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OMNI MEDICAL HOLDINGS INC
Form 10QSB
November 18, 2004

U. S. Securities and Exchange Commission
Washington, D. C. 20549

FORM 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2004

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

For the transition period from _____ to _____

Commission File No. 000-26177

OMNI MEDICAL HOLDINGS, INC.

(Name of Small Business Issuer in its Charter)

UTAH

87-0425275

(State or Other Jurisdiction of
incorporation or organization)

(I.R.S. Employer I.D. No.)

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

(Address of Principal Executive Offices)

Issuer's Telephone Number: (605) 718-0380

Indicate by check mark whether the Registrant (1) has filed all reports
required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
Registrant was required to file such reports), and (2) has been
subject to such filing requirements for the past 90 days.

(1) Yes No

(2) Yes No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Not applicable.

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the Registrant's classes
of common stock, as of the latest practicable date:

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November 15, 2004

22,185,496

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements. -----

The Financial Statements of the Registrant required to be filed with this 10-QSB Quarterly Report were prepared by management, and commence on the following page, together with Related Notes. In the opinion of management, the Financial Statements fairly present the financial condition of the Registrant.

Omni Medical Holdings, Inc.

Condensed Consolidated Financial Statements

September 30, 2004

Omni Medical Holdings, Inc.

Unaudited Condensed Consolidated Balance Sheet

September 30, 2004

ASSETS

Current assets:

| | | |
|---|----|---------|
| Cash and cash equivalents | \$ | 931 |
| Accounts receivable, net, including unbilled amounts of approximately \$244,029 | | 429,710 |
| Short-term investments, at fair value-Note 3 | | 507,454 |
| Employee advances | | 3,935 |
| Prepaid expenses | | 74,961 |

Total current assets -----
1,016,991

Property & equipment, net 228,816

Other assets:

| | | |
|--------------------------|--|---------|
| Deposits | | 380 |
| Deferred financing costs | | 25,000 |
| Goodwill | | 72,300 |
| Intangible assets, net | | 433,287 |

Total other assets -----
530,967

TOTAL ASSETS -----
\$ 1,776,774
=====

See notes to condensed consolidated financial statements

F-2

Omni Medical Holdings, Inc.

Unaudited Condensed Consolidated Balance Sheet [continued]

September 30, 2004

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

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| | |
|---|--------------|
| Accounts payable | \$ 264,574 |
| Accrued expenses | 101,372 |
| Line of credit | 97,448 |
| Notes payable, current portion | 529,871 |
| | ----- |
| Total current liabilities | 993,265 |
| Notes payable, net of current portion | 170,075 |
| | ----- |
| Total long-term liabilities | 170,075 |
| Total liabilities | 1,163,340 |
| Stockholders' equity-Note 3: | |
| Preferred stock, no par value, 1,000,000 shares authorized, no shares issued and outstanding | - |
| Common stock, par value \$0.001 per share; 50,000,000 shares authorized; 21,585,496 issued and outstanding | 21,585 |
| Common stock to be issued under reorganization agreement 474,659 shares | 475 |
| Capital in excess of par value | 2,750,527 |
| Deferred compensation expense | (611) |
| Accumulated deficit | (2,158,542) |
| | ----- |
| Total stockholders' equity | 613,434 |
| | ----- |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 1,776,774 |
| | ===== |

See accompanying notes to financial statements
F-3

Omni Medical Holdings, Inc.
Unaudited Condensed Consolidated Statements of Operations
For the three month and six month periods ended September 30, 2004 and 2003

| | For the three months ended | | For the Six months ended | |
|---|----------------------------|------------|--------------------------|------------|
| | September 30, | | September 30, | |
| | 2004 | 2003 | 2004 | 2003 |
| Revenue | \$ 409,637 | \$ 299,559 | \$ 807,505 | \$ 379,839 |
| Cost of sales | 250,514 | 199,485 | 532,733 | 204,474 |
| | ----- | ----- | ----- | ----- |
| Gross operating profit | 159,123 | 100,074 | 274,772 | 175,365 |
| General and administrative expenses | 270,051 | 226,603 | 516,097 | 309,547 |
| | ----- | ----- | ----- | ----- |
| Income (loss) from operations | (110,928) | (126,529) | (241,325) | (134,182) |
| Other income (expense): | | | | |
| Interest income | - | - | - | 260 |
| Interest expense | (12,350) | (11,673) | (23,818) | (17,978) |
| Loss on sale of assets | (5,605) | - | (5,605) | - |
| | ----- | ----- | ----- | ----- |
| Total other income (expense) | (17,955) | (11,673) | (29,423) | (17,718) |
| | ----- | ----- | ----- | ----- |
| Loss from continuing operations before income taxes | (128,883) | (138,202) | (270,748) | (151,900) |
| Provision for income taxes | - | - | - | - |

