

Edgar Filing: TENET INFORMATION SERVICES INC - Form 10KSB

TENET INFORMATION SERVICES INC
Form 10KSB
September 30, 2002

FORM 10-K(SB)
SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549
Annual Report Pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934 (Fee Required)

For the fiscal year ended June 30, 2002

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934 (No Fee Required)

For the transition period from _____ to _____

Commission File No. 0-18113

TENET INFORMATION SERVICES, INC.
(Exact name of registrant as specified in its charter)

UTAH
(State or other jurisdiction
of incorporation or organization)

87-0405405
(I.R.S. Employer
Identification No.)

53 West 9000 South
Sandy, Utah
(Address of principal executive office)

84070
(Zip Code)

Registrant's telephone number, including area code (801) 568-0899

Securities Registered Pursuant to Section 12 (g) of the Act:

Common Stock
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB, or any amendment to this Form 10-KSB [].

State issuer's revenues for its most recent fiscal year: \$ 717,005

State the aggregate market value of voting stock held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of a specified date within the past 60 days. No current market value for common stock within last 60 days.

Edgar Filing: TENET INFORMATION SERVICES INC - Form 10KSB

The number of shares outstanding of the Registrant's Common Stock as of September 27, 2002 was 19,336,205.

TABLE OF CONTENTS

| | Page # |
|--|----------|
| PART I | |
| Item 1 Business | 1 |
| Item 2 Properties | 4 |
| Item 3 Legal Proceedings | 5 |
| Item 4 Submission of Matters to a Vote of Security Holders | 5 |
| PART II | |
| Item 5 Market for the Registrant's Common Equity and Related Stockholder Matters | 5 |
| Item 6 Management's Discussion and Analysis of Financial Condition and Results of Operation | 5 |
| Item 7 Financial Statements | 8 |
| Item 8 Changes In and Disagreements with Accountants on Accounting and Financial Disclosure | 9 |
| PART III | |
| Item 9 Directors, Executive Officers, Promoters and Control Persons of the Registrant: Compliance with Section 16(a) of the Exchange Act | 9 |
| Item 10 Executive Compensation | 11 |
| Item 11 Security Ownership of Certain Beneficial Owners and Management | 13 |
| Item 12 Certain Relationships and Related Transactions | 14 |
| PART IV | |
| Item 13 Exhibits and Reports on Form 8-K | 15 |
| SIGNATURES | 16 |
| EXHIBITS | Attached |
| ITEM 1: BUSINESS | |

Edgar Filing: TENET INFORMATION SERVICES INC - Form 10KSB

General

The Company was incorporated on February 24, 1984 by employees of Telemed who organized the buyout of Telemed's pulmonary and respiratory care information services business. In March 1984, the Company purchased that business for cash and a promissory note.

By 1988, annual revenue had grown to \$2.4 million and the Company completed an initial public offering of its common stock through Schneider Securities in 1989. By September 15, 1989, 23 hospitals were using the Company's respiratory care management systems (then referred to as "RCMS") and the Company employed 23 full and part-time employees.

Over time, with improvements in computer hardware and performance, the mini computer based RCMS product became dated. The last RCMS sale was made in January 1991. In 1994 a new senior management team was put in place.

In the following year, the Company acquired two complimentary businesses (see Acquisitions). Based on Y2K issues, a business decision was made to discontinue the RCMS product line.

Acquisitions:

International Healthcare Consulting Group Acquisition

Effective September 5, 1995, the Company acquired certain assets of The International HealthCare Consulting Group ("HCG"). The assets acquired included certain accounts receivable, equipment, software products and other intangible assets. In exchange for the assets acquired, the Company agreed to issue 50,000 shares of its common stock and assume \$30,000 of debt.

Since 1986 HCG has provided healthcare institutions, mainly hospitals, with professional high-quality, cost effective, consulting services, which produce a more efficient, lower cost care delivery model while maintaining the highest quality of care standards. Consulting services are provided in the following areas:

- .. Nurse Staffing and Patient Classification
- .. Cost Benefit Analysis for Computerized Patient Records (CPR)
- .. Productivity
- .. Cost Accounting
- .. Operations Assessment
- .. Modeling and Simulation

1

National Microcomputer Corporation Merger

On September 29, 1995, the Company and National MicroComputer Corporation ("NMC") approved the terms of an Agreement and Plan of Reorganization (the "Agreement") pursuant to which NMC was merged with and into Tenet Merger Subsidiary, Inc., a wholly owned subsidiary of the Company incorporated for the purpose of effecting the merger. NMC developed and marketed an integrated information management/patient tracking system (EDNet) designed specifically for use in emergency departments.

NMC was founded in California in 1979 and originated the concept of a

Edgar Filing: TENET INFORMATION SERVICES INC - Form 10KSB

computerized patient tracking and information management system dedicated to emergency department operations. The Emergency Department Network ("EDNet") was first developed in 1989. Early versions ran on highly proprietary hardware and software with limited flexibility and functionality.

In 1991, the software was completely redesigned for IBM compatible PCs and utilized standard operating systems and database software.

EDNet, is an integrated information management/patient tracking system designed specifically for use in emergency departments. It is a collaborative information management tool used in real time by clinical and management personnel to collect data and provide information at the most efficient points in the patient care process. Demographic information is collected at registration either by way of an interface from the main hospital information system registration function or directly through the EDNet registration process. Clinical flow information is generated and recorded through the tracking system and at the time of discharge through use of custom configured discharge routines. Auxiliary data may be added at any time. Information is stored in linked relational databases, which are completely open and non-proprietary, accessible both within the system and through other compatible applications on a shared basis.

EDNet is currently in its sixth release, (EDNet) as a Windows 95/98/NT/2000 compliant product. Recent enhancements include discharge aftercare instructions database, a user-sortable patient tracking display and the development of triage assessment protocols, auto faxing, and auto paging. EDNet for Windows was released in the spring of 1998.

Marketing

The Company's marketing efforts are directed at broadening the market for its products by increasing awareness among directors of emergency departments and chief information officers. In support of its sales efforts, the Company conducts programs that include advertising, direct mail, trade shows and ongoing customer communications programs. The Company also keeps its customers informed of advances in the field through e-mail and other mailings. The Company maintains a Web site on the Internet that provides Company and product information for its products. (www.Tenetinfo.com).

The position of Vice President of Sales is vacant and is currently being filled by the Chief Operating Officer of the company.

2

As of June 30, 2002, the software division of the Company had sold its EDNet product to 24 emergency department and urgent care sites. All sites have annual maintenance contracts for continued support and updates. As of June 30, 2002 the Company was in the process of installing EDNet upgrades at 5 DOS clients.

In response to client requests the company has enhanced its basic EDNet software to other hospital applications. ARCNet, which is used in same day surgery and ambulatory care departments and IntelliChartr which helps to make hospital staffing decisions based on patient care needs have been developed and installed.

