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OMNI MEDICAL HOLDINGS INC
Form 8-K
March 02, 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

December 1, 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.

On November 23, 2003, Omni Medical Holdings, Inc. (the "Company") signed an Asset Purchase Agreement, which was deemed to have been completed as of December 1, 2003, by and between McCoy Business Services, Inc., a Kentucky corporation ("McCoy"), and the Company, and whereby the Company purchased all of McCoy's tangible assets related to medical transcription services provided by McCoy and assumed McCoy's lease for its principal office space. The consideration for this transaction was \$360,000, with \$120,000 having been paid at closing and \$240,000 to be paid in eight quarterly payments of \$30,000 each, with an earnout provision, which is described fully in the Asset Purchase Agreement.

The purchase price was allocated \$60,000 for equipment, furniture and other depreciable assets; \$240,000 for a related Covenant Not to Compete of Marlene McCoy, McCoy's principal stockholder and director and executive officer, who was also given a two year Employment Agreement; and \$60,000 as goodwill. A complete list of the equipment acquired and the Employment

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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 McCoy 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.

McCoy Business Services for the years ended December 31, 2002 and 2001, and the period ended September 30, 2003

Financial Statements

MCCOY BUSINESS SERVICES

Years ended December 31, 2002 and 2001
and period ended September 30, 2003 (Unaudited)

MCCOY BUSINESS SERVICES

Table of Contents

| | |
|---|----|
| Independent Auditor's Report | 1 |
| Financial Statements | |
| Balance Sheets as of December 31, 2002 and 2001 | 2 |
| Statements of Operations for the years ended December 31, 2002 and 2001 | 3 |
| Statements of Changes in Stockholder's Equity for the years ended December 31, 2002 and 2001 | 4 |
| Statements of Cash Flows for the years ended December 31, 2002 and 2001 | 5 |
| Notes to Financial Statements | 6 |
| Interim Financial Statements (Unaudited) | |
| Independent Auditor's Report on Supplementary Information | 10 |
| Balance Sheets as of September 30, 2003 (Unaudited) and December 31, 2002 | 11 |

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| | |
|--|----|
| Statements of Operations for the nine months ended September 30, 2003 and 2002 (Unaudited) | 12 |
| Statements of Cash Flows for the nine months ended September 30, 2003 and 2002 (Unaudited) | 13 |
| Notes to Interim Financial Statements (Unaudited) | 14 |

Carpenter, Mountjoy & Bressler [letterhead]

INDEPENDENT AUDITOR'S REPORT

To the Stockholder of
McCoy Business Services
Louisville, Kentucky

We have audited the accompanying balance sheets of McCoy Business Services, a division of McCoy's Business Services, Inc., (see Note A) as of December 31, 2002 and 2001, and the related statements of operations, changes in stockholder's equity, and cash flows for the years then ended. These financial statements are the responsibility of McCoy Business Services' management. Our responsibility is to express an opinion on these 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 McCoy Business Services as of December 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/S/Carpenter, Mountjoy & Bressler

Louisville, Kentucky
January 15, 2003

MCCOY BUSINESS SERVICES

BALANCE SHEETS

| | |
|-------------|------|
| December 31 | |
| 2002 | 2001 |

ASSETS

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| | | |
|-------------------------------|------------|------------|
| Current Assets | | |
| Cash and equivalents | \$ 81,819 | \$ 125,167 |
| Accounts receivable | 88,982 | 63,154 |
| | ----- | ----- |
| Total current assets | 170,801 | 188,321 |
| Property, Plant & Equipment | | |
| Office furniture and fixtures | 11,268 | 11,268 |
| Medical equipment | 60,100 | 44,677 |
| | ----- | ----- |
| | 71,368 | 55,945 |
| Less accumulated depreciation | 17,002 | 7,775 |
| | ----- | ----- |
| | 54,366 | 48,170 |
| | ----- | ----- |
| | \$ 225,167 | \$ 236,491 |
| | ===== | ===== |

