

Edgar Filing: OMNI MEDICAL HOLDINGS INC - Form 8-K

OMNI MEDICAL HOLDINGS INC
Form 8-K
May 10, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act

May 30, 2003

Date of Report
(Date of Earliest Event Reported)

OMNI MEDICAL HOLDINGS, INC.

(Exact Name of Registrant as Specified in its Charter)

Utah	0-26177	87-0425275
----	-----	-----
(State or other Jurisdiction)	(Commission File No.)	(IRS Employer I.D. No.)

1107 Mt. Rushmore Road, Suite 2
Rapid City, South Dakota 57701

(Address of Principal Executive Offices)

(605) 718-0380

Registrant's Telephone Number

Not Applicable

(Former Name or Former Address if changed Since Last Report)

Item 2. Acquisition or Disposition of Assets.

Effective May 30, 2003, Omni Medical Holdings, Inc. ("OMH" or the "Company"), through its wholly-owned subsidiary, Omni Medical Services, Inc., ("OMS"), completed an asset purchase agreement with Medical Billing Management, Inc. ("MBM"), a corporation based in Mississippi and a provider of medical billing and collection services to medical practitioners. The aggregate purchase price of \$450,000, including \$150,000 paid at closing, \$75,000 payable on November 30, 2003 (paid in February 2004) and \$225,000 payable on May 31, 2004. The May 31, 2004 payment is subject to an adjustment which is to be calculated based on a multiple of the amount by which revenues for the year ending May 31, 2004 are more or less than a baseline amount. The adjustment will be recorded as an adjustment to the acquisition cost of MBM.

The purchase price was allocated \$124,564 for equipment, furniture and other depreciable assets; \$135,000 for accounts receivable and work in process and \$100,000 for a related Covenant Not to Compete of Margaret Brown, MBM's President, who was also given a one year Employment Agreement; and the

Edgar Filing: OMNI MEDICAL HOLDINGS INC - Form 8-K

balance as goodwill. A complete list of the equipment acquired and the Employment Agreement are respectively Exhibits A and C to the Asset Purchase Agreement.

The consideration paid was negotiated "arms length," and the directors of the Company determined that the consideration for the purchase was reasonable, under these circumstances.

No director, executive officer or five percent or more stockholder of the Company had any direct or indirect interest in MBM prior to the completion of the Asset Purchase Agreement.

For more information regarding this transaction, see the Asset Purchase Agreement and related Exhibits attached hereto and incorporated herein by reference. See Item 7 of this Current Report.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(a) Financial Statements of Businesses Acquired.

MEDICAL BILLING MANAGEMENT, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2002 AND 2001
THREE MONTHS ENDED MARCH 31, 2003 AND 2002 (UNAUDITED)

MEDICAL BILLING MANAGEMENT, INC.
YEARS ENDED DECEMBER 31, 2002 AND 2001
THREE MONTHS ENDED MARCH 31, 2003 AND 2002 (UNAUDITED)

CONTENTS

Independent Auditor's Report	F-1
Financial Statements:	
Balance sheets	F-2
Statements of operations	F-3
Statements of stockholder's equity	F-4
Statements of cash flows	F-5
Notes to financial statements	F-6 - F-10

INDEPENDENT AUDITORS' REPORT

Board of Directors
Medical Billing Management, Inc.

We have audited the accompanying balance sheet of Medical Billing Management, Inc. ("the Company") as of December 31, 2002, and the related statements of operations, shareholders' equity and cash flows for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these

Edgar Filing: OMNI MEDICAL HOLDINGS INC - Form 8-K

financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Medical Billing Management, Inc. as of December 31, 2002, and the results of its operations and its cash flows for the years ended December 31, 2002 and 2001 in conformity with accounting principles generally accepted in the United States of America.

/s/Gelfond Hochstadt Pangburn, P.C.

April 20, 2004
Denver, Colorado

F-1

MEDICAL BILLING MANAGEMENT, INC.