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| | | | | |
|---|--------------|--------------|--------------|--------------|
| Loss from continuing operations | (128,883) | (138,202) | (270,748) | (151,900) |
| Loss from discontinued operations | - | - | - | (33,736) |
| Net loss | \$ (128,883) | \$ (138,202) | \$ (270,748) | \$ (185,636) |
| Loss per share basic and diluted: | | | | |
| Continuing operations | \$ (0.01) | \$ (0.01) | \$ (0.01) | \$ (0.01) |
| Discontinued operations | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 |
| Net loss per share-basic and diluted | \$ (0.01) | \$ (0.01) | \$ (0.01) | \$ (0.01) |
| Weighted average number of common shares outstanding -basic and diluted | 16,562,509 | 13,457,914 | 16,380,172 | 14,420,323 |

See notes to condensed consolidated financial statements
F-4

Omni Medical Holdings, Inc.
Unaudited Consolidated Statements of Cash Flows
For the six month periods ended September 30, 2004 and 2003

| | 2004 | 2003 |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss from continuing operations | \$ (270,748) | \$ (151,900) |
| Loss from discontinued operations | - | (33,736) |
| Adjustments to reconcile net loss to net cash used in continuing operations: | | |
| Depreciation and amortization | 102,007 | 36,688 |
| Stock-based compensation expense | 6,731 | 14,799 |
| Stock issued for services | 50,221 | - |
| Loss on sale of assets | 5,605 | - |
| Changes in operating assets and liabilities, net of effect of business acquisition and disposition: | | |
| Accounts receivable | (52,384) | (41,415) |
| Prepaid expenses | 1,252 | (6,654) |
| Accounts payable | 95,847 | 43,431 |
| Accrued expenses | (17,127) | 24,740 |
| Net cash used in operating activities | (78,596) | (114,047) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (519) | (5,687) |
| Proceeds from sale of assets | 720 | - |
| Payment for disposition of subsidiary, net | - | (36,000) |
| Payments for purchase of businesses | - | (150,000) |
| Net cash provided by (used in) investing activities | 201 | (191,687) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Deferred financing costs | - | (25,000) |
| Borrowings on line of credit | 52,493 | - |

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| | | |
|--|----------|-----------|
| Proceeds from issuance of debt | 78,000 | 75,378 |
| Net payments of notes payable | (72,957) | (19,695) |
| Proceeds from the issuance of common stock | 15,650 | 45,000 |
| | ----- | ----- |
| Net cash provided by financing activities | 73,186 | 75,683 |
| | ----- | ----- |
| NET INCREASE (DECREASE) IN CASH | (5,209) | (230,051) |
| CASH AT BEGINNING OF PERIOD | 6,140 | 257,963 |
| | ----- | ----- |
| CASH AT END OF PERIOD | \$ 931 | \$ 27,912 |
| | ===== | ===== |

See accompanying notes to financial statements
F-5

Omni Medical Holdings, Inc.
Consolidated Statements of Cash Flows [continued]
For the six month periods ended September 30, 2004 and 2003

| | 2004 | 2003 |
|---|------------|-----------|
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Cash paid for interest in continuing operations | \$ 23,818 | \$ 9,891 |
| Cash paid for interest in discontinued operations | - | 1,402 |
| Cash paid for income taxes | - | - |
| NON-CASH OPERATING ACTIVITIES: | | |
| Stock issued as prepaid expenses | \$ 72,379 | \$ - |
| NON-CASH INVESTING ACTIVITIES: | | |
| Stock issued for short-term investments | \$ 507,454 | \$ - |
| NON-CASH FINANCING ACTIVITIES: | | |
| Stock issued to relinquish debt | \$ 137,500 | \$ - |
| BUSINESS ACQUISITIONS: | | |
| Fair value of assets acquired | \$ - | \$450,000 |
| Issuance of debt/assumption of liabilities | - | (300,000) |
| | ----- | ----- |
| Cash paid | \$ - | \$150,000 |
| | ===== | ===== |