LIABILITIES AND STOCKHOLDER'S EQUITY

| | | |
|---|------------|------------|
| Liabilities | | |
| Accounts payable | \$ 19,775 | \$ 14,222 |
| Deferred income taxes | 25,020 | 18,921 |
| Accrued expenses | 24,645 | 12,966 |
| Due to related party | 5,888 | 48,359 |
| | ----- | ----- |
| Total current liabilities | 75,328 | 94,468 |
| | ----- | ----- |
| Deferred Income Taxes | 8,233 | 4,971 |
| Stockholder's Equity | | |
| Common stock, no par value, 2,000 shares authorized, 100 shares issued and outstanding | 100 | 100 |
| Retained earnings | 141,506 | 136,952 |
| | ----- | ----- |
| | 141,606 | 137,052 |
| | ----- | ----- |
| | \$ 225,167 | \$ 236,491 |
| | ===== | ===== |

See accompanying independent auditor's report
and notes to financial statements

2

MCCOY BUSINESS SERVICES

STATEMENTS OF OPERATIONS

| | Year ended December 31 | |
|------------------------|------------------------|------------|
| | 2002 | 2001 |
| Revenue | \$ 675,194 | \$ 551,237 |
| Expenses | | |
| Contract transcription | 345,399 | 284,948 |
| Salaries and wages | 147,193 | 128,726 |

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| | | |
|-----------------------------------|----------|-------------|
| Employee benefits | 25,090 | 21,838 |
| Auto reimbursement and courier | 21,835 | 10,903 |
| Taxes | 13,214 | 14,486 |
| Bad debt expense | - | 58,691 |
| Other general and administrative | 110,952 | 52,572 |
| | ----- | ----- |
| Total expenses | 663,683 | 572,164 |
| | ----- | ----- |
| Income (loss) from operations | 11,511 | (20,927) |
| | | |
| Other income (expense) | 308 | (11,594) |
| | ----- | ----- |
| Income (loss) before income taxes | 11,819 | (32,521) |
| | | |
| Income tax expense (benefit) | 7,265 | (4,209) |
| | ----- | ----- |
| Net Income (Loss) | \$ 4,554 | \$ (28,312) |
| | ===== | ===== |

See accompanying independent auditor's report
and notes to financial statements

3

MCCOY BUSINESS SERVICES

STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

Years ended December 31, 2002 and 2001

| | Common Stock | Retained Earnings | Total |
|----------------------------|-----------------|----------------------|------------|
| Balance, January 1, 2001 | \$ 100 | \$ 165,264 | \$ 165,364 |
| Net loss | - | (28,312) | (28,312) |
| | ----- | ----- | ----- |
| Balance, December 31, 2001 | 100 | 136,952 | 137,052 |
| | | | |
| Net income | - | 4,554 | 4,554 |
| | ----- | ----- | ----- |
| Balance, December 31, 2002 | \$ 100 | \$ 141,506 | \$ 141,606 |
| | ===== | ===== | ===== |

See accompanying independent auditor's report
and notes to financial statements

4

MCCOY BUSINESS SERVICES

STATEMENTS OF CASH FLOWS

Year ended December 31
2002 2001

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| | | |
|--|-----------|-------------|
| Cash Flows From Operating Activities | | |
| Net income (loss) | \$ 4,554 | \$ (28,312) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation | 9,227 | 7,775 |
| Deferred income taxes | 9,361 | 4,430 |
| Loss on sale of investments | - | 15,512 |
| Change in operating assets and liabilities: | | |
| Accounts receivable | (25,828) | (4,830) |
| Accounts payable | 5,553 | 8,340 |
| Accrued expenses | 11,679 | (22,465) |
| | ----- | ----- |
| Total adjustments | 9,992 | 8,762 |
| | ----- | ----- |
| Net cash provided by (used in) operating activities | 14,546 | (19,550) |
| | | |
| Cash Flows From Investing Activities | | |
| Purchase of fixed assets | (15,423) | (31,890) |
| Proceeds from sale of investments | - | 45,673 |
| | ----- | ----- |
| Net cash provided by (used in) investing activities | (15,423) | 13,783 |
| | | |
| Cash Flows From Financing Activities | | |
| Net activity from related party | (42,471) | 57,960 |
| | ----- | ----- |
| Net cash provided by (used in) financing activities | (42,471) | 57,960 |
| | ----- | ----- |
| Net Increase (Decrease) in Cash | (43,348) | 52,193 |
| | | |
| Cash, Beginning of Year | 125,167 | 72,974 |
| | ----- | ----- |
| Cash, End of Year | \$ 81,819 | \$ 125,167 |
| | ===== | ===== |

