FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

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FILER

UNIVERSAL SERVICES & ACQUISITIONS INC

CIK:**852132**| IRS No.: **841100774** | State of Incorp.:**CO** | Fiscal Year End: **0331**
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21800 OXNARD ST
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

|X| QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 1996

or

|_| TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from N/A to N/A

Commission File No. 33-29340

UNIVERSAL SERVICES & ACQUISITIONS, INC.
(Exact name of registrant as specified in its charter)

Colorado, USA	84-1100774
(State of Incorporation)	(IRS Employer Identification No.)

21800 Oxnard Street, #440, Woodland Hills, California 91367
(Address of principal executive offices)

Registrant's Telephone Number, (818) 598-6780

2643 17th Street, Denver, CO 80211
(Former name, former address and fiscal year, if changed since last report)

Indicate by check mark if the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or 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. |_| Yes |X| No

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

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. |_| Yes |_| No

APPLICABLE ONLY TO CORPORATE ISSUERS

State number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

Class	Outstanding at September 30, 1996
Common Stock, $.001 par value	2,232,500 shares
	Outstanding Securities

Transitional Small Business Disclosure Format (check one): Yes |_| No |X|

UNIVERSAL SERVICES & ACQUISITIONS, INC.

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

Financial statements are unaudited and included herein beginning on page F1 and are incorporated herein by this reference.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Except for disclosures that report the Company's historical results, the statements set forth in this section are forward-looking statements. Actual results may differ materially from those projected in the forward-looking statements. Additional information concerning factors that may cause actual results to differ materially from those in the forward-looking statements are in the Company's annual report on Form 10-K for the year ended March 31, 1995 and in the Company's other filings with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company assumes no obligation to update any forward-looking statements or comments on the reasons why actual results may differ therefrom.

Universal Services & Acquisitions, Inc. (the "Company") was incorporated under the laws of the State of Colorado in June 27, 1988 for the purpose of completing a public offering to raise funds to acquire or merge with an operating business. Since inception, the Company's primary efforts have been directed to organizational efforts, obtaining initial financing and the identification and evaluation of merger/acquisition candidates.

On August 17, 1995, the Company executed a letter of intent to acquire a privately held operating company in a reverse acquisition. The proposed merger was conditional upon the following events: (1) the operating company would plan, finance, construct, and operate a 200 bed hospital in Bahrain, (2) the hospital is to be used as a teaching hospital in conjunction with the Arabian Gulf University (AGU) Medical School, (3) the land for the project is to be donated by AGU, (4) the operating company would have the cooperation of the Bahrain government and required licensing authorities, and (5) the operating company would have authorization of the local military hospital to open and operate the facility, and the funds and purchasing ability to acquire the personnel, equipment and supplies for that purpose. In connection with the proposed merger, the Company advanced $50,000 to a merger candidate. The advance was evidenced by a promissory note due August 17, 1996, at 8 percent interest. As of August 17, 1996, the merger candidate had failed to repay the advance. The Company planned to acquire 100 percent of the stock of the operating company by issuing approximately 20,092,000 shares of its $.001 par value common stock to shareholders of the operating company. Upon completion of the transaction, approximately 90 percent of the shares of the Company's common stock would be held by shareholders of the operating company. To ensure that shares held by the shareholders of the operating company are not diluted by the exercise of warrants, the company planned to issue nine shares of common stock to the shareholders of the operating company for each share of common stock obtained through the exercise of warrants. Due to the delinquency of its note receivable from merger candidate, the Company recorded an allowance for doubtful accounts for $26,250 which equals fifty percent of the face value of the note plus accrued interest.

Th Company was ultimately unsuccessful in its effort to acquire the privately held company and eventually wrote off the remaining amount of the

promissory note.

Results of Operations

There was a material changes in the results of operations as compared with the corresponding period of the previous year in that the Company lent $50,000 to American Health Care International Corp., which reduced the Company's available cash to pay its obligations significantly.

The Company had no operating revenues, however, it earned interest on its cash accounts.

The Company realized a net loss of ($2) from operations for the three month period ended September 30, 1996 compared to a net gain of $1,113 for the three month period ended September 30, 1995. For the three month period ended September 30, 1996, the Company had revenues of $23 composed primarily of interest income. The Company had revenues of $3,310 for the three month period ended September 30, 1995. The net loss per share for the three month period ended September 30, 1996 was nil and the net gain per share for the three month period ended September 30, 1995 was nil.