The Consulting division provides consulting support to major hospitals throughout the country. These services consist primarily of cost benefit

Edgar Filing: TENET INFORMATION SERVICES INC - Form 10KSB

evaluations, patient classification for nursing, and productivity management for all other departments. Consulting services are charged on a negotiated fee basis

Customers receive maintenance support from a staff of experienced customer specialists via a telephone "hot line". Annual maintenance contracts are required at each site and are provided for a fixed price. Included in the annual maintenance contracts are periodic product upgrades and feature/function enhancements. New modules are furnished at an additional cost.

EDNet Product Development

Development efforts are focused on the enhancement of the EDNet product. Research is being conducted on the integration of nursing and physician documentation. Voice recognition and radio frequency are being investigated as possible product enhancements. An inpatient nursing application, (IntelliChart), building upon existing EDNet software, is being beta-tested at a major consulting client site. IntelliChart utilizes the main library set of EDNet to provide inpatient-nursing units with a real time patient tracking system. The primary focus of IntelliChart is to provide the nursing staff an automated methodology to determine patient dependency. Patient dependency is determined based upon the patient's care needs and is translated into staffing requirements on shift and staff skill level basis.

EDNet is now an enterprise level solution, which has greatly enhanced the durability of the product by being able to serve at either single or multi location hospitals. A majority of the development effort has been expended on this enhancement.

The software divisions future success will depend on its ability to continue to enhance its current product line and to continue to develop and introduce new products that keep pace with competitive product introductions and technological developments, satisfy diverse and evolving customer requirements and otherwise achieve market acceptance.

Protection of Proprietary Rights

The Company holds a registered trademark on the name "IntelliChart". In addition, the Company expects to seek certain patent, trademark and/or copyright

3

protection in the further development of its new products, if appropriate. The Company has entered into non-disclosure agreements with employees, consultants and customers to protect its proprietary technology.

Capital Stock

The Company's Articles of Incorporation authorize the board of directors, without shareholder approval, to issue up to 1,000,000 shares of preferred stock with such rights and preferences as the board of directors may determine in its discretion. The board of directors has the authority to issue shares of preferred stock having rights prior to the common stock with respect to dividends, voting and liquidation.

The current authorized common stock of the Company is 100,000,000 shares.

Employees

At June 30, 2002, the Company employed seven full-time employees, one parttime

Edgar Filing: TENET INFORMATION SERVICES INC - Form 10KSB

employee and several independent service contractors. The number of employees and their responsibilities are as follows: three professional, three technical, and two administrative.

Competition

The health care information systems industry is highly competitive. There are many companies of considerable size and expertise that could enter the Company's market for emergency management systems. The Company is aware of competing emergency department information systems.

The Company's products target the emerging market for computerized patient and data management products in hospital and urgent care settings.

The Company faces direct competition in the emergency department market from several other firms. Many of these competitors have significantly greater resources, name recognition and larger installed bases of customers than the Company.

As a result, these potential competitors may be able to devote greater resources to the development, promotion and sale of their products than the Company.

The Company believes that it is imperative that it be competitive in service and product performance. The Company stresses customer service wherever the product is placed.

With the enhancements to the capabilities of networks, the Company has determined it must adopt new technology in order to continue to compete effectively in the large hospital marketplace. As discussed in Product Development, the Company is further developing and converting its products. This effort is expected to enable the Company to compete in this marketplace.

4

ITEM 2: PROPERTIES

The Company's headquarters were relocated to Sandy, Utah in March 2001. The Company leases approximately 1,920 square feet of office space at a total cost of approximately \$2,350 per month. This is pursuant to a lease that expires on November 9, 2004.

ITEM 3: LEGAL PROCEEDINGS

The Company is not a party to any material pending legal proceedings, nor to the knowledge of management, is any litigation threatened against the Company.

ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

PART II

ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock began trading in the over-the-counter market in May 1989. Prices were quoted on the National Association of Security Dealers Automated Quotation System ("NASDAQ") under the symbol "TISI" until November 1, 1991 at which time the Company was suspended from NASDAQ for untimely filings and inadequate financial resources. On September 3, 1996, the symbol was

Edgar Filing: TENET INFORMATION SERVICES INC - Form 10KSB

changed to "TISV."

Just prior to its suspension from NASDAQ on November 1, 1991, the reported closing bid and asked prices of the Company's Common Stock were \$.03125 and \$.0625, respectively. In 1996 limited public trading of the Company's Common Stock resumed with price quotations available on the over the counter "bulletin board". During fiscal year ended June 30, 2002 a limited number of shares traded on the bulletin board market at a price range of \$0.05 to \$0.15.

In March, the Company was advised that the bulletin board listing had been suspended pending completion of the appropriate filings.

The number of shareholders of record for the Company's Common Stock as of June 30, 2002 was 314, which include depositories and broker/dealers who hold shares of Common Stock in "nominee" or "street" names.

5

ITEM 6: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

The following discussion contains forward-looking statements regarding the company, its business, prospects and results of operations that are subject to risks and uncertainties posed by many factors and events that could cause the company's actual business, prospects and results of operations to differ materially from those that may be anticipated by such forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed herein as well as those discussed under the captions "risk factors" and "business" as well as those discussed elsewhere in this prospectus. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. The Company undertakes no obligation to revise any forward-looking statements in order to reflect events or circumstances that may subsequently arise. Readers are urged to carefully review and consider the various disclosures made by the company in this report and in the company's other reports filed with the securities and exchange commission that attempt to advise interested parties of the risks and factors that may affect the company's business.

Results of Operations

Fiscal 2002 Compared with Fiscal 2001

During fiscal year 2002, the Company had revenues of \$717,005, which represented an increase of \$175,908 or 33% from revenues of \$541,097 for the prior fiscal year. The following table presents the components of revenues for fiscal 2002 and 2001.

| REVENUES | FY 02 | ACTUAL FY 01 | Increase | % Change |
|---------------|-----------|-----------------|-----------|----------|
| | ----- | ----- | ----- | ----- |
| EDNet Systems | \$467,542 | \$ 419,096 | \$ 48,446 | 12% |
| Consulting | \$249,463 | \$ 122,001 | \$127,462 | 104% |
| Total | \$717,005 | \$ 541,097 | \$175,908 | 33% |

The following table details cost of revenue by product, comparing the prior fiscal year as shown on financials.

| 2002 | 2001 | Change | %Change |
|------|------|--------|---------|
|------|------|--------|---------|

Edgar Filing: TENET INFORMATION SERVICES INC - Form 10KSB

| | ----- | ----- | ----- | ----- |
|-----------------------------|-----------|-----------|------------|-------|
| EDNet System and Consulting | \$225,205 | \$245,461 | \$(20,256) | |
| | \$139,927 | \$ 98,160 | \$ 41,767 | |
| Total | \$365,132 | \$343,621 | \$ 21,511 | 6% |

Cost of revenues increased to \$365,132, up 6% for fiscal year 2002 compared with \$343,621 for the previous fiscal year. Costs of revenues related to the EDNet System for fiscal year 2002 were \$225,205 giving the system revenue products a gross margin of 52%. This compares to cost of revenues of \$245,461 with a gross margin of 41% for the prior twelve-month period. Overall gross profit for the

6

fiscal year 2002 was 49% compared to 36% for the prior year. 70% of this profit improvement was due to increased revenue while 30% was due to improved margins.