See accompanying independent auditor's report
and notes to financial statements

5

MCCOY BUSINESS SERVICES

NOTES TO FINANCIAL STATEMENTS

December 31, 2002 and 2001

NOTE A--DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Business: McCoy's Business Services, Inc. (the Company) is located in Louisville, Kentucky and primarily operates two divisions. (Effective December 10, 2003, the Company changed its name to McCoy Financial Services, Inc.) McCoy Business Services (McCoy Business) provides medical transcription services to medical practitioners. McCoy Financial Services (McCoy Financial) provides a wide range of financial services primarily focused at individual customers.

Basis of Presentation: In 2003, the tangible assets of McCoy Business were acquired by Omni Medical Services, Inc. (Omni) (See Note G). Accordingly, the financial statements presented are for the McCoy Business division only. Effective January 1, 2002, the Company began to separately account for the two operating divisions. Accordingly, no allocation of accounts was necessary in

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2002. Prior to this time, the Company had not separately accounted for these two divisions. Therefore, management has specifically identified accounts directly related to McCoy Business for purposes of these financial statements. Overhead expenses were shared by the two divisions and have been allocated evenly between the divisions, which is management's best estimate. The Company also had a coffee shop operation during 2001, which was accounted for separately. Therefore, it is not included in these financial statements.

NOTE B--BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Estimates: Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Accounts Receivable: McCoy Business grants credit to its customers, generally without collateral. McCoy Business considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Property and Equipment: Property and equipment are carried at cost and are being depreciated on a straight-line basis over the estimated useful lives of the assets, which range from 5 to 7 years.

Statement of Cash Flows: For purposes of the statement of cash flows, McCoy Business considers all short-term investments with a maturity of three months or less to be cash equivalents. Cash paid by the Company as a whole for taxes was \$3,680 and \$6,737 for the years ended December 31, 2002 and 2001, respectively.

Concentration of Credit Risk: McCoy Business maintains cash balances at a local bank. The cash account is insured by FDIC up to \$100,000. Cash balances did not exceed insured limits in both years ended December 31, 2002 and 2001.

Revenue Recognition: Revenue is recognized at the time when the services are performed.

Continued

6

MCCOY BUSINESS SERVICES

NOTES TO FINANCIAL STATEMENTS--CONTINUED

December 31, 2002 and 2001

NOTE B--BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--
CONTINUED

Advertising Costs: McCoy Business expenses advertising as incurred. Advertising expense was \$2,798 and \$3,616 for the years ended December 31, 2002 and 2001, respectively.

Income Taxes: Deferred taxes are provided for temporary differences in

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reporting certain transactions for financial and tax purposes, principally relating to differences in accounting for transactions on the accrual basis versus the cash basis and depreciation of fixed assets.

NOTE C--INCOME TAXES

As previously discussed, McCoy Business is a division of the Company. Therefore, their results of operations combined with the total Company operations determine the tax position of the Company as a whole. For purposes of these financial statements, the tax provision for McCoy Business has been calculated on a stand alone basis. Significant components of McCoy Business' net deferred tax assets (liability) as of December 31 are as follows:

| | 2002 | 2001 |
|---------------------------------------|-------------|-------------|
| Deferred tax assets (liabilities): | | |
| Tax over book depreciation | \$ (8,233) | \$ (4,971) |
| Cash to accrual (cash basis taxpayer) | (25,020) | (18,921) |
| | ----- | ----- |
| Net deferred tax assets (liabilities) | \$ (33,253) | \$ (23,892) |
| | ===== | ===== |

The significant components of income tax expense (benefit) are as follows:

| | | |
|----------|------------|------------|
| Current: | | |
| Federal | \$ (1,640) | \$ (6,876) |
| State | (456) | (1,763) |
| Deferred | 9,361 | 4,430 |
| | ----- | ----- |
| | \$ 7,265 | \$ (4,209) |
| | ===== | ===== |

NOTE D--COMMITMENTS

McCoy Business leases its operating facility under an operating lease agreement. Total rental expense was approximately \$22,800 and \$8,100 for the years ended December 31, 2002 and 2001, respectively. McCoy Business is responsible for real estate taxes, insurance, utilities and maintenance of the property. The lease was personally guaranteed by the stockholder. As part of the asset purchase agreement (see Note G), the lease obligation was assumed by Omni Medical Services, Inc.