The Company realized a net loss of ($414) from operations for the six month period ended September 30, 1996 compared to a net gain of $1,591 for the six month period ended September 30, 1995. For the six month period ended September 30, 1996, the Company had revenues of $30, composed of interest income. The Company had revenues of $3,818 for the six month period ended September 30, 1995. The net loss per share for the six month period ended September 30, 1996 was nil. The net gain per share for the six month period ended September 30, 1995 was nil.

The Company had development costs of $25 for the three month period ended September 30, 1996 compared to costs and expenses of $2,197 for the three month period ended September 30, 1995.

The Company's assets at September 30, 1996 were $29,669 compared to assets of approximately $57,000 at September 30, 1995. The difference is due to the Company's loan to a potential merger candidate and subsequent write off of half of the note amount. The Company's liabilities at September 30, 1996 were approximately $2,024 compared to liabilities of approximately $1,383 at September 30, 1995.

Total shareholder equity decreased from $55,507 at September 30, 1995 to $27,645 at September 30, 1996.

Liquidity and Capital Resources

As of September 30, 1996, the Company had working capital of approximately $900 consisting of $2,919 in current assets and $2,024 in current liabilities. The Company had working capital of approximately $55,000 at September 30, 1995 consisting of $56,390 in current assets and $1,383 in current liabilities. The Company did not have adequate working capital for its current operations. Presently, the Company has no working capital.

Effect of Inflation

Inflation did not have any significant effect on the operations of the Company during the three months ended September 30, 1996. Further, inflation is not expected to have any significant effect on future operations of the Company.

PART II OTHER INFORMATION

Items 1, 2, 3, 4 and 5 are Inapplicable.

Item 6. Exhibits and Reports on Form 8-K

No reports on Form 8-K were filed for the relevant period.

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.

UNIVERSAL SERVICES & ACQUISITIONS, INC.

Date January 31, 2001 /s/ Mehrdad Alborz

Mehrdad Alborz, CEO, CFO

UNIVERSAL SERVICES AND ACQUISITIONS, INC.
(A DEVELOPMENT STAGE COMPANY)
FINANCIAL STATEMENTS
SEPTEMBER 30, 1996

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors and Stockholders
Universal Services and Acquisitions, Inc.
(A Development Stage Company)
Woodland Hills, California

We have reviewed the accompanying balance sheet of Universal Services and Acquisitions, Inc. as of September 30, 1996, and the related statements of operations, changes in stockholders' equity and cash flows for the three and six months then ended and for the period from June 27, 1988 (Date of Inception) to September 30, 1996, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Universal Services and Acquisitions, Inc.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Moffitt & Company, P.C.
Scottsdale, Arizona

May 1, 2000

UNIVERSAL SERVICES AND ACQUISITIONS, INC.
(A DEVELOPMENT STAGE COMPANY)
BALANCE SHEET
SEPTEMBER 30, 1996
(UNAUDITED)

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 2,919
OTHER ASSETS	
Note receivable, less allowance for doubtful accounts	$ 26,250
Intangible assets	500
TOTAL OTHER ASSETS	26,750
TOTAL ASSETS	$ 29,669

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES	
Accounts payable	$ 2,024
TOTAL CURRENT LIABILITIES	$ 2,024
STOCKHOLDERS' EQUITY	
Preferred stock, par value $0.001 per share	
Authorized - 40,000,000 shares	
Issued and outstanding - 0 - shares	0
Common stock, par value $0.001 per share	
Authorized 100,000,000 shares	
Issued and outstanding - 2,232,500 shares	2,233
Paid in capital in excess of par value of stock	68,373

Deficit accumulated during the development stage	(42,961)
TOTAL STOCKHOLDERS' EQUITY	27,645
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 29,669

See Accompanying Notes and Independent Accountants' Review Report.