Selling, general and administrative expenses increased by \$9,473 or 6%, to \$178,015 for fiscal year 2002 compared with \$168,542 for the previous fiscal year. Software development expenses were unchanged at \$104,700 for fiscal year 2002 from fiscal 2001.

As a result of the above factors, the net gain from operations was \$69,200 for fiscal year 2002 compared with loss of \$(75,862) for fiscal year 2001. Interest expense increased to \$20,446 from \$15,610 for the prior fiscal year. The net gain was \$70,890 or \$.00 per share for fiscal year 2002 compared with a net loss of \$(90,515) or (\$0.00) per share for fiscal year 2001.

Liquidity and Capital Resources

The Company's cash position increased from \$37,022 to \$78,585 during its fiscal year 2002. The Company had a working capital deficit of \$238,431 as of June 30, 2002, as compared with a deficit of \$304,192 as of June 30, 2001. Operating activities provided \$62,915 for the fiscal year ended June 30, 2002 as compared to providing \$26,132 in the corresponding period of the prior fiscal year.

The Company's investing activities used \$17,977 of cash for the current year compared to using \$3,720 in the corresponding period of the prior fiscal year.

There were no related party advances to the Company during the current year ended June 30, 2002.

While a portion of the current liabilities, approximately \$200,000, is owed to present officers and/or directors, there can be no assurances that these officers/directors will not seek payment in the near term.

Inflation has not had a significant impact on the Company's operations.

Item 7A: Market Risk Sensitive Instruments
N/A

7

ITEM 7: FINANCIAL STATEMENTS

TENET INFORMATION SERVICES, INC. AND SUBSIDIARY

Edgar Filing: TENET INFORMATION SERVICES INC - Form 10KSB

TABLE OF CONTENTS

| | Page |
|--|------|
| Report of Independent Certified Public Accountants | F-1 |
| Consolidated Financial Statements: | |
| Consolidated Balance Sheet - June 30, 2002 | F-2 |
| Consolidated Statements of Operations for the Years Ended June 30, 2002 and 2001 | F-3 |
| Consolidated Statements of Shareholders' Deficit for the Years Ended June 30, 2001 and 2002 | F-4 |
| Consolidated Statements of Cash Flows for the Years Ended June 30, 2002 and 2001 | F-5 |
| Notes to Consolidated Financial Statements | F-6 |

HANSEN, BARNETT & MAXWELL
A Professional Corporation
CERTIFIED PUBLIC ACCOUNTANTS

(801) 532-2200
Fax (801) 532-7944
5 Triad Center, Suite 750
Salt Lake City, Utah 84180-1128
www.hbmcpas.com

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and the Stockholders
Tenet Information Services, Inc.

We have audited the accompanying consolidated balance sheet of Tenet Information Services, Inc. (a Utah corporation) and subsidiary as of June 30, 2002, and the related consolidated statements of operations, shareholders' deficit and cash flows for the years ended June 30, 2002 and 2001. These financial statements are the responsibility of the Company's 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 audits 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tenet Information

Edgar Filing: TENET INFORMATION SERVICES INC - Form 10KSB

Services, Inc. and subsidiary as of June 30, 2002, and the results of their operations and their cash flows for the years ended June 30, 2002 and 2001 in conformity with accounting principles generally accepted in the United States.

/s/ HANSEN, BARNETT & MAXWELL

Salt Lake City, Utah
August 16, 2002

F-1

TENET INFORMATION SERVICES, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
JUNE 30, 2002
ASSETS

| | |
|--|-------------|
| Current Assets | |
| Cash | \$ 78,585 |
| Accounts receivable, net of allowance for doubtful accounts of \$7,500 | 95,430 |
| Prepaid expenses | 4,300 |
| Work performed in excess of billings | 20,631 |
| Total Current Assets | 198,946 |
| Furniture, Fixtures and Equipment | 131,824 |
| Less: accumulated depreciation | (112,887) |
| | 18,937 |
| Other Assets, Net | 3,675 |
| | ----- |
| Total Assets | \$ 221,558 |
| | ===== |
| LIABILITIES AND SHAREHOLDERS' DEFICIT | |
| Current Liabilities | |
| Accounts payable | \$ 117,977 |
| Accrued expenses | 73,238 |
| Accrued interest | 7,402 |
| Deferred revenue | 153,599 |
| Billings in excess of work performed | 38,485 |
| Related party debt | 46,676 |
| | ----- |
| Total Current Liabilities | 437,377 |
| | ----- |
| Shareholders' Deficit | |
| Preferred stock, \$0.01 par value; 1,000,000 shares authorized, no shares issued | - |
| Common stock, \$0.001 par value; 100,000,000 shares authorized, 19,336,205 shares issued and outstanding | 19,336 |
| Additional paid-in capital | 4,853,896 |
| Accumulated deficit | (5,089,051) |

Edgar Filing: TENET INFORMATION SERVICES INC - Form 10KSB

| | |
|---|-----------------------------|
| Total Shareholders' Deficit | ----- (215,819) ----- |
| Total Liabilities and Shareholders' Deficit | \$ 221,558 ===== |

The accompanying notes are an integral part of these consolidated financial statements.

F-2

TENET INFORMATION SERVICES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001

| | 2002 | 2001 |
|---|------------|-------------|
| | ----- | ----- |
| Revenues | | |
| Software license fees and maintenance | \$ 467,542 | \$ 419,096 |
| Consulting services | 249,463 | 122,001 |
| | ----- | ----- |
| Total Revenues | 717,005 | 541,097 |
| Cost of Revenues | | |
| Software license fees and maintenance | 225,205 | 245,461 |
| Consulting services | 139,927 | 98,160 |
| | ----- | ----- |
| Total Cost of Revenues | 365,132 | 343,621 |
| | ----- | ----- |
| Gross Profit | 351,873 | 197,476 |
| Operating Expenses | | |
| Selling, general and administrative | 178,015 | 168,542 |
| Software development | 104,658 | 104,796 |
| | ----- | ----- |
| Total Operating Expenses | 282,673 | 273,338 |
| | ----- | ----- |
| Income (Loss) From Operations | 69,200 | (75,862) |
| Other Income and (Expense) | | |
| Interest income | 511 | - |
| Miscellaneous income | - | 957 |
| Interest expense | (20,446) | (15,610) |
| Gain on forgiveness of debt | 21,625 | - |
| | ----- | ----- |
| Net Other Income (Loss) | 1,690 | (14,653) |
| | ----- | ----- |
| Net Income (Loss) | \$ 70,890 | \$ (90,515) |
| | ===== | ===== |
| Basic and Diluted Earnings (Loss) Per Share | \$ - | \$ - |
| Weighted Average Number of Common Shares Used in Per Share Calculation | 19,065,892 | 19,065,892 |
| | ===== | ===== |

Edgar Filing: TENET INFORMATION SERVICES INC - Form 10KSB

The accompanying notes are an integral part of these consolidated financial statements.