Continued

7

MCCOY BUSINESS SERVICES

NOTES TO FINANCIAL STATEMENTS--CONTINUED

December 31, 2002 and 2001

NOTE D--COMMITMENTS--CONTINUED

Future minimum rental payments under the lease as of December 31, 2002 are as follows:

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| | |
|------|-----------|
| 2003 | \$ 22,517 |
| 2004 | 22,517 |
| 2005 | 22,517 |
| | ----- |
| | \$ 67,551 |
| | ===== |

NOTE--RELATED PARTY

The due to/from related party relates primarily to amounts resulting from the allocation of expenses between McCoy Business and McCoy Financial.

As discussed in Note A, the Company had a previous coffee shop operation. McCoy Business had advanced funds to this operation. During 2001, the coffee shop was sold and the outstanding advances due to McCoy Business of \$58,691 were deemed uncollectible and charged to bad debt expense.

NOTE F--RETIREMENT PLAN

The Company has a defined contribution retirement plan that covers substantially all employees, including those of McCoy Business. The plan also contains a deferred-salary arrangement under a Simple IRA. Under the deferred-salary arrangement, employees can contribute up to \$7,000 for 2002 and \$6,500 for 2001. Company may match up to the first 3% of the gross pay. All contributions are required per the plan adopted by the employer under IRS 5304-Simple. Contributions paid to the plans and charged to operations amounted to \$1,378 for 2002 and \$1,997 for 2001.

NOTE G--SUBSEQUENT EVENT

Effective December 1, 2003, McCoy Business was acquired in an asset purchase agreement by Omni Medical Services, Inc., (Omni) a corporation based in South Dakota. Omni agreed to purchase the tangible assets related to and used in the operation of the business related to medical transcription services, and all existing contracts and proposals with all of McCoy Business' medical transcription clients. In connection with the agreement, a covenant not to compete for a period of two years and a twenty-four month employment agreement to assist in the transition of the business were both entered with the owner of McCoy Business.

The total purchase price under the agreement was \$360,000. The purchase price of the acquisition has been allocated based on the fair value of all identifiable assets at the date of acquisition. The purchase price exceeded the fair value of the identifiable assets by \$60,000.

Continued

8

MCCOY BUSINESS SERVICES

NOTES TO FINANCIAL STATEMENTS--CONTINUED

December 31, 2002 and 2001

NOTE--SUBSEQUENT EVENT--CONTINUED

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The purchase price allocation for this acquisition was as follows:

| | | |
|---|----|---------|
| Equipment, furniture and other depreciable assets | \$ | 60,000 |
| Non-competition agreement | | 240,000 |
| Goodwill | | 60,000 |
| | | ----- |
| | \$ | 360,000 |
| | | ===== |

The acquisition was for \$120,000 in cash with the remaining balance of \$240,000 to be paid in eight quarterly installments of \$30,000 subject to certain earn-out provisions.

9

INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Carpenter, Mountjoy & Bressler [letterhead]

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

To the Stockholder of
McCoy Business Services
Louisville, Kentucky

Our report on our audit of the basic financial statements of McCoy Business Services, a division of McCoy's Business Services, Inc. for 2002 and 2001 appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The balance sheet as of September 30, 2003, the statements of operations and cash flows for the periods ended September 30, 2003 and 2002 and the applicable footnotes for these statements on pages 11 through 15 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

/s/Carpenter, Mountjoy & Bressler

Louisville, Kentucky
January 15, 2003

MCCOY BUSINESS SERVICES

BALANCE SHEETS

| | September 30 2003 (Unaudited) | December 31 2002 |
|----------------------|-------------------------------------|---------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and equivalents | \$ 45,253 | \$ 81,819 |
| Accounts receivable | 79,303 | 88,982 |