UNIVERSAL SERVICES AND ACQUISITIONS, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF OPERATIONS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 1996
AND FOR THE PERIOD FROM JUNE 27, 1988
(DATE OF INCEPTION) TO SEPTEMBER 30, 1996
(UNAUDITED)

<TABLE>
<CAPTION>

<S>	Three Months Ended September 30, 1996 <C>	Six Months Ended September 30, 1996 <C>	June 27, 1988 (Date of Inception) to September 30, 1996 <C>
REVENUE - INTEREST INCOME	$ 23	$ 30	$ 14,499
DEVELOPMENT COST	25	444	57,460
NET (LOSS)	$ (2)	$ (414)	$ (42,961)
NET (LOSS) PER COMMON SHARE	$ (.000)	$ (.000)	
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING			
Basic and diluted	2,232,500	2,232,500	

</TABLE>

See Accompanying Notes and Independent Accountants' Review Report.

UNIVERSAL SERVICES AND ACQUISITIONS, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE PERIOD FROM JUNE 27, 1988 (DATE OF INCEPTION)
TO SEPTEMBER 30, 1996
(UNAUDITED)

<TABLE>
<CAPTION>

	Preferred Stock		Common Stock		Paid in Capital in Excess of Par Value of Stock	Deficit Accumulated During the Development Stage
<S>	Shares <C>	Amount <C>	Shares <C>	Amount <C>	<C>	<C>
AT DATE OF INCEPTION	0	$ 0	0	$ 0	$ 0	$ 0
ISSUANCE OF COMMON						

STOCK FOR CASH $.01 - JUNE 27, 1988	0	0	1,500,000	1,500	20,500	0
NET INCOME FOR THE PERIOD ENDED MARCH 31, 1989	0	0	0	0	0	538
BALANCE, MARCH 31, 1989	0	0	1,500,000	1,500	20,500	538
NET (LOSS) FOR THE YEAR ENDED MARCH 31, 1990	0	0	0	0	0	(2,128)
BALANCE, MARCH 31, 1990	0	0	1,500,000	1,500	20,500	(1,590)
ISSUANCE OF COMMON STOCK FOR CASH $.10 - MARCH 31, 1991, NET OF COSTS OF $24,646	0	0	732,500	733	47,873	0
NET (LOSS) FOR THE YEAR ENDED MARCH 31, 1991	0	0	0	0	0	(6,415)
BALANCE, MARCH 31, 1991	0	0	2,232,500	2,233	68,373	(8,005)
NET (LOSS) FOR THE YEAR ENDED MARCH 31, 1992	0	0	0	0	0	(3,809)
BALANCE, MARCH 31, 1992	0	0	2,232,500	2,233	68,373	(11,814)
NET (LOSS) FOR THE YEAR ENDED MARCH 31, 1993	0	0	0	0	0	(2,770)
BALANCE, MARCH 31, 1993	0	0	2,232,500	2,233	68,373	(14,584)

</TABLE>

See Accompanying Notes and Independent Accountants' Review Report.

UNIVERSAL SERVICES AND ACQUISITIONS, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (CONTINUED)
FOR THE PERIOD FROM JUNE 27, 1988 (DATE OF INCEPTION)
TO SEPTEMBER 30, 1996
(UNAUDITED)

<TABLE>
<CAPTION>

	Preferred Stock		Common Stock		Paid in Capital in Excess of Par Value of Stock	Deficit Accumulated During the Development Stage
	Shares	Amount	Shares	Amount		
<S>	<C>	<C>	<C>	<C>	<C>	<C>
NET (LOSS) FOR THE YEAR ENDED MARCH 31, 1994	0	$ 0	0	$ 0	$ 0	$ (1,034)
BALANCE, MARCH 31, 1994	0	0	2,232,500	2,233	68,373	(15,618)
NET (LOSS) FOR THE YEAR ENDED MARCH 31, 1995	0	0	0	0	0	(1,072)
BALANCE, MARCH 31, 1995	0	0	2,232,500	2,233	68,373	(16,690)
NET (LOSS) FOR THE YEAR ENDED MARCH 31, 1996	0	0	0	0	0	(25,857)

BALANCE, MARCH 31, 1996	0	0	2,232,500	2,233	68,373	(42,547)
NET (LOSS) FOR THE SIX MONTHS ENDED SEPTEMBER 30, 1996	0	0	0	0	0	(414)
BALANCE, SEPTEMBER 30, 1996	0	$ 0	2,232,500	$ 2,233	$ 68,373	$ (42,961)

</TABLE>

See Accompanying Notes and Independent Accountants' Review Report.