BALANCE SHEETS

DECEMBER 31, 2002 AND MARCH 31, 2003 (UNAUDITED)

	December 31, 2002	March 31, 2003 (unaudited)
ASSETS		
Current assets:		
Cash	\$ 29,622	\$ 185,913
Accounts receivable, net	172,749	105,994
Work in process	137,600	115,200
Prepaid expenses	31,271	11,296
	-----	-----
Total current assets	371,242	418,403
Furniture and equipment, net	84,912	80,442
	-----	-----
Total assets	\$ 456,154	\$ 498,845
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 13,718	\$ 8,664
Bank overdraft	11,397	0
Accrued salaries and payroll taxes	34,077	41,223
	-----	-----

Edgar Filing: OMNI MEDICAL HOLDINGS INC - Form 8-K

Total liabilities, all current	59,192	49,887
	-----	-----
Commitments		
Shareholders' equity:		
Common stock, \$1 par value; 1,150 shares issued and outstanding at December 31, 2002, and March 31, 2003 (unaudited), respectively	1,150	1,150
Retained Earnings	395,812	447,808
	-----	-----
Total shareholders' equity	396,962	448,958
	-----	-----
Total liabilities and shareholders' equity	\$ 456,154	\$ 498,845
	=====	=====

See notes to financial statements.

F-2

MEDICAL BILLING MANAGEMENT, INC.
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2002 AND 2001
THREE MONTHS ENDED MARCH 31, 2003 AND 2002 (UNAUDITED)

	Years ended December 31,		Three months ended March 31,	
	2002	2001	2003	2002
			(unaudited)	(unaudited)
Revenue	\$1,365,956	\$1,564,011	\$ 283,261	\$ 425,607
Cost of revenue	975,390	907,701	150,244	225,841
	-----	-----	-----	-----
Gross profit	390,566	656,310	133,017	199,766
General and administrative expenses	389,607	378,315	81,021	86,438
	-----	-----	-----	-----
Net income	\$ 959	\$ 277,995	\$ 51,996	\$ 113,328
	=====	=====	=====	=====

See notes to financial statements.

F-3

MEDICAL BILLING MANAGEMENT, INC.
STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2002 AND 2001
THREE MONTHS ENDED MARCH 31, 2003 (UNAUDITED)

	Shares	Common stock	Retained earnings	total
Balances, January 1, 2001	1,150	\$ 1,150	\$316,858	\$ 318,008
Dividend distribution to shareholders			(100,000)	(100,000)
Net income			277,995	277,995
	-----	-----	-----	-----
Balances, December 31, 2001	1,150	1,150	494,853	496,003

Edgar Filing: OMNI MEDICAL HOLDINGS INC - Form 8-K

Dividend distribution to shareholders			(100,000)	(100,000)
Net income			959	959
Balances, December 31, 2002	1,150	1,150	395,812	396,962
Net income (unaudited)			51,996	51,996
Balances, March 31, 2003 (unaudited)	1,150	\$ 1,150	\$447,808	\$ 448,958

See notes to financial statements.

F-4

MEDICAL BILLING MANAGEMENT, INC.
 STATEMENTS OF CASH FLOWS
 YEARS ENDED DECEMBER 31, 2002 AND 2001
 THREE MONTHS ENDED MARCH 31, 2003 AND 2002 (UNAUDITED)

	Years ended December 31, 2002	2001	Three months ended March 31, 2003 (unaudited)	2002 (unaudited)
Net income	\$ 959	\$ 277,995	\$ 51,996	\$ 113,328
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	17,882	10,079	4,470	4,471
Changes in operating assets and liabilities:				
Accounts receivable	4,523	(160,201)	66,756	18,416
Work in process	166,700	(131,800)	22,400	(47,600)
Prepaid expenses	(21,151)	3,630	19,975	8,602
Accounts payable	4,370	7,639	(5,054)	(3,068)
Bank overdraft	11,397	0	(11,397)	0
Accrued salaries and payroll taxes	(9,344)	32,964	7,146	3,150
Net cash provided by operating activities	175,336	40,306	156,292	97,299
Cash flows from investing activities:				
Purchase of property and equipment	(63,277)	(30,671)	0	0
Net cash used in investing activities	(63,277)	(30,671)	0	0
Cash flows from financing activities:				
Payments of dividends to shareholders	(100,000)	(100,000)	0	0
Net cash used in financing activities	(100,000)	(100,000)	0	0
Net increase (decrease)				