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| | | |
|-------------------------------|------------|------------|
| Prepaid expenses | 4,577 | - |
| Due from related party | 7,374 | - |
| | ----- | ----- |
| Total current assets | 136,507 | 170,801 |
| Property, Plant & Equipment | | |
| Office furniture and fixtures | 11,268 | 11,268 |
| Medical equipment | 90,031 | 60,100 |
| | ----- | ----- |
| | 101,299 | 71,368 |
| Less accumulated depreciation | 25,383 | 17,002 |
| | ----- | ----- |
| | 75,916 | 54,366 |
| | ----- | ----- |
| | \$ 212,423 | \$ 225,167 |
| | ===== | ===== |

LIABILITIES AND STOCKHOLDER'S EQUITY

| | | |
|---|------------|------------|
| Current Liabilities | | |
| Accounts payable | \$ 37,398 | \$ 19,775 |
| Deferred income taxes | 22,799 | 25,020 |
| Accrued expenses | 5,039 | 24,645 |
| Due to related party | - | 5,888 |
| | ----- | ----- |
| Total current liabilities | 65,236 | 75,328 |
| Deferred Income Taxes | 8,934 | 8,233 |
| Stockholder's Equity | | |
| Common stock, no par value, 2,000 shares authorized, 100 shares issued and outstanding | 100 | 100 |
| Retained earnings | 138,153 | 141,506 |
| | ----- | ----- |
| | 138,253 | 141,606 |
| | ----- | ----- |
| | \$ 212,423 | \$ 225,167 |
| | ===== | ===== |

See accompanying notes to interim
financial statements (unaudited)

11

MCCOY BUSINESS SERVICES

STATEMENTS OF OPERATIONS

(Unaudited)

| | | |
|--------------------------------|--------------------------------|------------|
| | Nine months ended September 30 | |
| | 2003 | 2002 |
| Revenue | \$ 476,095 | \$ 514,507 |
| Expenses | | |
| Contract transcription | 250,811 | 266,929 |
| Salaries and wages | 118,437 | 108,929 |
| Employee benefits | 18,963 | 20,085 |
| Auto reimbursement and courier | 14,266 | 16,485 |

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| | | |
|-----------------------------------|------------|------------|
| Taxes | 9,942 | 9,015 |
| Other general and administrative | 68,839 | 87,941 |
| | ----- | ----- |
| Total expenses | 481,258 | 509,384 |
| | ----- | ----- |
| Income (loss) from operations | (5,163) | 5,123 |
| Other income (expense) | 77 | 255 |
| | ----- | ----- |
| Income (loss) before income taxes | (5,086) | 5,378 |
| Income tax expense (benefit) | (1,733) | 11,397 |
| | ----- | ----- |
| Net Loss | \$ (3,353) | \$ (6,019) |
| | ===== | ===== |

See accompanying notes to interim financial statements (unaudited)

12

MCCOY BUSINESS SERVICES

STATEMENTS OF CASH FLOWS

(Unaudited)

| | Nine months ended September 30 | |
|---|--------------------------------|------------|
| | 2003 | 2002 |
| Cash Flows From Operating Activities | | |
| Net loss | \$ (3,353) | \$ (6,019) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Depreciation | 8,381 | 6,678 |
| Deferred income tax | (1,520) | 19,941 |
| Change in operating assets and liabilities: | | |
| Accounts receivable | 9,679 | (53,653) |
| Accounts payable | 17,623 | 6,398 |
| Prepaid expenses | (4,577) | - |
| Accrued expenses | (19,606) | (9,224) |
| | ----- | ----- |
| Total adjustments | 9,980 | (29,860) |
| | ----- | ----- |
| Net cash provided by (used in) operating activities | 6,627 | (35,879) |
| | ----- | ----- |
| Cash Flows From Investing Activities | | |
| Purchase of fixed assets | (29,931) | (15,423) |
| | ----- | ----- |
| Net cash used in investing activities | (29,931) | (15,423) |
| | ----- | ----- |
| Cash Flows From Financing Activities | | |
| Net activity from related party | (13,262) | (17,996) |
| | ----- | ----- |
| Net cash used in investing activities | (13,262) | (17,996) |
| | ----- | ----- |
| Net Decrease in Cash | (36,566) | (69,298) |