UNIVERSAL SERVICES AND ACQUISITIONS, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 1996
AND FOR THE PERIOD FROM JUNE 27, 1988
(DATE OF INCEPTION) TO SEPTEMBER 30, 1996
(UNAUDITED)

<TABLE>
<CAPTION>

<S>	Six Months Ended September 30, 1996 <C>	June 27, 1988 (Date of Inception) to September 30, 1996 <C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)	$ (414)	$(42,961)
Adjustments to reconcile net (loss) to net cash (used) by operating activities:		
Allowance for doubtful accounts	0	23,750
Amortization	0	69
Changes in operating assets and liabilities		
Deferred income tax	0	(69)
Accounts payable	0	2,024
NET CASH (USED) BY OPERATING ACTIVITIES	(414)	(17,187)
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan to merger candidate	0	(50,000)
NET CASH (USED) BY INVESTING ACTIVITIES	0	(50,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock	0	95,250
Offering costs incurred	0	(24,644)
Acquisition of organization costs	0	(500)
NET CASH PROVIDED BY FINANCING ACTIVITIES	0	70,106
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(414)	2,919
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	3,333	0
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 2,919	$ 2,919

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</TABLE>

See Accompanying Notes and Independent Accountants' Review Report.

UNIVERSAL SERVICES AND ACQUISITIONS, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 1996
AND FOR THE PERIOD FROM JUNE 27, 1988
(DATE OF INCEPTION) TO SEPTEMBER 30, 1996
(UNAUDITED)

	Six Months Ended September 30, 1996	June 27, 1988 (Date of Inception) to September 30, 1996
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 0	$ 0
Taxes paid	$ 0	$ 132

See Accompanying Notes and Independent Accountants' Review Report.

UNIVERSAL SERVICES AND ACQUISITIONS, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1996
(UNAUDITED)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Business

The company was incorporated under the laws of the state of Colorado on June 27, 1988 for the purpose of acquiring subsidiary companies.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Accounting Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. 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.

Income Taxes

Provisions for income taxes are based on taxes payable or refundable for the current year and deferred taxes on temporary differences between the amount of taxable income and pretax financial income and between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled as prescribed in FASB Statement No. 109, Accounting for Income Taxes. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

Net (Loss) Per Share

The company adopted Statement of Financial Accounting Standards No. 128 that requires the reporting of both basic and diluted earnings per share. Basic earnings per share is computed by dividing net income available to common shareowners by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. In accordance with FASB 128, any anti-dilutive effects on net loss per share are excluded.

See Accompanying Notes and Independent Accountants' Review Report.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Disclosure About Fair Value of Financial Instruments

The company has financial instruments, none of which are held for trading purposes. The company estimates that the fair value of all financial instruments at September 30, 1996 as defined in FASB 107, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the company using available market information and appropriate valuation methodologies. Considerable judgement is required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the company could realize in a current market exchange.

NOTE 2 DEVELOPMENT STAGE OPERATIONS

As of September 30, 1996, the company was in the development stage of operations. According to the Financial Accounting Standards Board of the Financial Accounting Foundation, a development stage company is defined as a company that devotes most of its activities to establishing a new business activity. In addition, planned principle activities have not commenced, or have commenced and have not yet produced significant revenue.

FAS-7 requires that all development costs be expensed during the development period. The company expensed $444 of development costs for the six months ended September 30, 1996 and $57,640 for the period from June 27, 1988 (date of development stage) to September 30, 1996.

NOTE 3 INCOME TAXES

<TABLE>

<S>	<C>
(Loss) before income taxes	$ (414)
The provision for income taxes is estimated as follows:	
Currently payable	$ 0
Deferred	$ 0
A reconciliation of the provision for income taxes compared with the amounts at the U.S. Federal Statutory rates is as follows:	
Tax at U.S. Federal Statutory income tax rates	$ 0

</TABLE>

See Accompanying Notes and Independent Accountants' Review Report.

