower reimbursement rates, or otherwise change the environment in which health care industry participants operate. Health care industry participants may respond by reducing their investments or postponing investment decisions, including investments in our applications and services.

Many health care industry participants are consolidating to create integrated health care delivery systems with greater market power. As the health care industry consolidates, competition to provide products and services to industry participants will become even more intense, as will the importance of establishing a relationship with each industry participant These industry participants may try to use their market power to negotiate price reductions for our products and services. If we were forced to reduce our prices, our operating results could suffer as a result if we cannot achieve corresponding reductions in our expenses.

GOVERNMENT REGULATION OF THE HEALTH CARE INDUSTRY COULD ADVERSELY AFFECT OUR BUSINESS.

We are subject to extensive regulation relating to the confidentiality and release of patient records. Additional legislation governing the distribution of medical records has been proposed at both the state and federal level. It may be expensive to implement security or other measures designed to comply with new legislation. Moreover, we may be restricted or prevented from delivering patient records electronically. For example, until recently, the Health Care Financing Administration guidelines prohibited transmission of Medicare eligibility information over the Internet.

Legislation currently being considered at the federal level could affect our business. For example, the Health Insurance Portability and Accountability Act of 1996 mandates the use of standard transactions, standard identifiers, security, and other provisions by April 14 2003. We are designing our platform and applications to comply with these proposed regulations; however, until these regulations become final, they could change, which could cause us to use additional resources and lead to delays as we revise our platform and applications. In addition, our success depends on other health care participants complying with these regulations.

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InterCare.com-Dx, Inc.

InterCare.com-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 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.

Benefits of ICE(tm) Products to Healthcare Payors and Providers:

Point of Care Documentation

Applications enabling all care providers (e.g. physicians, nurses, PA's, technologists, therapists, dieticians, etc.) to document objective and subjective patient data at the point-of-care in a manner that enhances compliance, reduces time, enhances communications, controls resource utilization and enhances revenue generation.

In order to comply with HCFA, HIPAA and other tightening Federal and State regulations, a typical mid-sized IHDN / hospital (300 beds) needs to invest a direct capital investment of $4M - $6M in an EMR/CDR solution over a 5 year period. This huge capital investment includes the purchase of hardware and software licenses, professional implementation / process re-engineering services and on-going critical support services, all comprising a turn-key EMR/CDR enterprise solution. The majority of this capital investment occurs during year 1 of the project, while ROI (Return-On-Investment) is expected to be realized only in much later stages. Thus, the scope of both internal and external

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investment mandated by selecting any specific EMR/CDR solution, exposes decision makers to significant personal risk in case of future failure. This is one of the prime reasons why EMR/CDR solutions' evaluation processes take for ever, and frequently end up with no decision purchase at all.

The U.S. healthcare market is undergoing a transition from fee-for-service to managed care. This transition involves increased exposure to financial risks for healthcare providers, requiring improved control over outcomes and cost generation throughout the entire continuum-of-care. The U.S. Government, through new HCFA and HIPAA regulations accepted since 1996, will tighten its on-going inspection of medical records documentation quality. US physicians who fail to maintain necessary levels of clinical documentation are expected to suffer substantial fines. In a recently held survey, 65% of 1,200 hospital CIOs (Chief Information officers) interviewed had indicated that clinician oriented Computerized Patient Record (CPR) or Central Data Repository (CDR) solutions are their primary purchase priority (Hewlett Packard at the HIMSS trade show, 1997), averaging $4M-$6M per contract

Only a handful of the leading U.S. healthcare legacy systems vendors are in practice coping with the magnitude of the enterprise-wide, distributed CPR/CDR challenge.

Order entry and results reporting

Simplified multi-disciplinary communication of orders, referrals, consultations, notes and retrieval of results including Laboratory, Radiology, Pharmacy, Respiratory Therapy, Dietary, Physiotherapy, Nursing and the like.

Imaging and general archiving

On-line viewing, manipulation and annotation of digital images and documents such as X-rays, CAT Scans, MRIs, Ultrasounds, digitized images, scanned paper documents, etc. This is particularly important in emergency and urgent care settings where speed and provider viewing and interpretation is needed to enhance care delivery. This is the foundation for an integrated healthcare delivery system, using both Local and Wide area networks.

