

Edgar Filing: OMNI MEDICAL HOLDINGS INC - Form 10QSB

OMNI MEDICAL HOLDINGS INC
Form 10QSB
November 14, 2005

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

FORM 10-QSB

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

For the quarterly period ended September 30, 2005

[] 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.)

1257 Lake Plaza Drive, Suite 219
Colorado Springs, Colorado 80906

(Address of Principal Executive Offices)

Registrant's Telephone Number: (719) 884-2131

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 X No (2) Yes X No
--- --- --- ---

Indicate by check mark whether the registrant is a shell company (as defined
in Rule 12b-2 of the Exchange Act). Yes No X
--- ---

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

Not applicable.

APPLICABLE ONLY TO CORPORATE ISSUERS

Edgar Filing: OMNI MEDICAL HOLDINGS INC - Form 10QSB

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

September 30, 2005
49,944,445

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, 2005

Omni Medical Holdings, Inc.
Unaudited Condensed Consolidated Balance Sheet
September 30, 2005

ASSETS

Current assets:

Cash and cash equivalents	\$	-
Accounts receivable, net		2,284,446
Short-term investments, at fair value		133,921
Employee advances		5,317
Prepaid expenses		71,987

Total current assets -----
2,495,671

Property & equipment, net 1,510,628

Other assets:

Deposits		350
Deferred financing costs		25,000
Goodwill		3,456,945
Intangible assets, net		1,792,861

Total other assets -----
5,275,156

TOTAL ASSETS -----
\$ 9,281,455
=====

See notes to condensed consolidated financial statements
F-2

Omni Medical Holdings, Inc.
Unaudited Condensed Consolidated Balance Sheet [continued]
September 30, 2005

Edgar Filing: OMNI MEDICAL HOLDINGS INC - Form 10QSB

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:	
Accounts payable	\$ 677,465
Bank overdraft	138,465
Accrued expenses	2,545,375
Line of credit	343,976
Notes payable, current portion	2,991,475
Total current liabilities	6,696,756
Convertible debt	1,825,357
Notes payable	2,013,870
Notes payable, net of current portion	(2,991,475)
Total long-term liabilities	847,752
Total liabilities	7,544,508
Minority interest	(201,044)
Stockholders' equity:	
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; 49,944,445 issued and outstanding	49,944
Common stock to be issued under reorganization agreement 474,659 shares	475
Capital in excess of par value	6,004,900
Unrealized loss on investment	(145,052)
Accumulated deficit	(3,972,276)
Total stockholders' equity	1,937,991
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 9,281,455

See notes to condensed consolidated financial statements

F-3

Omni Medical Holdings, Inc.

Unaudited Condensed Consolidated Statements of Operations

For the three and six month periods ended September 30, 2005 and 2004

	For the three months ended		For the Six months ended	
	September 30,		September 30,	
	2005	2004	2005	2004
Revenue	\$1,634,639	\$ 273,384	\$ 2,981,303	\$ 520,703
Cost of sales	783,777	127,641	1,544,569	280,063
Gross operating profit	850,862	145,743	1,436,734	240,640
General and administrative expenses	986,856	209,228	2,042,469	403,314
Income (loss) from operations	(135,994)	(63,485)	(605,735)	(162,674)
Other income (expense):				
Interest expense	(164,492)	(9,249)	(289,496)	(17,653)
Loss on sale of assets	-	(5,605)	-	(5,605)
Total other income (expense)	(164,492)	(14,854)	(289,496)	(23,258)