F-3

TENET INFORMATION SERVICES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT
FOR THE YEARS ENDED JUNE 30, 2001 AND 2002

| | Common Stock | | Additional Paid-In Capital | Warrants Outstanding | Accumulated Deficit | Total |
|---|------------------|-----------|----------------------------------|-------------------------|------------------------|--------|
| | Shares Issued | Amount | | | | |
| Balance, June 30, 2000 | 19,065,892 | \$ 19,066 | \$ 4,843,476 | \$ 7,987 | \$ (5,069,426) | \$ () |
| Expiration of warrants | - | - | 7,987 | (7,987) | - | |
| Net loss | - | - | - | - | (90,515) | |
| Balance, June 30, 2001 | 19,065,892 | 19,066 | 4,851,463 | - | (5,159,941) | () |
| Shares issued to director for services | 270,313 | 270 | 2,433 | - | - | |
| Net income | - | - | - | - | 70,890 | |
| Balance, June 30, 2002 | 19,336,205 | \$ 19,336 | \$ 4,853,896 | \$ - | \$ (5,089,051) | \$ () |

The accompanying notes are an integral part of these consolidated financial statements.

F-4

TENET INFORMATION SERVICES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001

| | 2002 | 2001 |
|---|-----------|-------------|
| Cash Flows From Operating Activities | | |
| Net income (loss) | \$ 70,890 | \$ (90,515) |
| Adjustments to reconcile net income (loss) to net cash from operating activities: | | |
| Depreciation | 10,145 | 10,407 |
| Stock issued for services | 2,703 | - |
| Gain on forgiveness of debt | (21,625) | - |

Edgar Filing: TENET INFORMATION SERVICES INC - Form 10KSB

| | | |
|---|-----------|-----------|
| Change in assets and liabilities | | |
| Accounts receivable | (10,797) | 65,908 |
| Deposits | - | (2,250) |
| Prepaid expenses | (2,300) | 3,609 |
| Accounts payable | (22,059) | 4,458 |
| Accrued liabilities | (27,522) | 45,070 |
| Deferred revenue | 45,001 | (20,352) |
| Work performed in excess of billings | 5,819 | (6,910) |
| Billings in excess of work performed | 12,660 | 16,707 |
| | ----- | ----- |
| Net Cash Provided By Operating Activities | 62,915 | 26,132 |
| | ----- | ----- |
| Cash Flows From Investing Activities | | |
| Acquisition of furniture, fixtures and equipment | (17,977) | (3,720) |
| | ----- | ----- |
| Net Cash Used In Investing Activities | (17,977) | (3,720) |
| Cash Flows From Financing Activities | | |
| Principal payments on short term debt | (3,375) | - |
| | ----- | ----- |
| Net Cash Used In Financing Activities | (3,375) | - |
| | ----- | ----- |
| Net Increase In Cash | 41,563 | 22,412 |
| Cash at Beginning of the Year | 37,022 | 14,610 |
| | ----- | ----- |
| Cash at End of the Year | \$ 78,585 | \$ 37,022 |
| | ===== | ===== |
| Supplemental Disclosures of Cash Flow Information: | | |
| Cash paid for interest | \$ 1,625 | \$ 1,396 |
| | ===== | ===== |
| Non-Cash Investing and Financing Activities | | |
| Disposal of furniture, fixtures and equipment | \$ 20,387 | \$ 18,623 |
| | ===== | ===== |

The accompanying notes are an integral part of these consolidated financial statements.

F-5

TENET INFORMATION SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1--NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Tenet Information Services, Inc. ("Tenet"), a Utah corporation, designs and markets a computer-based medical and health information system related primarily to emergency departments (the "EDNet System"). During fiscal 1996, Tenet expanded its operations by merging with National Microcomputer Corporation ("NMC") and acquiring certain assets of The International Healthcare Consulting Group, Inc. ("HCG"). NMC designed and marketed the integrated information management/patient tracking system for use in emergency departments of hospitals and urgent care centers (the "EDNet System"). HCG has provided healthcare institutions, mainly hospitals, with consulting services to assist the institutions in achieving

Edgar Filing: TENET INFORMATION SERVICES INC - Form 10KSB

a more efficient, lower cost care delivery model while maintaining the highest quality of care standards.

Tenet and its wholly owned subsidiary, NMC, (collectively, "the Company") sell and lease computer software license rights to hospitals throughout the United States. In addition, the Company sells maintenance contracts for these information systems. Substantially all of the Company's revenues are generated from hospitals and therefore, the Company's financial performance is partially dependent upon the viability of the healthcare economic sector.

The Company is subject to various risks associated with companies in a similar stage of operations including dependence on key individuals, potential competition from larger and more established companies and the need to obtain adequate sources of financing.

Concentration of Risk - Sales to major customers are defined as revenues to any one customer which exceeds 10% of total sales. During the year ended June 30, 2002, the Company had revenues from two customers which accounted for 44% of the Company's total revenue. The risk of loss of these major customers subjects the Company to the possibility of decreased revenues.

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of Tenet and its wholly owned subsidiary, NMC. All significant intercompany transactions and account balances have been eliminated in consolidation.

Use of Estimates in the Preparation of Financial Statements - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F-6

Revenue Recognition - The Company recognizes revenue in accordance with the provisions of Statement of Position No. 91-1 Software Revenue Recognition as follows:

Revenues related to the EDNet System consist of sales of software licenses, installation of information systems and related software customization and enhancements. In addition, revenues are generated from annual software support and maintenance. Installation revenues are recognized on the percentage of completion method measured by completion and acceptance of contracted milestones. The asset "work performed in excess of billings" represent costs incurred and revenues earned in excess of billings on uncompleted contracts. The liability "billings in excess of work performed" represents billings in excess of costs incurred and revenue recognized.

Revenues from annual software and maintenance are recognized ratably over the term of each contract. Amounts billed in advance of revenue recognition for software and maintenance are recorded as deferred revenue.

Revenues from consulting services are recognized when the services have been provided.

Furniture, Fixtures and Equipment - Furniture, fixtures and equipment are

Edgar Filing: TENET INFORMATION SERVICES INC - Form 10KSB

stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, generally 3 to 10 years. Depreciation expense was \$10,145 and \$10,407 for the periods ended June 30, 2002 and 2001, respectively. Maintenance and repairs are charged to expense as incurred and major improvements or betterments are capitalized. Gains or losses on sales or retirements are included in the statement of operations in the year of disposition. Furniture, fixtures and equipment include \$128,105 of computer equipment used in operations and \$3,719 of furniture, fixtures and other equipment at June 30, 2002.

Software Development Costs - Costs incurred in creating computer software products are charged to operations as software development expense prior to the development of a detailed program design or a working model. After the detailed program design or working model is established, costs of producing product masters are capitalized as software development costs. The Company had no capitalized software costs at June 30, 2002.

Costs of maintenance and customer support are recognized as expense when the related revenue is recognized or when those costs are incurred, whichever occurs first.

Impairment - The Company records impairment losses on property and equipment when indicators of impairment are present and undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. The Company had no impaired assets at June 30, 2002.

F-7

Cash Equivalents and Fair Value of Financial Instruments -Cash Equivalents include highly liquid investments with original maturities of three months or less readily convertible to known amounts of cash.