Multi-disciplinary Clinical decision support

Provision of advanced clinical functionality including protocols, pathways, care plans, order sets, alerts, advanced directives, costing, staffing, time standards and templates that facilitate care management, resources control and outcome management.

Clinical workflow and productivity management

Personal desktop that organizes individual user tasks, simplifies follow up and documentation requirements, improves workflow, facilitates quality assurance and management intervention in order to make better use of time.

Care provider communication management

On-line, simplified message routing and communication that interfaces to e-mail, voice mail and like systems to enhance coordination and follow up among care providers.

Central Data Repository

Aggregation of all patient-centric data in the enterprise from all legacy and newer information systems, including Registration, ADT, lab, radiology, pharmacy PACS, departmental systems and ICE(tm).

Medical knowledge base / lexicon

Multiple third-party knowledge bases and lexicons can be readily incorporated

into ICE(tm) including ICD9, CPT4, DSM-4, application objects, lexicon objects, security objects and individual user preferences.

Bi-directional legacy integration middleware

Data exchange in real-time between ICE(tm) and legacy systems to facilitate data merging, data normalization and information consolidation.

Real-time Electrophysiological and Clinical Data Acquisition

InterCare has obtained a developers license from QRS Diagnostics, Inc., to integrate their Medic Software application into ICE(tm), thus making it possible to add such medical diagnostic data as ECG, Temperature, Weight Spirometry and Pulse-oximetry into ICE(tm) database real-time.

Data discovery, mining and analysis

Suite of ad-hoc, programming free tools, enabling novice users experimental "cruising" of all enterprise data in real-time.

InterCare's ICE(tm) software operates over a customizable and highly adaptable operating environment. ICE(tm) is designed to concurrently serve all care providers throughout the continuum-of-care from acute and long-term care to ambulatory and home health care:

- The various medical professions (i.e. physician, nurse, therapists, technologists, dietician, etc.)
- The various medical specialties (i.e. Primary care, OB/Gyn, Pediatrics, Surgery, etc.)
- The various facility types (i.e. acute care, ambulatory care, long term care and home care)

ICE(tm) can seamlessly integrate with legacy systems (utilizing any off- the- shelf interface engine) through both HL7 and proprietary legacy interfaces. A 12-tier security paradigm offers industry leading confidentiality and control of information. Security "behavior" rules are fully configurable by privileged system administrator(s), without programming, through the underlying knowledge bases. ICE(tm)'s embedded security will be fully HIPAA (Health Insurance Portability and Accountability Act of 1996) compliant when the final rulings are released, and supports data compartmentalization down to the level of specific value in any data field.

OUR COMPETITION

In the past few years, resulting from the rapid growth of the Internet, a variety of young companies emerged and quickly became dominant players in the Healthcare IT terrain. WebMD is the most dominant new player in the e-health's administrative and financial arena. WebMD incorporates a crop of young e-health corporations acquired through M&As. Another important player, MedicaLogic which until 1998 was a traditional ambulatory EMR player, made a bold strategic move to the Internet in 1998 was recently acquired by GE medical Systems Corporation.

In light of these rapid market transitions, each of the dominant legacy players is executing a different strategy to capture a leadership position in the emerging e-health market. The most pro-active e-health players are Eclypsis, IDX and McKesson-HBOC. yet, each of these players has thousands of existing customers operationally using its legacy systems.

Thus, their e-health transition strategy is slow both technically and business wise.

There are no specific figures available for estimating the portion of Internet EMR/CDR sales within the annual $2 US Billion sales of traditional EMR/CDR and clinical systems. Yet, it is prudent to assume that it is still below the 10% mark. Thus, the sales of traditional (legacy) enterprise EMR/CDR software programs still dominate the market and are expected to continue such

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dominance for quite some time.

Mergers or consolidations among our competitors, or acquisitions of small competitors by larger companies, would make such combined entities more formidable competitors to us. Large companies may have advantages over us because of their longer operating histories, greater name recognition, or greater financial, technical and marketing resources. As a result, they may be able to adapt more quickly to new or emerging technologies and changes in customer requirements. They can also devote greater resources to the promotion and sale of their products or services than we can.

For the above reasons, we may not be able to compete successfully against our current and future competitors. Increased competition may result in reduced gross margins and loss of market share.