UNIVERSAL SERVICES AND ACQUISITIONS, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1996
(UNAUDITED)

NOTE 3 INCOME TAXES (CONTINUED)

<TABLE>

<S>	<C>
Deferred income tax assets and liabilities reflect the impact of temporary differences between amounts of assets and liabilities for financial reporting purposes and the basis of such assets and liabilities as measured by tax laws	
The net deferred tax assets is:	$ 0
The net deferred tax liability is:	$ 0

</TABLE>

Temporary differences and carryforwards that gave rise to deferred tax assets and liabilities included the following:

<TABLE>
<CAPTION>

<S>	Deferred Tax Assets <C>	Deferred Tax Liabilities <C>
Net operating loss	$ 6,444	$ 0
Valuation allowance	6,444	0
Total deferred taxes	$ 0	$ 0

A reconciliation of the valuation allowance is as follows:

Balance, April 1, 1996	$ 6,382
Addition for the six months ended September 30, 1996	62
Balance, September 30, 1996	$ 6,444

</TABLE>

NOTE 4 TAX CARRYFORWARD

The company has the following tax carryforwards at September 30, 1996

Year Ended	Amount	Expiration Date
March 31, 1990	$ 1,590	March 31, 2005
March 31, 1991	6,415	March 31, 2006
March 31, 1992	3,809	March 31, 2007
March 31, 1993	2,770	March 31, 2008
March 31, 1994	1,034	March 31, 2009
March 31, 1995	1,072	March 31, 2010
March 31, 1996	25,857	March 31, 2011
	$ 42,547	

See Accompanying Notes and Independent Accountants' Review Report.

NOTE 4 TAX CARRYFORWARD (CONTINUED)

Future changes in ownership may limit the ability of the company to utilize its net operating loss carryforwards prior to their expiration.

NOTE 5 STOCK WARRANTS

The company has outstanding A warrants and B warrants in the amounts of 10,465,000 and 3,732,500, respectively. The A warrants entitle holders to purchase one share of the company's $.001 par value common stock for $.25 per share and expire on December 31, 1999. The B warrants entitle holders to purchase one share of the company's $.001 par value common stock for $.40 per share and expire on December 31, 2000.

NOTE 6 PREFERRED STOCK

No rights or preferences have been assigned to the preferred stock.

NOTE 7 UNAUDITED FINANCIAL INFORMATION

The accompanying financial information as of September 30, 1996 is unaudited. In managements opinion, such information includes all normal recurring entries necessary to make the financial information not misleading.

NOTE 8 PROPOSED MERGER AND PROMISSORY NOTE RECEIVABLE

On August 17, 1995, the company executed a letter of intent to acquire a privately held operating company in a reverse acquisition. The proposed merger was conditional upon the following events: (1) the operating company would plan, finance, construct, and operate a 200 bed hospital in Bahrain, (2) the hospital is to be used as a teaching hospital in conjunction with the Arabian Gulf University (AGU) Medical School, (3) the land for the project is to be donated by AGU, (4) the operating company would have the cooperation of the Bahrain government and required licensing authorities, and (5) the operating company would have authorization of the local military hospital to open and operate the facility, and the funds and purchasing ability to acquire the personnel, equipment and supplies for that purpose. In connection with the proposed merger, the company advanced $50,000 to a merger candidate. The advance was evidenced by a promissory note due August 17, 1996, at 8 percent interest. As of August 17, 1996, the merger candidate had failed to repay the advance. The company planned to acquire 100 percent of the stock of the operating company by issuing approximately 20,092,000 shares of its $.001 par value common stock to shareholders of the operating company. Upon completion of the transaction, approximately 90 percent of the shares of the company's common stock would be held by shareholders of the operating company. To ensure that shares held by the shareholders of the operating company are not diluted by the exercise of warrants, the company planned to issue nine

See Accompanying Notes and Independent Accountants' Review Report.

shares of common stock to the shareholders of the operating company for each share of common stock obtained through the exercise of warrants.

Due to the delinquency of its note receivable from merger candidate, the company recorded an allowance for doubtful accounts for $26,250 which equals fifty percent of the face value of the note plus accrued interest.

If the company is successful in its effort to acquire the privately held company, the majority of the control of the company will rest with the former shareholders of the acquired company. Therefore, significant changes may be made to the present slate of officers and directors of the company.

See Accompanying Notes and Independent Accountants' Review Report.