The estimated fair value of financial instruments is not presented because, in Management's opinion, there is no material difference between carrying amounts and estimated fair values of financial instruments as presented in the accompanying balance sheet.

Income Taxes - The Company recognizes the amount of income taxes payable or refundable for the current year and recognizes deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement amounts of certain assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance to the extent that uncertainty exists as to whether the deferred tax assets will ultimately be realized.

Stock-Based Compensation - Stock-based compensation to employees is measured by the intrinsic value method. This method recognizes compensation based on the difference between the fair value of the underlying common stock and the exercise price of the stock option on the date granted. Compensation relating to options granted to non-employees is measured by the fair value of the options, computed by an option-pricing model.

Warranty Costs - A one-year limited warranty from date of first use is provided on sales of software licenses. The terms of the warranty are extended to all periods where the System is covered by an applicable Support Agreement. Warranty costs have not been material in any year presented; accordingly, these costs are expensed when incurred.

Edgar Filing: TENET INFORMATION SERVICES INC - Form 10KSB

Basic and Diluted Earnings (Loss) Per Share -Basic earnings (loss) per common share is computed by dividing net income (loss) available to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution which could occur if all contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock. A total of 605,000 potentially issuable shares were excluded from the calculation of diluted income (loss) per common share at June 30, 2002 and 2001 because the effects would be anti-dilutive.

Recently Enacted Accounting Standards - In April 2002, the FASB issued SFAS No. 145. Among other provisions, this statement modifies the criteria for classification of gains or losses on debt extinguishments such that they are not required to be classified as extraordinary items if they do not meet the criteria for classification as extraordinary items in APB Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." The Company has elected to adopt this standard during the year ended June 30, 2002. Adopting this standard had an affect on income statement classification but no effect on net income for the year ended June 30, 2002.

F-8

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." The statement requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Examples of costs covered by the standard include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, plant closing, or other exit or disposal activity. The Company will be required to apply this statement prospectively for any exit or disposal activities initiated after December 31, 2002. The adoption of this standard is not expected to have a material effect on the Company's financial position or results of operations.

NOTE 2- RELATED PARTY DEBT AND NOTES PAYABLE

Related-party debt consists of the following at June 30, 2002:

| | |
|---|-----------------------------|
| Debt payable to a related party corporation owned by an employee of the Company at an interest rate of 8.0%, unsecured, balance is due on demand. | \$ 4,666 |
| Note payable to a company associated with a shareholder, at an interest rate of 8% per annum, balance is due on demand | 10,714 |
| Debt payable to officers/shareholders at an interest rate of 12%, unsecured, due on demand. | 4,860 |
| Note payable to an officer and shareholder, at an interest rate of 8%, balance due by June 30, 2003, unsecured. | 26,436 |
| Total related party debt | ----- \$ 46,676 ===== |

On November 1, 2001, the Company paid \$5,000 to a creditor as payment in full of all obligations on an unsecured note for \$25,000. After deducting \$1,625 for payment of outstanding interest, \$3,375 was applied to the

Edgar Filing: TENET INFORMATION SERVICES INC - Form 10KSB

outstanding principal and the creditor forgave the balance due on the note resulting in a one-time gain of \$21,625. In accordance with SFAS 145, the gain from debt forgiveness did not meet the conditions for being classified as extraordinary and therefore was included in continuing operations. On June 30, 2002, the Company issued 270,313 shares of common stock to a director for services in negotiating the debt settlement. The shares were valued at \$2,703 or \$0.01 per share and were expensed.

F-9

NOTE 3 - INCOME TAXES

No benefit for income taxes has been recorded during the years ended June 30, 2002 and 2001. Certain risks exist with respect to the Company's future profitability, and management has concluded that, due to these uncertainties, the related net deferred tax asset may not be realized. Accordingly, a valuation allowance has been recorded to offset the deferred tax asset in its entirety. The components of the net deferred tax assets at June 30, 2002 are as follows:

| | |
|--------------------------------------|--------------|
| Deferred Tax Assets | |
| Tax net operating loss carry forward | \$ 1,829,441 |
| Tax credits carry forward | 4,822 |
| Reserves and accrued liabilities | 51,462 |
| | ----- |
| Total Deferred Tax Assets | 1,885,725 |
| | ----- |
| Valuation allowance | (1,885,725) |
| | ----- |
| Net Deferred Tax Asset | \$ - |
| | ===== |

As of June 30, 2002, the Company has net operating loss carryforwards for federal income tax reporting purposes of approximately \$4,913,889 which will expire through 2021.

As of June 30, 2002, the Company had research and development tax credits and investment tax credit carryforwards of approximately \$51,462. These credits will expire through fiscal 2006.

The following is a reconciliation of the income tax at the federal statutory rate of 34% with the provision for income taxes for the years ended June 30, 2002 and 2001:

| | 2002 | 2001 |
|--|-----------|-------------|
| | ----- | ----- |
| Income tax expense (benefit) at statutory rate | \$ 24,103 | \$ (30,775) |
| Change in deferred tax valuation account | (50,420) | (8,247) |
| (Non taxable income) /non deductible taxes | 2,675 | 2,675 |
| Expired operating losses and tax credits | 21,303 | 39,334 |
| State taxes, net of federal benefit | 2,339 | (2,987) |
| | ----- | ----- |
| Provision for Income Taxes | \$ - | \$ - |
| | ===== | ===== |

F-10

NOTE 4 - STOCK OPTIONS

Edgar Filing: TENET INFORMATION SERVICES INC - Form 10KSB

During fiscal year ended June 2002, the Board of Directors did not authorize the issuance of any stock options outside of the Incentive Stock Option Plan to employees of the Company.

The Company has adopted an incentive stock option plan and a nonqualified stock option plan. Stock options for an aggregate of 600,000 shares of common stock may be granted under these plans. Stock options under both option plans may be granted at a price per share not less than 100 percent of the fair market value of the common stock, as determined at the date of grant. Employees vest in the right to exercise their options from the first anniversary date following the date of grant to the fifth anniversary date following the date of grant. The options expire five years from the vesting date. Incentive stock options are forfeited unless exercised within zero to three months following termination of employment or twelve months if termination is due to death or disability.