OUR COMPETITIVE ADVANTAGE

- OUR KNOWLEDGEABLE AND GROWING SALES FORCE AND TECHNICAL STAFF.
  We will be making sure that the sales force is trained on the "high-end" networking elements in which we deal so they will be able to service the needs of their customers.

- OUR BUSINESS MODEL COST, EFFICIENCY AND FLEXIBILITY.
  We have addressed the largest cost factor in the methodology for deploying our services through an outsourcing strategy rather than a building the human resources from the scratch strategy. This keeps start-up costs as low as possible.

- OUR STRATEGIC PARTNER STRENGTH.
  Partnerships with CGI Communications Services, Inc., and Meridian Holdings, Inc., (affiliated companies), Acer America, Ingram-Micro Inc., Tech Data Corporation, Microsoft Corporation and, ViewSonic Corporation, will give us the ability to deliver our software products faster and at a lower cost than the competition

- INTEGRATION.
  We can seamlessly integrate all of the different technological solutions and custom applications development. We use different strategic partners to tailor the optimum solution for our customer.

- AUTOMATION AND ADVANCED TELECOMMUNICATIONS TECHNOLOGY.
  Our Network Management tools are automated which leads to less downtime, and lower labor costs. We use the latest equipment, work closely with strategic partners that are forerunners in their fields, and are not hampered by existing legacy infrastructures.

- OUR CUSTOMIZED CUSTOMER APPROACH.
  We emphasize direct relationships with our customers. These relationships enable us to learn information from our customers about their needs and preferences and help us expand our service offerings to include additional value-added services based on customer demand. We believe that these customer relationships increase customer loyalty and reduce turnover.

Our success depends upon careful planning and the selection of partners. We can meet the customer's needs more efficiently with entrenched procedures. This enables us to excel at customer service.

Our Product Features and Benefits

ICE(tm) incorporates a wide variety of capabilities and functionality, which differentiate it from other generally available Electronic Medical Record/Central Database Repository (EMR/CDR) software programs in the global Healthcare Information Technology (IT) market.

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The most significant differentiators are:

Fully integrated Software Program

ICE(tm) is not an aggregation of unrelated and disintegrated legacy products acquired through M&As. ICE(tm) is designed and developed as a fully integrated suite of products, which utilize an identical graphic user interface on top of a scaleable and highly adaptable component architecture. Thus, each of the variety of ICE(tm) products is inherently integrated (data model and business rules alike) with the other products, and the underlying CDR/MKB.

Human anatomy image annotation and embedding, point-and-click data entry

Three-dimensional (3D) MKB (Medical Knowledge Base) navigation utilizing gender-sensitive, human anatomy drawings. Keyboardless medical documentation through drag-and-drop of findings on top of human anatomy . Presentation of lifetime medical history data over a single full-body drawing. Automatic generation of all progress notes and forms from the graphical queues entered by the end user on top of human anatomy drawings as well as annotation of an embedded image referenced in the body of the document.

Customizable, component-based architecture

Multi-tier, common enterprise architecture for all ICE(tm) products. Multi-threaded engines & components. Automatic and manual load balancing & distribution through multiple engines utilizing entry level PC hardware.

Knowledge driven applications

Knowledge base driven clinical workstation applications. Most of the Applications' "behavior" (e.g. business rules) is derived from the underlying database(s), which is fully customizable without the need for programming by the novice end user. This also includes extended support for visually "painting" (e.g. designing) additional input & output screens, inclusive of its business rules.

Repository, data warehouse and datamart unification

While ICE(tm) master central data repository engine(s) will serve the multitude of concurrent enterprise users, its live backup(s) simultaneously will serve as data warehouse and datamart for ad-hoc data discovery, mining and analysis in real-time.

Third-party legacy integration

Seamless bi-directional integration with ancillary, administrative and financial legacy systems. Concurrent support for both HL7 and proprietary legacy messaging. Plug-and-play legacy interface(s) addition and/or modification. Immediate value and ROI to the enterprise by integration of legacy systems only into the ICE(Tm) CDR prior to any ICE(Tm) application implementation.