See accompanying notes to financial statements
F-6

Omni Medical Holdings, Inc.
Notes to Condensed Consolidated Financial Statements
September 30, 2004

Note 1 BUSINESS, ORGANIZATION AND INTERIM FINANCIAL STATEMENTS

Business - Omni Medical Holdings, Inc. ("Omni"), a Utah corporation, provides medical billing and transcription services to medical practitioners in Alabama, Mississippi, South Dakota and Kentucky.

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Organization - The company was previously organized as Piezo Instruments, Inc. ("Piezo"), a Utah corporation. Effective September 5, 2003, Piezo and Omni Medical of Nevada, Inc., a Nevada Corporation ("Omni Nevada") executed an Agreement and Plan of Reorganization (the "Reorganization Agreement"), whereby Piezo agreed to acquire 100% of the issued and outstanding shares of common stock of Omni Nevada in exchange for up to 16,000,000 newly issued shares of common stock of Piezo, (of which 12,443,062 have been issued as of September 30, 2004 and 474,659 shares are to be issued as of September 30, 2004 for a total of 12,907,721 shares,) or approximately 86% of the post-Reorganization Agreement outstanding securities of Piezo. The transaction was accounted for as a reverse acquisition of Piezo by Omni Nevada. Shares of common stock authorized and issued have been retroactively restated to present the capital structure of Piezo. Concurrent with the merger, Piezo changed its name to Omni Medical Holdings, Inc.

Interim financial statements- The accompanying condensed consolidated financial statements have been prepared without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. The interim financial statements reflect all adjustments that, in the opinion of management, are necessary in order to make the financial statements not misleading. Certain information and disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these unaudited condensed consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-KSB for the fiscal year ended March 31, 2004.

Note 2 DISCONTINUED OPERATIONS

Through May 2, 2003, Omni also produced handheld surgical instruments used by ophthalmic surgeons in refractive, corneal and LASIK surgeries and was also a developer of technology to ophthalmic surgeons, specifically within the domain of anterior segment cataract extraction, and foldable intra ocular lens placement as well as keratorefractive procedures such as LASIK. Omni operated its surgical instruments business through its wholly-owned subsidiary, Mastel Precision Surgical Instruments, Inc ("MPSI") out of its facility in Rapid City, South Dakota.

Effective May 2003, Omni entered into an agreement with one of its officers and shareholders whereby Omni agreed to exchange 100% of the common stock of MPSI and \$36,000 cash for all shares of common stock of Omni owned individually or jointly by the officer and his wife. As of April 30, 2003, the assets of MPSI had a carrying value of approximately \$442,000 (primarily accounts receivable of approximately \$53,000, inventories of approximately \$387,000 and property and equipment of approximately \$30,000) and MPSI's obligations and liabilities had a carrying value of approximately \$527,000 (primarily accounts payable of approximately \$226,000 and debt of approximately \$286,000). Due to the related party nature of the transaction, no gain was recognized and shareholders equity was increased by \$49,000. The results of operations from MPSI have been retroactively restated as discontinued operations.

F-7

Omni Medical Holdings, Inc.
Notes to Condensed Consolidated Financial Statements
September 30, 2004

Note 3 STOCKHOLDERS' EQUITY

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During the quarter ended June 30, 2004 the Company issued 99,309 shares of its of restricted common stock to offshore investors pursuant to Regulation S, promulgated under the Securities Act of 1933, and received consideration of \$15,650.

During the six month period ended September 30, 2004, the Company issued 956,000 shares of restricted common stock to various consultants for services to be performed over a term of 1 to 2 years. Management has estimated the fair market value of the fees at \$95,600, of which \$23,221 have been expensed and the remaining \$72,379 have been recorded as a prepaid expense to be amortized over the life of the contracts.