Edgar Filing: OMNI MEDICAL HOLDINGS INC - Form 10QSB

Loss from continuing operations before minority interest	(300,486)	(78,339)	(895,231)	(185,932)
Minority interest	21,997	-	50,801	-
Loss from continuing operations before income taxes	(278,489)	(78,339)	(844,430)	(185,932)
Provision for income taxes	-	-	-	-
Loss from continuing operations	(278,489)	(78,339)	(844,430)	(185,932)
Discontinued operations:				
Loss from discontinued operations, net of tax	(43,405)	(50,544)	(94,233)	(84,816)
Loss on disposal of discontinued operations, net of tax	(6,520)	-	(6,520)	-
Net loss from discontinued operations	(49,925)	(50,544)	(100,753)	(84,816)
Net loss	<u>\$ (328,414)</u>	<u>\$ (128,883)</u>	<u>\$ (945,183)</u>	<u>\$ (270,748)</u>
Other comprehensive income:				
Unrealized gain (loss) on investments	22,830	-	(6,624)	-
Total comprehensive income (loss)	<u>\$ (305,584)</u>	<u>\$ (128,883)</u>	<u>\$ (951,807)</u>	<u>\$ (270,748)</u>
Loss per share basic and diluted:				
Continuing operations	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ (0.01)</u>
Discontinued operations	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ (0.01)</u>
Net loss per share-basic and diluted	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>
Weighted average number of common shares outstanding -basic and diluted	<u>49,944,445</u>	<u>16,562,509</u>	<u>49,559,830</u>	<u>16,380,172</u>

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, 2005 and 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (945,183)	\$ (270,748)
Adjustments to reconcile net loss to net cash used in continuing operations:		

Edgar Filing: OMNI MEDICAL HOLDINGS INC - Form 10QSB

Depreciation and amortization	336,669	102,007
Stock-based compensation expense	-	6,731
Stock issued for services	-	50,221
Minority interest	(50,801)	-
Loss on disposal of discontinued operations	6,520	
Loss on sale of assets	-	5,605
Changes in operating assets and liabilities, net of effect of business acquisition and disposition:		
Accounts receivable	(588,656)	(52,384)
Prepaid expenses	5,339	1,252
Deposits	7,413	-
Accounts payable	340,134	95,847
Bank overdraft	138,465	-
Accrued expenses	678,537	(17,127)
	-----	-----
Net cash used in operating activities	(71,563)	(78,596)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(110,884)	(519)
Proceeds from sale of assets	-	720
Software development	(92,884)	-
	-----	-----
Net cash used in investing activities	(203,768)	201
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowing (payments) on line of credit	180,523	52,493
Proceeds from issuance of debt	351,145	78,000
Net payments of notes payable	(271,186)	(72,957)
Proceeds from the issuance of common stock	-	15,650
	-----	-----
Net cash provided by financing activities	260,482	73,186
	-----	-----
NET INCREASE (DECREASE) IN CASH	(14,849)	(5,209)
CASH AT BEGINNING OF PERIOD	14,849	6,140
	-----	-----
CASH AT END OF PERIOD	\$ 0	\$ 931
	=====	=====

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, 2005 and 2004

	2005	2004
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	\$ 125,182	\$ 23,818
Cash paid for income taxes	-	-
NON-CASH OPERATING ACTIVITIES:		
Stock issued for services	\$ -	\$ 72,379

Edgar Filing: OMNI MEDICAL HOLDINGS INC - Form 10QSB

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	\$	1,357,006	\$ -
Issuance of debt/assumption of liabilities		(357,006)	-
Common stock issued at acquisition		(1,000,000)	
		-----	-----
Cash paid	\$	0	\$ 0
		=====	=====

See accompanying notes to financial statements

F-6

Omni Medical Holdings, Inc.

Notes to Condensed Consolidated Financial Statements

September 30, 2005

Note 1 BUSINESS, ORGANIZATION AND INTERIM FINANCIAL STATEMENTS

Business - Omni Medical Holdings, Inc. ("Omni"), a Utah corporation, provides medical billing and transcription services, and electronic medical record solutions to medical practitioners.