Marketing & Sales organization

The Company entered into a Master Reseller Agreement with InterCare.com-dx, Inc., an affiliated entity. InterCare plans to build strong internal organizations for both marketing and sales. The company intends to utilize both direct and indirect sales channels, where direct channels will be primarily with small customers, and indirect channels with medium sized customers.

BENEFITS OF THE COMPANY'S MODEL

PHYSICIAN'S INTERACTIVE. The Company intends to offer an interactive web-forum
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for physicians to discuss various issues regarding their pharmaceutical usage and experience. This product will enable pharmaceutical manufacturers and managed care organizations to deliver drug education and detailing to physicians more efficiently and cost-effectively via the Internet, without the face-to-face interaction currently required. In future, as the technology evolves, the Company will offer interactive video conferencing to participating physicians and the pharmaceutical representatives to discuss their experience and pharmaceutical needs.

INTELLIGENT REMINDER. The Company intends to offer a service to track patient compliance with prescribed treatment and to send reminders to patients, physicians and managed care organizations. By increasing compliance, the Company expects to improve patient care and reduce unnecessary office visits, benefiting patients, physicians and managed care organizations.

PATIENT EDUCATION. Through Capnet IPA and other healthcare entities the Company intends to acquire, they will provide information to patients, enabling them to take a more active role in managing and improving the quality and cost of their healthcare. Specific information regarding health state, managed care and medications will be made available on the Web site and via e-mail.

CGI COMMUNICATIONS SERVICES, INC.

CGI Communications Services, Inc., a start-up company, delivers broadband communications solutions including high-speed Internet access, data, voice and video services over a revolutionary national network to a wide spectrum of business customers. CGI Communications Services is also a specialized Vertical Market Applications Services Provider (VMASP) subsidiary of Meridian Holdings, Inc. The Company's fully integrated, cost-effective solution approach gives businesses little reason to search elsewhere for the same solution that would be delivered by 2 to 3 different companies, each specializing in one facet to the whole solution. Because our network is smarter than the competition and we have extensive experience in deploying multi-faceted Internet solutions, our plan is to brand CGI COMMUNICATIONS SERVICES as the clear market leader in delivering solid, complete and cost-effective network solutions to businesses that need to integrate the utility of the Internet into their operations.

By combining enabling technology with industry leading companies supplying telecommunications, medical products and services, CGI is poised to make InterCare.com-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 300 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.

INDUSTRY

According to TeleChoice, a telecommunications consulting firm, the market for digital subscriber lines (DSL) has charted growth of 300% for the first half of 1999, well beyond analysts' expectations. Positioning itself to give cable modem competition a good run, DSL is a technology that uses digital coding to push up to 99% more information through a regular copper phone line. The result is that the line can transmit data using a higher frequency, and simultaneous voice and fax using a lower frequency. DSL services the "last mile"- the area stretching from the central phone exchange to the customer - that has proven such a challenge in providing fast connections to businesses. Laurie Falconer, DSL analyst at TeleChoice, expects market growth for DSL to speed up, and competition to increase. "There's a lot of demand for it," she says. Falconer claims a main factor to separate the market leaders and losers will be the viability of the targeted market. The Company is aiming to attract multi-location businesses to its products and services.

Published figures and projections about growth of the Internet vary, but agreement about rapid expansion is standard. A new study of the Internet telephony business by Killen & Associates, a telecommunications research and consultant group in Palo Alto, Calif. Forecasts an $8 Billion market by the year 2003 for providers of IP services offering voice, fax and video capabilities. Recent mergers of telephone and cable companies, and acquisitions of Internet technology companies predict that broadband access is the future of the online world.

The Internet's increasingly pivotal role in business via Web content, e-commerce and virtual Private Networks (VPNs), combined with the lack of affordable, high-speed access solutions for small businesses, have created a large niche for DSL services. Although the market is still nascent, Morgan Stanley Dean Witter & Co. estimates the U.S. DSL service market for access alone will reach $7 billion to $9 billion by 2002.

Although local phone companies are in the best position to offer DSL because they own the core infrastructure that supports it, until very recently, they were reluctant to market these services to business customers. According to New York-based Bank of America Securities LLC senior analyst Michael Renegar, ILECs ("Incumbent Local Exchange Carriers") won't aggressively sell DSL services to businesses. "DSL will cannibalize existing T1 service, for which ILECs typically charge $1,000 a month," he says. "It would reduce margins considerably."