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| | | |
|-------------------------|-----------|-----------|
| Cash, Beginning of Year | 81,819 | 125,167 |
| | ----- | ----- |
| Cash, End of Year | \$ 45,253 | \$ 55,869 |
| | ===== | ===== |

See accompanying notes to interim
financial statements (unaudited)

13

MCCOY BUSINESS SERVICES

NOTES TO INTERIM FINANCIAL STATEMENTS (UNAUDITED)

September 30, 2003

NOTE A--DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Business: McCoy's Business Services, Inc. is located in Louisville, Kentucky and primarily operates two divisions. (Effective December 10, 2003, the Company changed its name to McCoy Financial Services, Inc.) McCoy Business Services (McCoy Business) provides medical transcription services to medical practitioners. McCoy Financial Services (McCoy Financial) provides a wide range of financial services primarily focused at individual customers.

Basis of Presentation: The accompanying unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America 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. McCoy Business Services' business is generally not subject to seasonal variations. Operating results for the nine-month period ended September 30, 2003, are not necessarily indicative of the results that may be expected for the year ended December 31, 2003.

In 2003, the tangible assets of McCoy Business were acquired by Omni Medical Services, Inc. (Omni) (See Note B). Accordingly, the financial statements presented are for the McCoy Business division only. Effective January 1, 2002, the Company began to separately account for the two operating divisions. Accordingly, no allocation of accounts was necessary in the preparation of the interim financial statements.

For further information, refer to the financial statements and footnotes thereto for the year ended December 31, 2002, included on pages 2-9.

NOTE B--SUBSEQUENT EVENT

Effective December 1, 2003, McCoy Business was acquired in an asset purchase agreement by Omni Medical Services, Inc., (Omni) a corporation based in South Dakota. Omni agreed to purchase the tangible assets related to and used in the operation of the business related to medical transcription services, and all existing contracts and proposals with all of McCoy Business' medical transcription clients. In connection with the agreement, a covenant not to compete for a period of two years and a twenty-four month employment agreement to assist in the transition of the business were both entered with the owner of McCoy Business.

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The total purchase price under the agreement was \$360,000. The purchase price of the acquisition has been allocated based on the fair value of all identifiable assets at the date of acquisition. The purchase price exceeded the fair value of the identifiable assets by \$60,000.

Continued

14

MCCOY BUSINESS SERVICES

NOTES TO INTERIM FINANCIAL STATEMENTS (UNAUDITED)--CONTINUED

NOTE B--SUBSEQUENT EVENT--CONTINUED

The purchase price allocation for this acquisition was as follows:

| | |
|---|-----------|
| Equipment, furniture and other depreciable assets | \$ 60,000 |
| Non-competition agreement | 240,000 |
| Goodwill | 60,000 |
| | ----- |
| | \$360,000 |
| | ===== |

The acquisition was for \$120,000 in cash with the remaining balance of \$240,000 to be paid in eight quarterly installments of \$30,000 subject to certain earn-out provisions.

15

(b) Pro Forma Financial Information.

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

Effective December 1, 2003, Omni Medical Holdings, Inc. ("OMH"), through its wholly-owned subsidiary, Omni Medical Services, Inc., ("OMS"), completed an asset purchase agreement with McCoy Business Services, Inc. ("McCoy"), a corporation based in the state of Kentucky and a provider of medical transcription services. The aggregate purchase price was \$360,000 including \$120,000 payable at closing, and \$240,000 payable in eight equal quarterly installments beginning on February 29, 2004. The \$240,000 quarterly payments are subject to an earn-out provision to be calculated based on the amount by which revenues for each quarter are greater or less than a baseline amount.

The accompanying unaudited pro forma consolidated statements of operations for the year ended March 31, 2003 and the six months ended September 30, 2003, give effect to the asset purchase agreement as if it had been consummated on April 1, 2002. The unaudited pro forma consolidated statements of operations do not purport to be indicative of the results of operation that actually would have occurred had the transactions been consummated on April 1, 2002 or 2003, or to project the Company's financial operations to any future period. The accompanying unaudited pro forma consolidated balance sheet as of September 30, 2003 gives effect to the asset purchase agreement as of 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 McCoy Business Services, Inc.