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 12,913,815 were issued as of March 31, 2004, 480,753 shares were issued in July 2004 and 474,659 shares are to be issued as of September 30, 2005 for a total of 13,869,227 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 unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10QSB and Item 310 (b) of Regulation S-B. Accordingly, they do not include all of the information and footnotes required by accounting principles for complete financial statements generally accepted in the United States of America. In the opinion of management, the accompanying consolidated financial statements contain all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the Company's financial position as of September 30, 2005. There has not been any change in the significant accounting policies of Omni Medical Holdings, Inc. for the periods presented. It is suggested that these unaudited

Edgar Filing: OMNI MEDICAL HOLDINGS INC - Form 10QSB

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, 2005.

Note 2 BUSINESS ACQUISITIONS

Effective March 1, 2005, Omni, entered into a share exchange agreement ("the agreement") with DataFuzion, Inc. a Colorado corporation and provider of practice management, billing and collection services, and electronic medical records solutions to medical practitioners. The agreement calls for Omni to offer a shareholder exchange to the DataFuzion shareholders in which they may transfer to Omni at closing 100% of the outstanding common stock of DataFuzion in exchange for 23,019,215 shares of common stock of Omni. The exchange will constitute a 50% ownership of Omni for the shareholders of DataFuzion in the event all shareholders of DataFuzion agree to exchange their respective common shares. As of November 1, 2005 approximately 90% of the DataFuzion shareholders had exchanged their shares for shares of Omni and Omni had issued 21,772,966 shares of its common stock, with an additional 352,339 to be issued for a total issuance of 22,125,305 shares of common stock.

The following table summarizes the estimated fair values of the DataFuzion assets acquired and liabilities assumed as of March 1, 2005, the date of acquisition:

F-7

Omni Medical Holdings, Inc.
Notes to Condensed Consolidated Financial Statements
September 30, 2005

Note 2 BUSINESS ACQUISITIONS-[continued]

Cash	\$ 4,208
Accounts receivable, net	170,300
Property and equipment	1,545,547
Intangible assets	1,462,640
Other assets	26,470
Accounts payable	(138,158)
Accrued expenses	(1,206,843)
Notes payable	(1,941,264)
Convertible debt	(1,265,582)
Minority interest	134,268
Goodwill	3,420,945

Net assets acquired	\$ 2,212,531
	=====

Effective April 15, 2005, the Company entered into an Stock Purchase Agreement ("the Plum Creek agreement") whereby the Company acquired 100% of the outstanding shares of Plum Creek Outpatient, Inc., ("Plum Creek") an Illinois corporation and provider of medical supplies in exchange for 1,000,000 shares of the Company's common stock that are "restricted securities" as defined in Rule 144 of the Securities and Exchange Commission. The Plum Creek agreement calls for a Revenue Bonus to be paid to the sellers based on annual calculations of the combined revenue of the Company and its affiliates relating to medical supplies during

Edgar Filing: OMNI MEDICAL HOLDINGS INC - Form 10QSB

two revenue bonus periods ending April 15, 2006 and 2007. The Company also entered into a Put Option agreement whereby anytime during the two year period from the date of acquisition the Company, at the request of the seller, may be required to purchase some or all of the 1,000,000 issued shares at a price of \$0.20 per share or issue additional shares of the Company's common stock equal in number to the shortfall in payment of the Put Price plus ten percent divided by the closing price per share at the close of business on the last day of the payment period.

The following table summarizes the estimated fair values of the Plum Creek assets acquired and liabilities assumed as of April 15, 2005, the date of acquisition:

Accounts receivable, net	\$	426,960
Equipment		40,000
Accounts payable		(5,000)
Accrued expenses		(261,960)

Net assets acquired	\$	200,000
		=====

F-8

Omni Medical Holdings, Inc.
Notes to Condensed Consolidated Financial Statements
September 30, 2005

Note 2 BUSINESS ACQUISITIONS-[continued]