BUSINESS STRATEGY

CGI Communications Services, Inc., intends to capitalize on the enormous public attention focused on the Internet and the need for increased bandwidth by increasing its' telemarketing sales and technical support staff, targeting its advertising to its core audience, and by providing the most efficient, lowest-cost high speed Internet service in its service corridor. CGI is focusing its marketing efforts to specialty and small business entities. CGI recently entered into a joint venture relationship with TeleHealth Consulting, LLC, to deploy the web-enabled version of ICE(tm) suite of clinical applications to physicians and healthcare providers in the continent of Africa and Asia during when the first phase of this project began later in the fall of 2002.

CORPORATE INFORMATION

CGI Communications Services, Inc., was incorporated under Delaware law on April 12, 1997. Its executive offices are at 900 Wilshire Blvd., Suite 500, Los Angeles, California 90017. Its telephone number is (213) 627-8878. Its fax number is (213) 627-9183. On December 10, 1999, Meridian Holdings, Inc., acquired 20% equity interest in the Company, in exchange for an aggregate of $12,000,000 equity investment over 5 years.

MANAGEMENT OF POTENTIAL GROWTH

The Company has rapidly and significantly expanded its operations and anticipates that further expansion will be required to address potential growth in its customer base, to expand its product and service offerings and its international operations and to pursue other market opportunities. The projected expansion of the Company's operations and employee base will place a significant strain on the Company's management, operational and financial resources. To manage the expected growth of its operations and personnel, the Company will be required to improve existing and implement new transaction-processing, operational and financial systems, procedures and controls and to expand, train and manage its growing employee base. There can be no assurance that the Company's current and planned personnel, systems, procedures and controls will be adequate to support the Company's future operations, that management will be able to hire, train, retain, motivate and manage required personnel or that Company management will be able to successfully identify, manage and exploit existing and potential market opportunities. If the Company is unable to manage growth effectively, such inability could have a material adverse effect on the Company's business, prospects, financial condition and

results of operations.

NEW BUSINESS AREAS

The Company intends to expand its operations by promoting new or complementary products or sales formats and by expanding the breadth and depth of its product or service offerings. Expansion of the Company's operations in this manner would require significant additional expenses, development, operations and editorial resources and would strain the Company's management, financial and operational resources. Furthermore, the Company may not benefit from the first-mover advantage that it will experience in the online high technology market and gross margins attributable to new business areas may be lower than those associated with the Company's existing business activities prior to the introduction of new products or line of business. There can be no assurance that the Company will be able to expand its operations in a cost-effective or timely manner. Furthermore, any new business launched by the Company that is not favorably received by consumers could damage the Company's reputation or the Bolingo.com brand. The lack of market acceptance of such efforts or the Company's inability to generate satisfactory revenues from such expanded services or products to offset their cost could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

INTERNATIONAL EXPANSION

The Company intends to expand its presence in foreign markets. To date, the Company has only limited experience in sourcing, marketing and distributing products on an international basis and in developing localized versions of its Web site and other systems. The Company expects to incur significant costs in establishing international facilities and operations, in promoting its brand internationally, in developing localized versions of its Web site and other systems and in sourcing, marketing and distributing products in foreign markets. There can be no assurance that the Company's international efforts will be successful. If the revenues resulting from international activities are inadequate to offset the expense of establishing and maintaining foreign operations, such inadequacy could have a material adverse effect on the Company's business, prospects, financial condition and results of operations. In addition, there are certain risks inherent in doing business on an international level, such as unexpected changes in regulatory requirements, export and import restrictions, tariffs and other trade barriers, difficulties in staffing and managing foreign operations, longer payment cycles, political instability, fluctuations in currency exchange rates, seasonal reductions in business activity in other parts of the world and potentially adverse tax consequences, any of which could adversely impact the success of the Company's international operations. There can be no assurance that one or more of such factors will not have a material adverse impact on the Company's future international operations and, consequently, on the Company's business, prospects, financial condition and results of operations.