Edgar Filing: OMNI MEDICAL HOLDINGS INC - Form 8-K

in cash	12,059	(90,365)	156,292	97,299
Cash, beginning	17,563	107,928	29,621	17,563
	-----	-----	-----	-----
Cash, ending	\$ 29,622	\$ 17,563	\$ 185,913	\$ 114,862
	=====	=====	=====	=====

See notes to financial statements.

F-5

MEDICAL BILLING MANAGEMENT, INC.
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2002 AND 2001
 THREE MONTHS ENDED MARCH 31, 2003 AND 2002 (UNAUDITED)

1. Organization and interim financial statements:

Medical Billing Management, Inc, ("the Company"), a Mississippi corporation, provides medical billing and collection services to medical practitioners. The Company operates out of its facility in Jackson, Mississippi.

The balance sheet as of March 31, 2003, the related statements of operations and cash flows for the three months ended March 31, 2003 and 2002, and the statement of shareholders' equity for the three months ended March 31, 2003, have been prepared by the Company without audit. In the opinion of management, all adjustments (which include normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for all such periods have been made. The results of operations for the three months ended March 31, 2003, are not necessarily indicative of the operating results for the full year.

2. Significant accounting policies:

Cash and cash equivalents:

Cash and cash equivalents include cash on hand, money market accounts and short-term investments purchased with an original maturity of three months or less.

Accounts receivable and concentration of credit risk:

The Company extends credit to its customers in the normal course of business. The Company maintains reserves for potential credit losses based upon its loss history and its aging analysis. At December 31, 2002 and March 31, 2003, four customers, individually, accounted for more than 10% of accounts receivable.

Customers that accounted for more than 10% of revenues are as follows:

	December 31, 2002	December 31, 2001	March 31, 2003 (unaudited)	March 31, 2002 (unaudited)
Customer A	27%	23%	2%	24%
Customer B	23%	25%	31%	22%
Customer C	16%	16%	29%	16%
Customer D	8%	9%	12%	8%

F-6

Edgar Filing: OMNI MEDICAL HOLDINGS INC - Form 8-K

MEDICAL BILLING MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2002 AND 2001
THREE MONTHS ENDED MARCH 31, 2003 AND 2002 (UNAUDITED)

2. Significant accounting policies (continued):

Furniture and equipment:

Furniture and equipment are recorded at cost. Depreciation is provided by use of straight-line and accelerated methods over the estimated useful lives of the assets ranging from 3 to 10 years.

The Company periodically evaluates the carrying value of its long-lived assets for purposes of determining if impairment has occurred. If the Company determines that impairment has occurred, a loss is recognized based on the difference between the assets' carrying value and their estimated fair value. Based upon its review, the Company does not believe that any impairment has occurred as of December 31, 2002.

Revenue recognition:

Revenue is recognized only after the following criteria are met: (i) there exists adequate evidence of the transactions; (ii) services have been performed; and (iii) the price is not contingent on future activity and (iv) collectibility is assured.

Fair value of financial instruments:

The carrying amounts of the Company's financial instruments approximate fair values due to the short maturities of these instruments.

Income taxes:

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under these provisions, each shareholder reports his proportionate share of the Company's income on his individual income tax return. Therefore, no provision or liability for income taxes has been included in the accompanying financial statements.

Comprehensive income:

SFAS No. 130, Reporting Comprehensive Income, establishes requirements for disclosure of comprehensive income. During the years ended December 31, 2002 and 2001 and the three months ended March 31, 2003 and 2002, the Company did not have any components of comprehensive income to report.