On April 15, 2005 the Company also entered into an Asset Purchase Agreement ("the Stat agreement") whereby the Company acquired the assets of Stat Anesthesia, P.C., ("Stat") an Illinois corporation and medical provider, in exchange for 4,000,000 shares of the Company's common stock that were also "restricted securities" as defined in Rule 144 of the Securities and Exchange Commission. Additionally, Stat signed an Administrative Services Agreement with the Company in which the Company will provide financial and administrative services for all of Stat's operations. While the Company will have complete control over the administrative and financial affairs of Stat, the Company will not be involved in any way in the practice of medicine. The Stat agreement also calls for a Revenue Bonus to be paid to the sellers based on annual calculations of the combined revenue of the Company and its affiliates relating to medical services during two revenue bonus periods ending April 15, 2006 and 2007. The Company also entered into a Put Option agreement whereby anytime during the two year period from the date of acquisition the Company, at the request of the seller, may be required to purchase some or all of the 4,000,000 issued shares at a price of \$0.20 per share or issue additional shares of the Company's common stock equal in number to the shortfall in payment of the Put Price plus ten percent divided by the closing price per share at the close of business on the last day of the payment period.

The following table summarizes the estimated fair values of the Stat assets acquired and liabilities assumed as of April 15, 2005, the date of acquisition:

Accounts receivable, net	\$	850,046
Equipment		40,000
Accrued expenses		(90,046)

Edgar Filing: OMNI MEDICAL HOLDINGS INC - Form 10QSB

Net assets acquired	\$ 800,000
	=====

The DataFuzion, Plum Creek and Stat acquisitions were accounted for as purchases and their results of operations are included in the Company's financial statements from the date of acquisition.

The following proforma financial information presents results as if the DataFuzion Plum Creek and Stat acquisitions had occurred at the beginning of the six month periods ended September 30, 2005 and 2004:

	2005	2004
Revenues	\$3,114,299	\$1,820,528
Net loss	(904,406)	(183,027)
Basic and diluted loss per share	\$(0.02)	\$ (0.01)

F-9

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

Note 3 GOING CONCERN

The Company's financial statements for the periods ended September 30, 2005 and 2004 show incurred net losses of \$945,183 and \$270,748, respectively, and has a working capital deficiency of \$4,201,085, as of September 30, 2005, raising substantial doubt about the company's ability to continue as a going concern. Management's plans to address concerns raised by this issue include:

a. Through the acquisition of Plum Creek Outpatient and administrative services agreement with Stat Anesthesia, P.C., the Company believes it has already acquired significant asset and adequate liquid assets for operation. Furthermore, management believes these companies will provide significant cash flow to provide for all corporate needs.

b. The Company also plans to raise additional capital and is working with a number of financial sources to achieve this.

There is no assurance that these or any efforts will be successful. However, management believes that these measures will enable the Company to have adequate funds to support operations for the next twelve months.

Note 4 DISCONTINUED OPERATIONS

Effective September 1, 2005, Omni entered into a settlement agreement with McCoy Financial Services, Inc. ("MFS") whereby Omni agreed to sell, transfer, and assign to MFS all of the Company's right, title and interest in and to the transcription services segment net assets for \$10,000. As of September 1, 2005, the assets of the transcription services segment was approximately \$221,000 (primarily property and equipment of approximately \$37,000 and intangible assets of \$184,000) and transcription services segment obligations and liabilities had a carrying value of approximately \$205,000 (primarily accounts payable and accrued expenses of approximately \$30,000 and debt of approximately

Edgar Filing: OMNI MEDICAL HOLDINGS INC - Form 10QSB

\$175,000). A loss on the disposal of the assets was recognized in the amount of \$6,520. The results of operations from the transcription services segment have been retroactively restated as discontinued operations.

Note 5 SUBSEQUENT EVENTS

On October 26, 2005 the Company entered into a Note Purchase Agreement with Sigma Opportunity Fund, LLC. Under the Note Purchase Agreement, Sigma purchased from Omni a Senior Note Due 2006 for \$400,000. In connection with the purchase, the Company issued Warrants to purchase 15,000 pre-split shares of Omni common stock for each \$1,000 principal amount of the note for an aggregate of 6,000,000 pre-split shares.

On November 4, 2005 the Company announced it has executed a 1 for 4 reverse split of its Common shares effective November 4, 2005.