BUSINESS COMBINATIONS AND STRATEGIC ALLIANCES

The Company may choose to expand its operations or market presence by entering into business combinations, investments, joint ventures or other strategic alliances with third parties. Any such transaction would be accompanied by the risks commonly encountered in such transactions. These include, among others, the difficulty of assimilating the operations, technology and personnel of the combined companies, the potential disruption of the Company's ongoing business, the inability to retain key technical and managerial personnel, the inability of management to maximize the financial and strategic position of the Company through the successful integration of acquired businesses, additional expenses associated with amortization of acquired intangible assets, the maintenance of uniform standards, controls and policies and the impairment of relationships with existing employees and customers. There can be no assurance that the Company would be successful in overcoming these risks or any other problems encountered in connection with such business combinations, investments, joint ventures or other strategic alliances, or that such transactions will not have a

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material adverse effect on the Company's business, prospects, financial condition and results of operations.

RAPID TECHNOLOGICAL CHANGE

To remain competitive, the Company must continue to enhance and improve the responsiveness, functionality and features of the its Internet websites. The Internet and the online commerce industry are characterized by rapid technological change, changes in user and customer requirements and preferences, frequent new product and service introductions embodying new technologies and the emergence of new industry standards and practices that could render the Company's existing Web site and proprietary technology and systems obsolete. The Company's success will depend, in part, on its ability to license leading technologies useful in its business, enhance its existing services, develop new services and technology that address the increasingly sophisticated and varied needs of its prospective customers and respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis. The development of Web site and other proprietary technology entails significant technical, financial and business risks. There can be no assurance that the Company will successfully implement new technologies or adapt its Web site, proprietary technology and transaction-processing systems to customer requirements or emerging industry standards. If the Company is unable, for technical, legal, financial or other reasons, to adapt in a timely manner in response to changing market conditions or customer requirements, such inability could have a material adverse effect on the Company's business, prospects, financial condition and results of operations. The Company's future success also depends on its ability to identify, attract, hire, train, retain and motivate other highly skilled technical, managerial, editorial, merchandising, marketing and customer service personnel. Competition for such personnel is intense and there can be no assurance that the Company will successfully attract, assimilate or retain sufficiently qualified personnel. In particular, the Company has encountered difficulties in attracting a sufficient number of qualified software developers for its Web site and transaction-processing systems and there can be no assurance that the Company will retain and attract such developers. The failure to retain and attract the necessary technical, managerial, editorial, merchandising, marketing and customer service personnel could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

ACQUISITIONS

If appropriate opportunities present themselves, the Company intends to acquire businesses, technologies, services or products that the Company believes are strategic. The Company currently has no understandings, commitments or agreements with respect to any other material acquisition and no other material acquisition is currently being pursued. There can be no assurance that the Company will identify, negotiate or finance future acquisitions successfully, or to integrate such acquisitions with its current business.

INTERNATIONAL EXPANSION

The Company intends to expand its presence in foreign markets. To date, the Company has only limited experience in sourcing, marketing and distributing products on an international basis and in developing localized versions of its Web site and other systems. The Company expects to incur significant costs in establishing international facilities and operations, in promoting its brand internationally, in developing localized versions of its' web site and other systems and in sourcing, marketing and distributing products in foreign markets. There can be no assurance that the Company's international efforts will be successful. If the revenues resulting from international activities are inadequate to offset the expense of establishing and maintaining foreign operations, such inadequacy could have a material adverse effect on the Company's business, prospects, financial condition and results of operations. In addition, there are certain risks inherent in doing business on an international level, such as unexpected changes in regulatory requirements, export and import

restrictions, tariffs and other trade barriers, difficulties in staffing and managing foreign operations, longer payment cycles, political instability, fluctuations in currency exchange rates, seasonal reductions in business activity in other parts of the world and potentially adverse tax consequences, any of which could adversely impact the success of the Company's international operations.

ONLINE COMMERCE SECURITY

A significant barrier to online commerce and communications is the secure transmission of confidential information over public networks. The Company relies on encryption and authentication technology licensed from third parties to provide the security and authentication necessary to effect secure transmission of confidential information, such as customer credit card numbers. There can be no assurance that advances in computer capabilities, new discoveries in the field of cryptography, other events or developments will not result in a compromise or breach of the algorithms used by the Company to protect customer transaction data. If any such compromise of the Company's security were to occur, it could have a material adverse effect on the Company's reputation, business, prospects, financial condition and results of operations. A party who is able to circumvent the Company's security measures could misappropriate proprietary information or cause interruptions in the Company's operations. The Company may be required to expend significant capital and other resources to protect against such security breaches or to alleviate problems caused by such breaches. Concerns over the security of the Internet and other online transactions and the privacy of users may also inhibit the growth of the Internet and other online services generally and the Web in particular, especially as a means of conducting commercial transactions. To the extent that activities of the Company or third-party contractors involve the storage and transmission of proprietary information, such as credit card numbers, security breaches could damage the Company's reputation and expose the Company to a risk of loss or litigation and possible liability. There can be no assurance that the Company's security measures will prevent security breaches or that failure to prevent such security breaches will not have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