F-7

MEDICAL BILLING MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2002 AND 2001
THREE MONTHS ENDED MARCH 31, 2003 AND 2002 (UNAUDITED)

2. Significant accounting policies (continued):

Recently issued accounting pronouncements:

In May 2003, the Financial Accounting Standards Board (FASB) issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. SFAS No. 150 establishes new standards on how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. The

Edgar Filing: OMNI MEDICAL HOLDINGS INC - Form 8-K

provisions of SFAS No. 150 are generally effective for all financial instruments entered into or modified after May 31, 2003, except for those provisions relating to mandatorily redeemable non-controlling interests, which have been deferred. The adoption of SFAS No. 150 did not have a material impact on the financial position or results operation of the Company. If the deferred provisions of SFAS No. 150 are finalized in their current form, management does not expect adoption to have a material effect on the financial position or results of operation of the Company.

In January 2003, the Financial Accounting Standards Board ("FASB") issued SFAS Interpretation No. 46, Consolidation of Variable Interest Entities ("FIN No. 46"), which changes the criteria by which one company includes another entity in its consolidated financial statements. FIN No. 46 requires a variable interest entity ("VIE") to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. In December 2003, the FASB approved a partial deferral of FIN No. 46 along with various other amendments. The effective date for this interpretation has been extended until the first fiscal period ending after December 15, 2004. However, prior to the required application of this interpretation, a public entity that is a small business issuer shall apply this interpretation to those entities that are considered to be special purpose entities no later than as of the end of the first reporting period after December 15, 2003. As the Company does not currently have an interest in a VIE, management does not expect that the adoption of FIN No. 46 will have a significant immediate impact on the financial condition or results of operations of the Company.

In November 2002, the FASB issued SFAS Interpretation No. 45 ("FIN No. 45"), Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees and Indebtedness of Others. FIN No. 45 elaborates on the disclosures to be made by the guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also requires that a guarantor recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of this interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002, while the provisions of the disclosure requirements are effective for financial statements of interim or annual reports ending after December 15, 2002. The Company is currently evaluating the recognition provisions of FIN No. 45, but does not expect that the adoption of FIN No. 45 will have a significant immediate impact on the financial condition or results of operations of the Company, as the Company has made no guarantees.

F-8

MEDICAL BILLING MANAGEMENT, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2002 AND 2001

THREE MONTHS ENDED MARCH 31, 2003 AND 2002 (UNAUDITED)

2. Significant accounting policies (continued):

Recently issued accounting pronouncements (continued):

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure. This statement amends SFAS No. 123, Accounting for Stock-Based Compensation and establishes two alternative methods of transition from the intrinsic value method to the

Edgar Filing: OMNI MEDICAL HOLDINGS INC - Form 8-K

fair value method of accounting for stock-based employee compensation. In addition, SFAS No. 148 requires prominent disclosure about the effects on reported net income and requires disclosure for these effects in interim financial information. The provisions for the alternative transition methods are effective for fiscal years ending after December 15, 2002 and the amended disclosure requirements are effective for interim periods beginning after December 15, 2002. As the Company does not have stock-based compensation, management does not expect that the adoption of SFAS No. 148 will have a significant immediate impact on the Company's financial condition or results of operations of the Company.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 balance sheet and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

3. Furniture and equipment:

At December 31, 2002 and March 31, 2003 (unaudited), furniture and equipment consist of the following:

	December 31, 2002	March 31, 2003 (unaudited)
Office furniture	\$ 38,359	\$ 38,359
Office equipment	15,787	15,787
Computer equipment	79,489	79,489
	-----	-----
	133,635	133,635
Less accumulated depreciation	48,723	53,193
	-----	-----
	\$ 84,912	\$ 80,442
	=====	=====

F-9

MEDICAL BILLING MANAGEMENT, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2002 AND 2001

THREE MONTHS ENDED MARCH 31, 2003 AND 2002 (UNAUDITED)

4. Commitments:

Operating lease:

The Company leases its office space under the terms of a non-cancelable lease, expiring July 31, 2006. Rental expense under the lease for the years ended December 31, 2002 and 2001 was approximately \$93,000 and \$76,000, respectively. Rental expense under the lease for the three months ended March 31, 2003 and 2002 (unaudited) was approximately \$25,000 and \$20,000, respectively.