F-10

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 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.

Overview:

Omni Medical Holdings (ONMH:OTCBB) provides a turn key back office suite of products and services to doctors, clinics and hospitals throughout the country. Omni continues to grow through its acquisition strategy and unique combination of product offerings.

Omni Medical has positioned itself to offer a complete back office solution of products and services for all medical practitioners.

Omni's DataFuzion subsidiary provides a complete line of integrated back-office products including GE Centricity and Misys practice management and electronic medical records solutions, and a proprietary web based decision support reporting tools for physicians and hospitals (InfoBridge™). Our ASP hosted products are designed to maximize practice performance by identifying revenue enhancement and cost savings opportunities, while eliminating the up front costs and ongoing expense of owning, upgrading, staffing and maintaining multiple in-house operations and reporting systems.

When practitioners provide patient care, those actions must be

Edgar Filing: OMNI MEDICAL HOLDINGS INC - Form 10QSB

documented, usually by electronic dictation. Government and insurance regulations are such that these important medical records, which affect patient health, must be in readable form. Through our transcription division, this service can be delivered to any practitioner in the world through our proprietary digital web based system. All of our services are performed in the United States.

Medical billing and collections are the lifeblood of any healthcare facility, with accurate and timely collections insuring an effective practice and high standard of care. The billing process is automated through either of Omni's Centricity or Misys based hubs. Our nearly twenty years of experience extends to most medical areas, especially anesthesiology.

Omni's complete back office solution gives:

- * New revenue opportunities to our customers;
- * More streamlined workflow;
- * Executive managers the ability to use disease management benchmarking data, increasing revenue and providing better patient outcomes;
- * Elimination of costly data errors;
- * Ability to integrate hardware and software with other systems; and
- * "Drill down" from multiple servers, and provides greater analytical solutions.

The opportunities in the healthcare services market are enormous and the next 10 years will bring dramatic changes in how healthcare practitioners manage and operate their practices. Omni Medical Holdings, along with its DataFuzion subsidiary, is currently positioned to take advantage of those opportunities now.

RESULTS OF OPERATIONS

Three months ended September 30, 2005.

During the quarterly period ended September 30, 2005, we recorded revenue from continuing operations of \$1,634,639, an increase from revenue from continuing operations of \$273,384 in the quarter ended September 30, 2004.

Cost of sales from continuing operations totaled \$783,777, versus \$127,641 in the second fiscal quarter of 2005.

During the second fiscal quarter of 2005, we recorded general and administrative expenses of \$986,856. These expenses totaled \$209,228 in the year-ago period.

Interest expense was \$164,492 and \$9,249 for the three-month period ended September 30, 2005, and September 30, 2004, respectively.

For the three-month period ended September 30, 2005, we incurred a loss of \$328,414, as compared to a loss of \$128,883 for the three-month period ended September 30, 2004.

Revenue increased 497% during the three months ended September 30, 2005, compared to the three month period ended September 30, 2004, due to the acquisitions of DataFuzion, Stat Anesthesia and Plum Creek Outpatient. Cost of sales increase 514% and general expenses increased 371% versus the prior year due to higher operating costs associated with DataFuzion and Stat Anesthesia. This included a 230% increase in depreciation expense and an 16 fold increase in interest expense over the previous year. Net loss increased 154% for the previously stated reason. We expect continued high levels of depreciation as DataFuzion takes a conservative accounting approach to its

Edgar Filing: OMNI MEDICAL HOLDINGS INC - Form 10QSB

equipment and intangible assets. Interest expense will continue to remain high until such time as the convertible bondholders exchange their debt for equity.

Six months ended September 30, 2005.

During the six months ended September 30, 2005, we recorded revenue from continuing operations of \$2,981,303 an increase from revenue from continuing operations of \$520,703 in the six months ended September 30, 2004.

Cost of sales from continuing operations totaled \$1,544,569, versus \$280,063 in the six months ended of 2005.