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OMNI MEDICAL HOLDINGS INC. AND SUBSIDIARIES
 UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET
 SEPTEMBER 30, 2003

| | Historical Omni Medical Holdings, Inc. | Pro Forma Adjustments (See Note 2) | Pro Forma |
|---|--|--|-------------|
| | | | |
| Assets | | | |
| Current assets: | | | |
| Cash | \$ 27,912 | \$ (27,912)A | \$ 0 |
| Accounts Receivable | 230,215 | | 230,215 |
| Prepaid assets | 6,654 | 0 | 6,654 |
| | | | |
| Total current assets | 264,781 | (27,912) | 236,869 |
| Property and equipment, net | 214,695 | 76,243 A | 290,938 |
| Deferred financing costs | 25,000 | | 25,000 |
| Goodwill | 36,000 | | 36,000 |
| Intangible assets | 314,114 | 300,000 A | 614,114 |
| | | | |
| Total assets | \$ 854,590 | \$ 348,331 | \$1,202,921 |
| | | | |
| Liabilities and shareholders' equity | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 85,837 | \$ | \$ 85,837 |
| Accrued expenses | 36,446 | 92,088 A | 128,534 |
| Notes payable, current portion | 473,991 | 128,122 A | 602,113 |
| | | | |
| Total current liabilities | 596,274 | 220,210 | 816,484 |
| Note payable, net of current portion | 147,228 | 128,121 A | 275,349 |
| | | | |
| Total liabilities | 743,502 | 348,331 | 1,091,833 |
| | | | |
| Minority Interest | 20,482 | - | 20,482 |
| Shareholders' equity: | | | |
| Common stock | 10,761 | | 10,761 |
| Common stock to be issued | 4,147 | | 4,147 |
| Additional paid-in capital | 1,629,005 | | 1,629,005 |
| Deferred compensation expense | (35,105) | | (35,105) |
| Accumulated deficit | (1,518,202) | | (1,518,202) |
| | | | |
| Total shareholders' equity | 90,606 | - | 90,606 |
| | | | |
| Total liabilities and shareholders' equity | \$ 854,590 | \$ 348,331 | \$1,202,921 |
| | | | |

See the accompanying notes to the unaudited pro forma financial statements.

OMNI MEDICAL HOLDINGS INC. AND SUBSIDIARIES
 UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2003

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| | Historical Omni Medical Holdings, Inc. | McCoy Business Services, Inc. | Pro Forma Adjustments (See Note 2) | Consolidated Pro Forma |
|--|--|----------------------------------|--|---------------------------|
| Revenues | \$ 96,462 | \$ 675,194 | \$ | \$ 771,656 |
| Cost of sales | 0 | 477,873 | | 477,873 |
| Gross profit | 96,462 | 197,321 | 0 | 293,783 |
| General and administrative expenses | 230,031 | 185,810 | 90,000 B | 505,841 |
| Loss from operations | (133,569) | 11,511 | (90,000) | (212,058) |
| Other income (expense): | | | | |
| Interest income | 28,627 | 308 | | 28,935 |
| Interest expense | (11,879) | - | (12,000)C | (23,879) |
| | 16,748 | 308 | (12,000) | 5,056 |
| Net loss continuing operations | (116,821) | 11,819 | (102,000) | (207,002) |
| Loss from discontinued operations | (386,361) | 0 | | (386,361) |
| Net loss | \$ (503,182) | \$ 11,819 | \$ (102,000) | \$ (593,363) |
| Loss per share basic and diluted: | | | | |
| Continuing operations | \$ (0.01) | \$ - | | \$ (0.01) |
| Discontinued operations | (0.02) | | | (0.02) |
| | \$ (0.03) | \$ - | | \$ (0.03) |
| Weighted average number of common shares outstanding | | | | 19,730,921 |

See the accompanying notes to the unaudited pro forma financial statements

OMNI MEDICAL HOLDINGS INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2003

| | Historical Omni Medical Holdings, Inc. | McCoy Business Services, Inc. | Pro Forma Adjustments (See Note 2) | Consolidated Pro Forma |
|--|--|----------------------------------|--|---------------------------|
| Revenues | \$ 379,839 | \$ 317,397 | \$ | \$ 697,236 |
| Cost of sales | 204,474 | 238,269 | | 442,744 |
| Gross profit | 175,365 | 79,127 | - | 254,492 |
| General and administrative expenses | 312,949 | 82,569 | 45,000 B | 440,519 |
| Loss from operations | (137,584) | (3,442) | (45,000) | (186,026) |