A summary of the status of the Company's options outstanding as of June 30, 2002 and 2001, and changes during the years then ended is presented below:

| | For the year ended June 30, 2002 | | 2001 | |
|--|-------------------------------------|--|----------|--|
| | Shares | Weighted Average Exercise Price | Shares | Weighted Average Exercise Price |
| Outstanding at beginning of year | 605,000 | 0.10 | 675,000 | 0.10 |
| Granted | - | - | - | - |
| Forfeited | - | - | (70,000) | 0.13 |
| Outstanding at end of year | 605,000 | 0.10 | 605,000 | 0.10 |
| Options exercisable | 242,000 | 0.10 | 121,000 | 0.10 |
| Weighted average fair value of options granted during the year | | n/a | | n/a |

The following table summarizes information about stock options outstanding at June 30, 2002:

| Range of Exercise Price | Options Outstanding | | Options Exercisable | | |
|-------------------------------|--|---|--|--|--|
| | Number Outstanding at 6/30/02 | Weighted Average Remaining Contract Life | Weighted Average Exercise Price | Number Exercisable at 6/30/02 | Weighted Average Exercise Price |
| \$ 0.10 | 605,000 | 2.1 years | \$ 0.10 | 242,000 | \$ 0.10 |

The Company applies APB Opinion 25, Accounting for Stock Issued to Employees, and related interpretations in accounting for its plans. Accordingly, no compensation cost has been recognized for its stock option plans. Had compensation cost for the Company's stock-based compensation plans been determined based on the fair value at the grant dates for awards

Edgar Filing: TENET INFORMATION SERVICES INC - Form 10KSB

F-11

under those plans consistent with the method of FASB Statement 123, Accounting for Stock-Based Compensation, the Company's net income and income per share would have been increased to the pro forma amounts indicated below:

| | For the year ended June 30, | |
|-----------------------------------|-----------------------------|-------------|
| | 2002 | 2001 |
| | ----- | ----- |
| Net income (loss) | | |
| As reported | \$ 70,890 | \$ (90,515) |
| Pro forma | 68,045 | (93,514) |
| Basic earnings (loss) per share | | |
| As reported | 0.00 | (0.00) |
| Pro forma | 0.00 | (0.00) |
| Diluted earnings (loss) per share | | |
| As reported | 0.00 | (0.00) |
| Pro forma | 0.00 | (0.00) |

Option pricing models require the input of highly subjective assumptions including the expected stock price volatility. Also, the Company's employee stock options have characteristics significantly different from those of traded options, and changes in the subjective input assumptions can materially affect the fair value estimate. Management believes the best input assumptions available were used to value the options and the resulting values are reasonable.

NOTE 5-OPERATING LEASE

The Company occupies its facilities under a non-cancelable operating lease that expires in October 2005. Lease expense for fiscal 2002 and 2001 was \$26,535 and \$31,745, respectively.

Minimum future lease payments under non-cancelable operating leases as of June 30, 2002 are as follows:

| | |
|---------------------|--------|
| Year Ended June 30, | |
| 2003 | 24,480 |
| 2004 | 25,214 |
| 2005 | 8,487 |

F-12

ITEM 8: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

On July 30, 1997 the Registrant engaged Hansen, Barnett & Maxwell ("Hansen") to perform its audits and provide various accounting services thereafter. The Registrant did not consult with Hansen prior to such date regarding any reportable matter.

PART III

ITEM 9: Directors, Executive Officers, Promoters, and Control Persons of

Edgar Filing: TENET INFORMATION SERVICES INC - Form 10KSB

the Registrant;

Compliance with Section 16(a) of the Exchange Act

The names of the executive officers and directors of the Company, their respective ages and positions with the Company, and the dates of their elections to the Board of Directors or as officers are as follows:

| Name ----- | Age --- | Position with The Company ----- | Date of Election ----- |
|-------------------|------------|-------------------------------------|-------------------------------------|
| Jerald L. Nelson | 59 | President (resigned) | December 1, 1993 (July 10, 1996) |
| | | Chairman of the Board | July 10, 1996 |
| | | Director | January 24, 1994 |
| | | Corporate Treasurer | June 5, 2001 |
| Frank Overfelt | 59 | Director | September 29, 1995 |
| | | Chief Operations Officer (acting) | July 10, 1996 |
| | | President & Chief Operating Officer | August 31, 1998 (June 5, 2001) |
| | | (Resigned as COO) | |
| Donald W. Ballash | 44 | Chief Operations Officer | June 5, 2001 |
| | | Corporate Secretary | June 5, 2001 |
| Eric J. Nickerson | 49 | Director | June 29, 1990 |

All directors hold office until the next annual meeting of shareholders of the Company or until their successors have been elected and qualified. The number of authorized directors may be varied by the Board of Directors, but may not be less than three. Executive officers serve at the discretion of the Board of Directors. The directors are entitled to certain limitations on their liabilities as directors of the Company as permitted under Utah law and as included in the Company's Articles of Incorporation.

9

The Company's stock option plans permit the administration of the plans through a Stock Option Plan Committee, composed of at least three members of the Board of Directors. No such committee has been appointed, and no other committees of the Board of Directors have been formed.

On July 10, 1996 Jerald L. Nelson resigned as President and Chief Operating Officer and was elected Chairman of the Board of Directors. Frank C. Overfelt was also appointed Chief Operating Officer on an interim basis. At a board of directors meeting held on August 31, 1998 Frank Overfelt was elected to the position of President and Chief Operating Officer.

On June 5, 2001 a board of directors meeting was held. Mr. Overfelt resigned his title of Chief Operating Officer while retaining his position as President. The board elected Donald Ballash to the positions of Corporate Secretary and Chief Operating Officer. The board further elected Jerald Nelson to the position of Corporate Treasurer.

Business Biographies

Jerald L. Nelson. Jerald L. Nelson has served as a director, president and chief operating officer of the Company since December 1993. Effective July 10, 1996 Dr. Nelson was appointed Chairman of the Board of Directors, and relinquished his position as President and Chief Operating Officer. On June 5, 2001 the board elected Dr. Nelson to the position of Corporate Secretary. Dr.

Edgar Filing: TENET INFORMATION SERVICES INC - Form 10KSB

Nelson received his Ph.D. in Economics from North Carolina State University in 1974. From 1974 to 1984, Mr. Nelson worked or consulted with several Fortune 500 firms, including US Industries, TransWorld Airlines, GTE, Xerox, Pitney Bowes and General Foods. From 1984 until December 1993, Mr. Nelson worked with various businesses as an investment banker and business advisor. He has also consulted with or served on the Board of Directors of numerous Utah firms including Arrow Dynamics, Beacon Financial, Interwest Home Medical, Gentner Communications and One-2-One Communications, where he also served as chairman and chief executive officer.

Frank C. Overfelt Frank Overfelt was elected to the Board on September 29, 1995. At the current time, Mr. Overfelt holds the position of President. Mr. Overfelt has been the managing partner the International HealthCare Consulting Group, Inc. since its inception in 1986. He is a recognized authority in workload measurement systems for health care institutions. Prior to founding the consulting company Mr. Overfelt was a senior manager in the Healthcare Cost Accounting and Productivity Practice of Peat Martwick. He holds an MBA from the University of Utah. His total healthcare experience is 23 years.

Eric J. Nickerson. Eric J. Nickerson has served as a director since June of 1990. Mr. Nickerson was a member of the faculty of the United States Military Academy at West Point, New York from 1989 to 1993. In June 1993, Mr. Nickerson retired as a United States Air Force officer. Currently, Mr. Nickerson is a private investor and directs personal accounts and two investing partnerships: "Third Century II" and "Z Fund."

Donald W. Ballash. Mr. Ballash holds the positions of Corporate Secretary and Chief Operating Officer, Vice-President of Product Development and Consulting and has over 19 years of experience in the health care field. He has

10

specialized in management engineering at two large multi-hospital systems; Intermountain Health Care and Kaiser Permanente. Most recently he was a partner in the International HealthCare Consulting Group. He holds a B.S. Degree from BYU.