In June 2004, the Company issued 3,700,000 shares of common stock that have been placed in escrow pending the completion of a loan agreement. However, as of November 10, 2004 the terms of the agreement had not yet been consummated.

In July 2004, the Company entered into a Stock Purchase Agreement ("The agreement") with a London based investment company. On September 30, 2004, pursuant to the agreement, the Company exchanged 4,400,000 shares of its restricted common stock for 906,167 shares in an off-shore investment trust. On that date the investment trust shares were trading at a price equivalent to \$.56 per share for a total investment of \$507,454. The Company has classified the investment as available for sale and carries the investment at fair market value in accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities". The Company also issued 220,000 shares of its common stock to an investment banker as compensation in this transaction. Management has estimated the fair market value of these services at \$22,000 which has been recorded as an expense in the accompanying financial statements.

On September 7, 2004 by unanimous consent the Company's board of directors approved and authorized the exchange of 600,000 shares of the Company's common stock to the Company's President and Chief Executive Officer in return for all accrued salary and any interest or penalties in connection with the accrued salary totaling \$137,500.

On September 28, 2004 the Company issued 50,000 shares of its common stock to its Vice President for services. Management has estimated the fair market value of the services to be \$5,000, which has been recorded as an expense in the accompanying financial statements.

Note 4 RELATED PARTY TRANSACTIONS

During the three month period ended September 30, 2004 the Company's President and Chief Executive Officer loaned the Company \$29,500. The loan is payable on demand, unsecured and interest free.

F-8

Item 2. Management's Discussion and Analysis

"SAFE HARBOR" STATEMENT UNDER THE UNITED STATES PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995.

This Form 10-QSB contains forward looking statements within the meaning of

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Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Omni Medical Holdings, Inc. is referred to herein as "we" or "our". The words or phrases "would be," "will allow," "intends to," "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results could differ materially from those projected in the forward looking statements as a result of a number of risks and uncertainties. Statements made herein are as of the date of the filing of this Form 10-QSB with the Securities and Exchange Commission and should not be relied upon as of any subsequent date. Except as may otherwise be required by applicable law, we do not undertake, and specifically disclaim, any obligation to update any forward-looking statements contained in this Form 10-QSB to reflect occurrences, developments, unanticipated events or circumstances after the date of such statement.

RESULTS OF OPERATIONS

Three months ended September 30, 2004.

During the quarterly period ended September 30, 2004, we recorded revenue of \$409,637, a 36.7% increase from revenue of \$299,559 in the quarter ended September 30, 2003.

Cost of sales totaled \$250,514, versus \$199,485 in the second fiscal quarter of 2003. This increase is roughly commensurate with the amount of our revenue increase.

During the second fiscal quarter of 2004, we recorded general and administrative expenses of \$270,051. These expenses totaled \$226,603 in the year-ago period.

Interest expense was \$12,350 and \$11,673 for the three-month period ended September 30, 2004, and September 30, 2003, respectively.

For the three-month period ended September 30, 2004, we incurred a loss from continuing operations of \$128,883, as compared to a loss of \$138,202 for the three-month period ended September 30, 2003.

The reasons for the fluctuations from the three months ended September 30, 2003, to the three months ended September 30, 2004, are as discussed below under the subheading "Six months ended September 30, 2004."

Six months ended September 30, 2004.

Our revenue totaled \$807,505 in the six months ended September 30, 2004, as compared to revenue of \$379,839 in the prior year period. This increase of approximately 113% is principally due to our acquisition of Medical Billing Management, Inc. ("MBM") on May 30, 2003. Cost of sales also rose significantly, to \$532,733 in the current period, from \$204,474 in the six months ended September 30, 2004. Again, this increase is principally the result of our acquisition of MBM.

General and administrative expenses totaled \$516,097 in the six month period ended September 30, 2004. These expenses were \$309,547 in the year-ago period. This increase is primarily due to our acquisition of MBM, as well as increases in consulting services fees.

During the six month periods ended September 30, 2004, and 2003, interest expense totaled \$23,818 and \$17,978, respectively.

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Net loss during the six months ended September 30, 2004, was \$270,748, versus \$185,636 in the period ended September 30, 2003.