During the six months ended September 2005, we recorded general and administrative expenses of \$2,042,469. These expenses totaled \$403,314 in the year-ago six month period.

Interest expense was \$289,496 and \$17,653 for the six-month period ended September 30, 2005, and September 30, 2004, respectively.

For the six-month period ended September 30, 2005, we incurred a loss of \$945,183, as compared to a loss of \$270,748 for the six-month period ended September 30, 2004.

CAPITAL RESOURCE REQUIREMENTS

LIQUIDITY

As of September 30, 2005, Omni's working capital deficit was \$4,201,085. Our cash and cash equivalents at September 30, 2005, was \$0, and we had a bank overdraft of \$138,465.

We currently lease office space under an operating lease for \$6,000 per month, which terminates July 31, 2006.

Effective March 1, 2005, Omni entered into an Employment Agreement with Arthur D. Lyons, its chief executive officer and Douglas Davis, President through March 1, 2010. The agreement provides compensation at an annual base salary of \$180,000, a \$1,000 a month auto allowance, fully paid health insurance and a bonus of 1% of gross revenue, paid quarterly to each.

During December 2003, Omni entered into a Loan Agreement and Security Agreement with Presidential Financial Corporation allowing Omni to borrow up to 80% against certain 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, 2005, approximately \$62,000 was owed on the line of credit.

During August 2005, Omni entered into a Loan Agreement and Security Agreement with Alamo Capital Corporation allowing Omni to borrow 80% against the value of certain specified accounts receivable up to \$500,000. The loan is secured by certain accounts receivable and accrues interest at prime plus 2%. As of September 30, 2005, approximately \$281,000 was owed on this 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 effectively designed to ensure

Edgar Filing: OMNI MEDICAL HOLDINGS INC - Form 10QSB

that information required to be disclosed or filed by us is recorded, processed or summarized, within the time periods specified in the rules and regulations of the Securities and Exchange Commission. 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.

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

None; not applicable.

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.

(i) Effective September 1, 2005, Omni entered into a settlement agreement with McCoy Financial Services, Inc. ("MFS") whereby Omni agreed to sell, transfer, and assign to MFS all of the Company's right, title and interest in and to the transcription services segment net assets for \$10,000. As of September 1, 2005, the assets of the transcription services segment was approximately \$221,000 (primarily property and equipment of approximately \$37,000 and intangible assets of \$184,000) and transcription services segment obligations and liabilities had a carrying value of approximately \$527,000 (primarily accounts payable of approximately \$226,000 and debt of approximately \$205,000). A loss on the disposal of the assets was recognized in the amount of \$6,520. The results of operations from the transcription services segment have been retroactively restated as discontinued operations. We have attached the Settlement Agreement and Mutual Release as Exhibit 10 to this Quarterly Report; see Item 6, below.

(ii) On October 26, 2005, the Company entered into a Note Purchase Agreement with Sigma Opportunity Fund, LLC. Under the Note Purchase Agreement, Sigma purchased from Omni a Senior Note Due 2006 for \$400,000. In connection with the purchase, the Company issued Warrants to purchase 15,000 pre-split shares of Omni common stock for each \$1,000 principal amount of the note for an aggregate of 6,000,000 pre-split shares.

(iii) On November 4, 2005 the Company announced it has executed a 1 for 4 reverse split of its outstanding common shares effective November 4, 2005.

Edgar Filing: OMNI MEDICAL HOLDINGS INC - Form 10QSB

Item 6. Exhibits.

(a) Exhibits.

10 Settlement Agreement and Mutual Release.

31.1 302 Certification of Douglas Davis.

31.2 302 Certification of Arthur Lyons.

32 906 Certification.

SIGNATURES

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: 11/10/05

By: /s/ Arthur D. Lyons

Arthur D. Lyons, CEO, Secretary
and Chairman of the Board

Date: 11/10/05

By: /s/ Douglas Davis

Douglas Davis, President,
Treasurer and Director