ITEM 10: EXECUTIVE COMPENSATION

The following table sets forth all cash compensation for services rendered in all capacities to the Company during the fiscal years ended June 30, 2002, 2001, and 2000 paid to (i) the Company's president and each executive officer whose cash compensation exceeded \$100,000, and (ii) all executive officers of the Company as a group. No executive officers salary exceeded \$100,000 for the fiscal year.

| Name and Principal Position | Year (\$) | Annual Compensation | | | /Long Term Compensation / | | | |
|--------------------------------------|--------------|---------------------|---------------|------------------------------------|---------------------------|--------------------------------------|------------------------------|--|
| | | Salary (\$) | Bonus (\$) | Other Annual Compen- (\$) | Awards | Securities Underlying SARs (#) | LTIP Pay- outs (\$) | All Other Compen- sation (\$) |
| ----- | | | | | | | | |

Edgar Filing: TENET INFORMATION SERVICES INC - Form 10KSB

| | | | | | | | | |
|-------------------------|------|---------|-----|-------|-------|-----|-----|-------|
| Frank C. Overfelt | 2000 | 76,360 | -0- | -0- | -0- | -0- | -0- | 3,600 |
| President | 2001 | 57,270 | -0- | -0- | -0- | -0- | -0- | 5,325 |
| | 2002 | 104,810 | -0- | -0- | -0- | -0- | -0- | -0- |
| | | | | | | | | |
| Jerald L. Nelson | 2000 | -0- | -0- | 600 | -0- | -0- | -0- | -0- |
| Chairman of the Board | 2001 | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| Corporate Treasurer | 2002 | -0- | -0- | 1,000 | 2,703 | -0- | -0- | -0- |
| | | | | | | | | |
| Donald W. Ballash | 2001 | 61,500 | -0- | -0- | -0- | -0- | -0- | 250 |
| Chief Operating Officer | 2002 | 102,625 | -0- | -0- | -0- | -0- | -0- | -0- |
| Corporate Secretary | | | | | | | | |
| | | | | | | | | |
| All Executive Officers | | | | | | | | |
| (1 person) | 2000 | 76,360 | -0- | -0- | -0- | -0- | -0- | 3,600 |
| (3 persons) | 2001 | 118,750 | -0- | -0- | -0- | -0- | -0- | 5,325 |
| (3 persons) | 2002 | 207,434 | -0- | 1,000 | 2,703 | -0- | -0- | -0- |

The Company also may pay discretionary cash bonuses to management and employees based on meritorious performance.

Stock Option Plans

On October 15, 1984, the Company adopted an Incentive Stock Option Plan (the "ISO Plan"), pursuant to which only "incentive stock options" ("ISO's"), as defined in the Internal Revenue Code (the "Code"), may be granted. On the same date, the Company adopted a Nonqualified Stock Option Plan ("NQSO Plan"),

11

pursuant to which only "nonqualified stock options" ("NQSOs"), as defined in the Code, may be granted. Stock options for an aggregate of 600,000 shares of common stock may be granted under both Plans. ISOs may be granted under the ISO Plan to employees owning less than 10% of the Company's voting stock (as defined by Sections 422A and 425 of the Code). NQSOs may be granted under the NQSO Plan to employees who are ineligible to receive options under the ISO Plan.

Stock options may be granted under the Plans at a price per share not less than 100% of the "fair market value" (as defined by the Plans) of the common stock on the date of grant.

The Plans limit grants of stock options to any one employee to 60,000 shares of stock per plan year, with an aggregate option price ceiling of \$100,000 under the ISO Plan in any year. Each stock option, unless sooner terminated, expires five years from the "date of effectiveness", which is three years from the date of grant.

ISOs are exercisable until three months following termination of employment (twelve months if termination is due to death or disability). Termination of employment for any reason does not affect the exercisability of NQSOs, regardless of whether the option's effective date has been reached. Under both Plans, options are exercisable during an optionee's lifetime only by such optionee and are transferable only upon death by the laws of descent or distribution.

Edgar Filing: TENET INFORMATION SERVICES INC - Form 10KSB

The Board of Directors has the right to modify or amend the Plans at any time, provided, however, that, unless ratified by the Company's shareholders, no amendment will be effective which (i) changes the number of shares which may be issued under the Plans, (ii) changes the option price, other than the manner of determining the fair market value of the shares, (iii) changes the periods during which options may be granted or exercised, (iv) changes the provisions relating to the determination of employees to whom options may be granted and the number of shares to be covered by such options, or (v) changes the provisions relating to adjustments to be made upon changes in capitalization. Shareholder action is also required to terminate the Plans.

As of August 1, 1999 the company had granted 830,000 options to key employees exercisable at the rate of \$.10 per share. 205,000 of these options were forfeited during the fiscal year end at June 30, 2000 and an additional 70,000 were forfeited during the year ended June 30, 2001. Only 605,000 remained outstanding as of September 27, 2002. These options were issued outside of the Incentive Stock Option Plan and authorized by the Board of Directors.

12

ITEM 11: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the holdings of common stock as of September 27, 2002 (i) by each person who held of record, or was known by the Company to own beneficially, more than five percent of the outstanding common stock of the Company, (ii) by each Director, and (iii) by all Directors and officers as a group. Unless otherwise indicated, all shares are owned directly. The percentage calculations for any individual stockholder assume that all outstanding options and warrants held by that stockholder have been exercised in full and that no other stockholder has exercised any outstanding options or warrants.

Name and Address of Beneficial Owner as of September 27, 2002

| | Common (1) ----- | Percent of Shares Outstanding ----- |
|-----------------------------------|---------------------|--|
| Michael R. Carlston 2 | 4,673,977 | 24.17% |
| Dennis C. Peterson 3 | 4,220,442 | 21.83% |
| Mark Oldroyd 4 | 3,975,559 | 20.56% |
| Scott Staker 5 | 3,975,559 | 20.56% |
| T-Acquisition 6 | 3,775,559 | 19.53% |
| Eric J. Nickerson 7 | 2,173,500 | 11.24% |
| Third Century II 7 | 2,173,500 | 11.24% |
| Jerald L. Nelson 12 | 1,542,326 | 7.98% |
| Donald W. Ballash 11 | 1,226,429 | 6.34% |
| Robert Smith 8 | 1,166,246 | 6.03% |
| Richard Gwinn 9 | 1,004,920 | 5.20% |
| Frank Overfelt 10 | 670,204 | 3.47% |
| All Officers and Directors | 5,612,459 | 29.03% |

1. Based on 19,336,205 common shares outstanding and options to acquire 605,000 shares of Common Stock at \$0.10 per share.