EMPLOYEES

As of December 31, 2002, the Company had approximately 17 full-time employees. Of the total,13 were employed at the Company's executive offices. No employee of the Company is covered by a collective bargaining agreement or is represented by a labor union. The Company considers its employee relations to be good.

ITEM 2. DESCRIPTION OF PROPERTY

The Company's corporate offices are located at 900 Wilshire Boulevard, Suite

500, Los Angeles, California 90017. The Company is required to pay $5,791.00 per month rental. The Company was required to make a lease deposit of $5,186.00. The lease expires on February 28, 2004. The telephone number is (213) 627-8878. The Company has additional office space located at 1601 Centinela Avenue, Inglewood, California 90302. The Company is required to pay $1,560.00 per month rental. The Company was not required to make a lease deposit. This lease is on a month to month basis.

ITEM 3. LEGAL PROCEEDINGS

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

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

On July 19, 2001, Ventures & Solutions, LLC, filed a lawsuit against the company, styled Ventures & Solutions, LLC, Plaintiff v. Meridian Holdings, Inc., Defendant, Circuit Court of Alexandria, Virginia, Case No. C10517. The company was served with a copy of the Complaint on August 6, 2001. Plaintiff has alleged that the company owes it approximately $29,000.00, pre and post judgment interest, and attorneys' fees and costs. On August 22, the Company filed a response denying all allegations in the lawsuit.

The company believes that the allegations are wholly without merit and currently expects to vigorously defend its position. The company believes that the principal of Plaintiff is Mr. Dale Church, a former Director of company's former subsidiary and current affiliated company, Intercare.Com-DX, Inc. and that the basis of Plaintiff's allegations stem from the company's transactions with respect to Sirius and the MedMaster Technology and Software.

Effective October 17 2002, Meridian Holdings, Inc., InterCare.com, Inc., and Silicon Valley Bank reached a settlement agreement of the entire action, 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 above.

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 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On March 8, 2002 the shareholders voted to re-appoint Mr. Andrew Smith CPA, as the Company's independent accountant for the fiscal year ended December 31, 2002. Also, the shareholders approved the Registrants' 2002 stock option plan as well as the election of the following directors for another one year term:

Mr. James Truher
Mr. Scott Wellman, Esq
Mr. James Kyle
Mrs Marcelina Offoha

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTER

The Common Stock is currently quoted on the OTC Bulletin Board, maintained by the National Association of Security Dealers, Inc. under the Symbol: MEHO, and there is presently only a very limited market for the Common Stock. Historically the spread between the bid and asked price of the Company's Common Stock has been large, reflecting limited trading in the stock. The price range of the Company's Common Stock has varied significantly in the past months, ranging from a high bid of $0.25 and a low bid of $0.012 per share. The trading price for the Common Stock has fluctuated widely in the recent past. The above prices represent inter-dealer quotations without retail mark-up, mark-down or commission, and may not necessarily represent actual transactions.

We plan to list our common stock on the new exchange to be sponsored by NASD in 2003. This new exchange will be known as Bulletin Board Exchange(SM) or BBX, a listed market place, with qualitative listing standards but with no minimum share price, income, or asset requirements therefore allowing entrance to a wide array of listings. According to NASD, companies trading on the BBX will be differentiated from those over-the-counter in that their market symbol will begin with a the letters "XB", and unlike the current OTCBB issuers will be allowed to choose their own three-letter market symbol. In addition the BBX will have an electronic trading system to allow order negotiation and automatic execution. The current OTCBB will be phased out in 2003 according to NASD, and in its place will be the BBX.

The following information with respect to the high and low bid price of our shares was obtained from the National Quotation Bureau.