The Company also leases office equipment under operating leases with various terms through May 2004. Total lease expense for the years ended December 31, 2002 and 2001 was approximately \$4,000 and \$6,000, respectively and \$1,000 for both of the three month periods ended March

Edgar Filing: OMNI MEDICAL HOLDINGS INC - Form 8-K

31, 2003 and 2002 (unaudited).

Minimum future lease payments under operating leases are approximately as follows:

Year ending:	
2003	\$93,000
2004	75,000
2005	73,000
2006	42,000

5. Shareholders' equity:

During each of the years ended December 31, 2001 and 2002, the Company made dividend distributions to its shareholders of \$100,000.

6. Subsequent events (unaudited):

Effective May 30, 2003, the Company entered into a sales agreement with Omni Medical Holdings Inc. ("OMH"), a Nevada corporation based in the state of South Dakota. Under the terms of the agreement, the Company sold certain assets (primarily customer list, accounts receivable, and furniture and equipment) and transferred certain lease obligations to OMH in exchange for a purchase price of \$450,000, of which \$150,000 was paid at closing, \$75,000 was payable on November 30, 2003 (paid in February 2004) and \$225,000 is payable on May 31, 2004. The May 31, 2004 payment is subject to an adjustment which is to be calculated based on a multiple of the amount by which revenues for the year ending May 31, 2004 are more or less than a baseline amount.

F-10

(b) Pro Forma Financial Information.

OMNI MEDICAL HOLDINGS, INC. UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

Effective May 30, 2003, Omni Medical Holdings, Inc. ("OMH" or "the Company"), through its wholly-owned subsidiary, Omni Medical Services, Inc., ("OMS"), completed an asset purchase agreement with Medical Billings Management, Inc. ("MBM"), a corporation based in Mississippi and a provider of medical billing and collection services to medical practitioners. The aggregate purchase price of \$450,000, including \$150,000 paid at closing, \$75,000 payable on November 30, 2003 (paid in February 2004) and \$225,000 payment on May 31, 2004. The May 31, 2004 payment is subject to an adjustment which is to be calculated based on a multiple of the amount by which revenues for the year ending May 31, 2004 are more or less than a baseline amount. The adjustment will be recorded as an adjustment to the acquisition cost of MBM.

The accompanying unaudited pro forma consolidated statement of operations for the year ended March 31, 2003 gives effect to the asset purchase agreement as if it had been consummated on April 1, 2002. The unaudited pro forma consolidated statement of operations does not purport to be indicative of the results of operations that actually would have occurred had the transactions been consummated on April 1, 2002 or to project the Company's financial operations to any future period. The accompanying unaudited pro forma consolidated balance sheet as of March 31, 2003 gives effect to the asset purchase agreement as if it had been consummated on that date.

The unaudited pro forma consolidated financial statements should be read in conjunction with the historical financial statements of the Company, as well as those of Medical Billings Management, Inc.

Edgar Filing: OMNI MEDICAL HOLDINGS INC - Form 8-K

F-11

OMNI MEDICAL HOLDINGS INC. ("OMH")
 PRO FORMA CONSOLIDATED BALANCE SHEET
 March 31, 2003

	OMH	Pro Forma Adjustments	Pro Forma
ASSETS			
Current assets:			
Cash	\$ 215,691	\$ (150,000) a	\$ 65,691
Accounts receivable, net	8,820	105,993 a	114,813
Total current assets	224,511	(44,007)	180,504
Property and equipment, net	143,787	80,442 a	224,229
Goodwill	36,000		36,000
Intangible asset	27,980	244,014 a	271,994
Total assets	\$ 432,278	\$ 280,449	\$ 712,727
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$ 6,416	\$	\$ 6,416
Accrued expenses	5,130		5,130
Notes payable, current portion	33,991	280,449 a	314,440
Total current liabilities	45,537	280,449	325,986
Note payable, net of current portion	164,122		164,122
Total liabilities	209,659	280,449	490,108
Shareholders' equity:			
Common stock	8,345		8,345
Additional paid-in capital	1,576,043		1,576,043
Deferred compensation expense	(41,111)		(41,111)
Accumulated deficit	(1,320,658)		(1,320,658)
Total shareholders' equity	222,619		222,619
Total liabilities and shareholders' equity	\$ 432,278	\$ 280,449	\$ 712,727