2. The shares indicated include: (i) 1,734,731 shares of Common Stock beneficially owned by Mr. Carlston (including shares owned by his wife and held in trust for the benefit of his children); (ii) 3,775,559 shares of Common Stock

Edgar Filing: TENET INFORMATION SERVICES INC - Form 10KSB

held by T-Acquisition. Mr. Carlson's address is 855 Harwood Dr., Murray, UT 84107

3. Includes 444,883 shares of Common Stock beneficially owned by Mr. Peterson, and 3,775,559 shares of Common Stock held by T Acquisition L.L.C. Mr. Peterson's address is 2508 W. Bueno Vista Dr., W. Jordan, UT 84088

4. Includes 200,000 shares of Common Stock beneficially held by Mr. Oldroyd, including shares held in trust for the Violet Johnson Brown Family Trust. Also includes 3,775,559 shares of Common Stock held by T-Acquisition. Mr. Oldroyd address is 55 North 800 West, Provo, UT 84601

5. Includes 200,000 shares of Common Stock held by Mr. Staker and also includes 3,775,559 shares of Common Stock held by T-Acquisition. Mr. Stakers address is 880 North 98 West #9, Provo, UT 84604

6. A Utah Limited Liability company of which Michael R. Carlston owns or controls 56.7%, Mark Oldroyd owns or controls 32.1%, Dennis C. Peterson owns or controls 6.4% and Scott Staker owns or controls 4.8%. The shares indicated consist of 3,775,559 shares of Common Stock The address of TAcquisition is 855 Harwood Dr., Murray, UT 84107.

7. Includes 2,173,500 shares of Common Stock held by Third Century Fund II. Mr. Nickerson is Senior Partner of Third Century Fund II. Mr. Nickerson is also a director of the Company. Mr. Nickerson and Third Century Fund II's address is 1711 Chateau CT., Fallston, MD 21047

8. Includes 1,166,240 shares of Common Stock held by Dr. Smith . Dr. Smiths address is 2291 Greer Rd., Palo Alto CA 94303

9. Includes 1,004,920 shares of Common Stock held by Dr. Gwinn. Dr. Gwinns address is 304 W. Thorn, San Diego, CA 92103

10. Includes 50,000 shares of Common Stock held by IHCG and 620,204 shares of Common Stock held by Mr. Overfelt, Mr. Overfelts address is 4634 So. Ledgemont Dr., Holladay UT 84124

11. Includes 50,000 shares of Common Stock held by IHCG, and 726,429 shares of Common Stock held by Mr. Ballash and options to acquire 450,000 shares of Common Stock at \$0.10 per share. Mr. Ballash's address is 9777 So. Dunsinsame Dr., So. Jordan, UT 84095

12. Includes 1,542,326 shares of Common Stock .. Mr. Nelsons address is 207 West Clarendon #3B, Phoenix, AZ 85013

13

ITEM 12: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Since the beginning of the Company's last fiscal year, there have been no transactions or series of transactions between the Company and any executive officer, director or 5% beneficial owner of the Company's common stock in which one of the foregoing individuals had an interest of more than \$60,000.

The Company believes that all transactions between the Company and related parties have been on terms and conditions no less favorable to the Company than those available from third parties. Each transaction was entered into to provide operating capital for the Company. All future transactions between the Company and any related party will be on terms and conditions no less favorable to the Company than those available from third parties and will be approved by a

Edgar Filing: TENET INFORMATION SERVICES INC - Form 10KSB

majority of the Company's disinterested directors.

Section 16(a) of the Securities Exchange Act of 1934 required the Company's directors and executive officers, and persons who own more than ten percent of a registered class of the Company's equity securities, to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. Executive officers, directors and holders of ten percent or more of the Company's equity securities are required to furnish the Company with copies of all Section 16(a) reports they file. However, because of the recent mergers and conversions, these reports have not been provided.

PART IV

ITEM 13: EXHIBITS AND REPORTS ON FORM 8-K

- (a) The following financial statements are included in Part II Item 8:
- Report of Independent Public Accountants
 - Balance Sheets as of June 30, 2002 and 2001
 - Statements of Operations for the Years Ended June 30, 2002 and 2001
 - Statements of Shareholders' Equity for the Years Ended June 30, 2002 and 2001
 - Statements of Cash Flows for the Years ended June 30, 2002 and 2001
- Notes to Financial Statements
- (b) Reports on Form 8-K
- No reports on Form 8-K have been filed by the Registrant during the last quarter of the period covered by this report.
- (c) Exhibits
- Exhibit 99.1 Certification under Section 906 of the Sarbanes-Oxley Act (18 U.S.C. Section 1350)

14

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

TENET INFORMATION SERVICES, INC.

September 27, 2002

By: /s/ Jerald L. Nelson

Jerald L. Nelson, Chairman of the Board
Corporate Treasurer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following person, which include the Chief Operating Officer, and a majority of the Board of Directors, on behalf of the Company and in the capacities and on the dates indicated:

Edgar Filing: TENET INFORMATION SERVICES INC - Form 10KSB

| Signature ----- | Title ----- | Date ----- |
|---|---|--------------------|
| /s/ Jerald L. Nelson ----- Jerald L. Nelson | Director and Chairman Corporate Treasurer of the Board of Directors | September 27, 2002 |
| /s/ Donald W. Ballash ----- Donald W. Ballash | Corporate Secretary, Chief Operations Officer | September 27, 2002 |
| /s/ Frank C. Overfelt ----- Frank C. Overfelt | Director, President | September 27, 2002 |
| /s/ Eric J. Nickerson ----- Eric J. Nickerson | Director | September 27, 2002 |

CERTIFICATIONS

I, Frank C. Overfelt, certify that:

1. I have reviewed this annual report on Form 10-Ksb of Tenet Information Services, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report; and
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report.

Date: September 27, 2002

/s/ Frank C. Overfelt

Frank C. Overfelt
Director, President

I, Jerald L. Nelson, certify that:

1. I have reviewed this annual report on Form 10-Ksb of Tenet Information Services, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not

Edgar Filing: TENET INFORMATION SERVICES INC - Form 10KSB

misleading with respect to the period covered by this annual report; and

- 3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report.

Date: September 27, 2002

/S/ Jerald L. Nelson

Jerald L. Nelson
Corporate Treasurer, Chairman of the Board

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

TENET INFORMATION SERVICES, INC.

By /s/ Jerald L. Nelson

Jerald L. Nelson, Chairman of the Board

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following person, which include the Chief Operating Officer, and a majority of the Board of Directors, on behalf of the Company and in the capacities and on the dates indicated:

Table with 3 columns: Signature, Title, Date. Rows include Jerald L. Nelson (Chairman of the Board, Director and Corporate Treasurer), Frank C. Overfelt (Director, President), Donald W. Ballash (Corporate Secretary and Chief Operating Officer), and Eric J. Nickerson (Director).

Edgar Filing: TENET INFORMATION SERVICES INC - Form 10KSB

CERTIFICATIONS

I, Frank C. Overfelt, certify that:

1. I have reviewed this annual report on Form 10-Ksb of Tenet Information Services, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report; and
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report.

Date: September 27, 2002

/S/ Frank C. Overfelt

Frank C. Overfelt
Director, President

I, Jerald L. Nelson, certify that:

1. I have reviewed this annual report on Form 10-Ksb of Tenet Information Services, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report; and
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report.

Date: September 27, 2002

/S/ Jerald L. Nelson

Jerald L. Nelson
Corporate Treasurer, Chairman of the Board