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| | | | | |
|--|--------------|------------|-------------|--------------|
| Other income (expense): | | | | |
| Interest income | 260 | 51 | | 311 |
| Interest expense | (17,978) | 0 | (6,000)C | (23,978) |
| | ----- | ----- | ----- | ----- |
| | (17,718) | 51 | (6,000) | (23,667) |
| Minority interest | 3,402 | 0 | | 3,402 |
| Net loss continuing operations | (151,900) | (3,391) | (51,000) | (206,291) |
| Loss from discontinued operations | (33,736) | 0 | | (33,736) |
| | ----- | ----- | ----- | ----- |
| Net loss | \$ (185,636) | \$ (3,391) | \$ (51,000) | \$ (240,027) |
| | ===== | ===== | ===== | ===== |
| Loss per share basic and diluted: | | | | |
| Continuing operations | \$ (0.01) | \$ - | | \$ (0.01) |
| Discontinued operations | - | - | | - |
| | ----- | ----- | | ----- |
| | \$ (0.01) | \$ - | | \$ (0.01) |
| | ===== | ===== | | ===== |
| Weighted average number of common shares outstanding | | | | 14,420,323 |

See the accompanying notes to the unaudited pro forma financial statements

OMNI MEDICAL HOLDINGS, INC.

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

1. Description of the transaction:

Effective December 1, 2003, Omni Medical Holdings, Inc. ("OMH"), through its wholly-owned subsidiary, Omni Medical Services, Inc., ("OMS"), completed an asset purchase agreement with McCoy Business Services, Inc. ("McCoy"), a corporation based in the state of Kentucky and a provider of medical transcription services. The aggregate purchase price was \$360,000 including \$120,000 payable at closing, and \$240,000 payable in eight equal quarterly installments beginning on February 29, 2004. The \$240,000 quarterly payments are subject to an earn-out provision to be calculated based on the amount by which revenues for each quarter are greater or less than a baseline amount. The estimated fair values of the assets acquired as of December 1, 2003 are as follows: furniture and equipment, \$60,000, intangible assets covenant not to compete, customer list and trade name, \$2400,000. A supplemental agreement was signed concurrent with the asset purchase agreement, whereby OMS agreed to purchase additional assets that were not included in the original agreement for \$16,243.35, payable in eight quarterly installments beginning February 29, 2004.

2. Description of the pro forma adjustments:

- (a) To record OMS' purchase of the tangible and intangible assets from McCoy and the associated debt
- (b) To record the amortization of the intangible assets acquired from the McCoy purchase over the estimated useful lives of the assets

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(c) To record the interest expense incurred due to the debt obligation of the McCoy purchase

3. Discontinued operations:

The historical information presented for Omni Medical Holdings, Inc. for the year ended March 31, 2003 has been retroactively restated to reflect the May 1, 2003 disposition of a wholly-owned subsidiary as discontinued operations.

4. Difference in periods presented:

The Company's fiscal yearend is March 31. McCoy's fiscal yearend prior to the acquisition was December 31. For purposes of the proforma financial statements, McCoy's historical operating results for the year ended March 31, 2003 represent McCoy's operating results for the year ended December 31, 2002.

5. Income taxes

McCoy's results of operations for the year ended December 31, 2002 included income tax expense. The proforma financial statements do not reflect the income tax expense due to the net operating losses generated from Omni Medical Holdings, Inc. as of March 31, 2003.

(c) Exhibits.

| Exhibit Number ----- | Description ----- |
|----------------------------|---|
| 10.1 | Asset Purchase Agreement Exhibit A-Asset List Exhibit B-Customer List Exhibit C-Employment Agreement |
| 10.2 | Promissory Note Security Agreement Bill of Sale and Assumption Agreement Covenant Not to Compete |

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: 3/1/04

By /s/ Arthur D. Lyons

Arthur D. Lyons
Director and President