CAPITAL RESOURCE REQUIREMENTS

LIQUIDITY

As of September 30, 2004, Omni's working capital surplus was \$23,726. Our cash at September 30, 2004 was \$931.

We currently have a commitment under an Employment Agreement with one of the former owners of McCoy through November 30, 2005, guaranteeing annual compensation of \$30,000 plus a performance based bonus. We currently lease office space under an operating lease for \$6,000 per month, which terminates July 31, 2006.

Effective October 1, 2003, Omni entered into an Employment Agreement with Arthur D. Lyons, its chief executive officer and president through December 31, 2008. The agreement provides compensation at an annual base salary of \$150,000 and increases to \$180,000 annually the first month Omni's gross revenue exceeds \$450,000 in a month. The Agreement also provides for a \$75,000 bonus to be paid as of February 1, 2004, and awards stock options based upon revenue targets. As of September 30, 2004, no stock options have been earned under the Agreement. We have been paying Mr. Lyons' salary since March, 2004. His salary for the period from October, 2003, through February, 2004, has been paid through the issuance of "unregistered" and "restricted" shares of our common stock. See Part II, Item 2 of this Quarterly Report.

During December 2003, Omni entered into a Loan Agreement and Security Agreement with Presidential Financial Corporation allowing the Company to borrow up to 80% of its accounts receivable or \$300,000, whichever is less. The loan is secured by accounts receivable and other tangible assets of Omni and accrues interest at prime plus 2%. As of September 30, 2004 \$97,448 was owed on the line of credit.

Item 3. Controls and Procedures.

As of the end of the period covered by this Quarterly Report, we carried out an evaluation, under the supervision and with the participation of our President and Treasurer, of the effectiveness of our disclosure controls and procedures. Based on this evaluation, our President and Treasurer concluded that our disclosure controls and procedures are effective in timely alerting them to material information required to be included in our periodic Securities and Exchange Commission reports. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. In addition, we reviewed our internal controls over financial reporting, and there have been no changes in our internal controls or in other factors in the last fiscal quarter that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None; not applicable.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

On August 10, 2004, we issued 679,070 "unregistered" and "restricted" shares to Langley Park Investments PLC, a corporation organized under the laws of England and Wales ("Langley Park"), pursuant to the terms of our Stock Purchase Agreement with Langley Park, dated July 14, 2004. The terms of the Stock Purchase Agreement were disclosed in our Quarterly Report for the quarterly period ended June 30, 2004, which was filed with the Securities and Exchange Commission on August 20, 2004. We believe that the offer and sale of these securities was exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), pursuant to Regulation S of the Securities and Exchange Commission.

On September 7, 2004, we issued 600,000 "unregistered" and "restricted" shares of common stock to our President and Chief Executive Officer as payment of salary, interest and penalties totaling \$137,500. We believe that the offer and sale of these securities was exempt from the registration requirements of the Securities Act pursuant to Section 4(2) thereof and Regulation D of the Securities and Exchange Commission and from similar state registration exemptions.

On September 28, 2004, we issued 50,000 "unregistered" and "restricted" shares of our common stock to our Vice President and Secretary, John Globoker, as an employee bonus. On the same date, we issued 220,000 such shares to Peter Schlosser as compensation for investment banking services, and an additional 200,000 such shares to Robert Matheson in consideration of corporate consulting services. We believe that the offer and sale of these securities was exempt from the registration requirements of the Securities Act pursuant to Section 4(2) thereof and Regulation D of the Securities and Exchange Commission and from similar state registration exemptions.

Item 3. Defaults Upon Senior Securities.

None; not applicable.

Item 4. Submission of Matters to a Vote of Security Holders.

None; not applicable.

Item 5. Other Information.

None; not applicable.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

31 302 Certification of Arthur D. Lyons.

32 906 Certification.

(b) Reports on Form 8-K.

None.

SIGNATURES

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

OMNI MEDICAL HOLDINGS, INC.

Date: Nov. 17, 2004

/s/ Arthur D. Lyons

Arthur D. Lyons, President,
Treasurer and Director

Date: Nov. 17, 2004

/s/ John Globoker

John Globoker, Vice President,
Secretary and Director