F-12

OMNI MEDICAL HOLDINGS INC. ("OMH")
 PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

Year Ended March 31, 2003

OMH	MBM	Pro Forma Adjustments	Pro Forma
-----	-----	--------------------------	-----------

Edgar Filing: OMNI MEDICAL HOLDINGS INC - Form 8-K

Revenues	\$ 96,462	\$1,223,610		\$ 1,320,072
Cost of revenues	61,577	899,793		961,370
Gross profit	34,885	323,817		358,702
General and administrative expenses	184,019	384,190	48,803 b	617,012
Loss from operations	(149,134)	(60,373)	(48,803)	(258,310)
Other income (expense):				
Interest income	32,284	0		32,284
Interest expense	(11,879)	0	(19,551) c	(31,430)
	20,405	0	(19,551)	854
Net loss	\$ (128,729)	\$ (60,373)	\$ (68,354)	\$ (257,456)

F-13

OMNI MEDICAL HOLDINGS, INC.

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

1. Description of the transaction:

Effective May 30, 2003, Omni Medical Holdings, Inc. ("OMH"), through its wholly-owned subsidiary, Omni Medical Services, Inc., ("OMS"), completed an asset purchase agreement with Medical Billings Management, Inc. ("MBM"), a corporation based in Mississippi and a provider of medical billing and collection services to medical practitioners. The aggregate purchase price was \$450,000 including \$150,000 payable at closing, \$75,000 payable on November 30, 2003 (paid in February 2004) and \$225,000 payable on May 31, 2004. The May 31, 2004 payable is subject to an adjustment which is to be calculated based on a multiple of the amount by which revenues for the year ending May 31, 2004 are greater or less than a baseline amount. The adjustment, if any, will be recorded as an adjustment to the acquisition cost of MBM.

2. Description of OMH information:

On May 1, 2003, OMH disposed of a previously wholly-owned subsidiary that was engaged in a separate line of business. This disposition transaction was reported in financial statements included in OMH's Form 8-K/A filed March 9, 2004. The financial information presented herein for OMH as of and for the year ended March 31, 2003 is per the pro forma March 31, 2003 financial information included in that Form 8-K/A and which reflects the disposition transaction. Therefore, the attached proforma information reflects the continuing operations of OMH. Earnings (loss) per share date is not included in this proforma information as OMH did not become a publicly reporting entity until September 2003.

3. Description of the pro forma adjustments:

- (a) To record OMS' acquisition of MBM for a total purchase price of \$450,000, of which \$150,000 was paid in cash and the balance of \$300,000 payable as described in 1, above. The aggregate purchase price was discounted by \$19,551 to impute interest on the \$300,000

Edgar Filing: OMNI MEDICAL HOLDINGS INC - Form 8-K

non-interest bearing debt, resulting in a net purchase price of \$430,449 (and net payable of \$280,449). Of this amount, \$105,993 was allocated to accounts receivable, \$80,442 was allocated to property and equipment, and \$244,014 was allocated to the acquired customer list.

- (b) To record the amortization of the acquired customer list on the straight line basis over its estimated five year useful life.
- (c) To record the imputed interest expense related to the non-interest bearing payable issued in connection with the purchase.

F-14

(c) Exhibits.

Exhibit Number -----	Description -----
10.1	Asset Purchase Agreement Exhibit A-Accounts Receivable Exhibit B-Accounts Receivable and Work in Process Exhibit C-Employment Agreement Exhibit D-Security Agreement Exhibit E-UCC-1 Financing Statement

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Current Report to be signed on its behalf by the undersigned hereunto duly authorized.

OMNI MEDICAL HOLDINGS, INC.

Date: May 7, 2004

By /s/ Arthur D. Lyons

Arthur D. Lyons
Director and President