COMPREHENSIVE HEALTHCARE SOLUTIONS INC
Form 10-K/A
March 30, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Amendment No. 3 to Form 10-K

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

For the fiscal year ended February 28, 2004

Commission File Number: 003-08955

COMPREHENSIVE HEALTHCARE SOLUTIONS, INC.
(Exact name of registrant as specified in its charter)

Delaware	58-0962699
(State of other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

45 Ludlow Street, Suite 602, Yonkers, New York 10705
(Address of principal executive offices) (Zip Code)

(914) 375-7591 (Registrant's telephone number, including area code)

(Former Address, since last report)

Securities registered pursuant to Section 12(g) of the Act. Common Stock, $.10 par value

Name of each exchange on which registered. NASD OTC Bulletin Board

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 Exchange Act of 1934 during the preceding twelve 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. |X| YES |_| NO

The aggregate market value of the outstanding Common Stock of the registrant held by non-affiliates of the registrant as of June11, 2004, based on the average bid and asked price of the Common Stock on the NASD OTC Bulletin Board on said date was $ 7,633,172.

As of June 14, 2004, the Registrant had outstanding 12,151,328 shares of common stock.

The Company is filing this amended 10k due to the fact that the financial statements for this period were not audited by an accountant who was registered with the Public Company Accounting Oversight Board ("PCAOB"). The Company engaged an accountant registered with the PCAOB in order to file this amended 10k with the audited financial statements in a timely manner.

COMPREHENSIVE HEALTHCARE SOLUTIONS, INC.

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ITEM 1. BUSINESS

We are directly, and indirectly through our subsidiaries, Accutone Inc. and Interstate Hearing Aid Service Inc., in the business of distributing and dispensing custom hearing aids. Accutone Inc. was formed under the laws of the State of Pennsylvania in October 1996 for the purpose of engaging in the manufacture, dispensing, and distribution of hearing aids. In 1998, Accutone acquired 100% ownership of Interstate, a Pennsylvania corporation and an FDA licensed hearing aid manufacturer which had been in the hearing aid business for approximately 35 years. In the Fall of 2000, Accutone discontinued all manufacturing operations and changed the focus of its marketing to be concentrated through Interstate Hearing Aid Service, Inc. to include, not only the individual, self-pay patients, but health care entities and organizations which could serve as patient referral sources for us.

History

Until the end of October 1999, when we discontinued all prior business activities, we produced and distributed popular priced branded fashion undergarments for sale, throughout the United States, to mass merchandisers and national chains. We produced and sold our men's underwear products primarily under licensed labels including "Brittania" and "Arrow" and, until March 31, 1998, we also produced women's innerwear under the GUESS? label, for sale to department and specialty stores. From October 31, 1999 up to and including the period that we effectuated the reverse acquisition of Accutone and Interstate Hearing Aid we were a dormant corporation.

Subsequent to the reverse acquisition our only assets and business were those attributable to the acquired group of corporations. Until the summer of 2000, a small portion of our business consisted of manufacturing operations. However, because of changes in the competitive climate of the hearing aid manufacturing industry and the comparatively small level of our operations, all manufacturing was discontinued on July 30, 2000. This marked the beginning of an ongoing change in our revised business plan, which now encompasses concentrating our marketing to nursing homes, hospitals, out-patient clinics, members of managed health care providers, such as health maintenance organizations ("HMO's"), Physician Provider Organizations (physician group practices known as "PPO's"), union health plans, medicare, and medicaid while considering the expansion of an advertising campaign aimed at individuals in the non-insured self- pay market. Since implementing our revised business plan in October 2000, we have entered into contracts through Interstate Hearing Aid with approximately 65 managed health care provider organizations, unions, local municipalities and secondary health care insurance providers and pediatric care organizations in the New York metropolitan area, including Medicare and Medicaid. We are continually in negotiations with other such organizations and we anticipate that the number of such organizations will continue to grow. As a result of our additional marketing plan, changes and efforts, we have contracted with seven early intervention agencies. We are currently negotiating to sublease space in the offices of Early Achievers, Inc., An early intervention agency with whom we have signed an exclusive contract for audiological early intervention services.

In addition to marketing our services, we anticipate that when and if our capitalization improves, we will expand our audiological staff and the level of our operations and the related potential profitability. Our long term goal is to expand all segments of our operations, both in scope of services and in a wider geographic area, as well as to change emphasis of services to include a much larger proportion of private pay patients in an attempt to increase gross profits. Currently, approximately 80% of our audiology revenues are generated from third party payors. The reduction in payment levels from Medicaid has negatively impacted our profit margins.

We are also currently providing in-home fitting and dispensing services in the State of Pennsylvania, where our customer base is located in a somewhat rural area, making home visits convenient for our customers. We have four Pennsylvania Registered Hearing Aid Fitters who are available to us for in-home, as well as office visits in Pennsylvania. To date because of our financial constraints, we have been unable to utilize these Hearing Aid Fitters to their fullest capacity. Through our offices and our in-home services, we offer a full range of audiological products and services for the hearing impaired. (see subsequent events)

In order to make our services via Interstate Hearing Aid acceptable to managed care and health insurance companies, we must address their particular concerns. This will require that we have:

* service locations which are conveniently accessible to their members;
* an adequate staff of highly qualified audiologists;
* a full range of high quality hearing aid products;
* competitive pricing; and
* adequate product liability and professional malpractice insurance coverage.

We are continually endeavoring to put all of these elements into place. Therefore, our primary goals in the audiological services segment of our business during the next eighteen months include:

* Significant marketing efforts to increase exposure and sales to private pay patients to increase much higher profit margins.

* A concentration of marketing efforts to nursing home facilities and early intervention agencies to provide audiological services;

* opening and establishing operations at sales and dispensing offices on-site at additional nursing home facilities in the New York metropolitan area;

* increasing the number of audiologists on our staff to service these additional facilities;

* hiring a chief financial officer, a chief operations officer and a director of marketing.

Upon receipt of the necessary capital as set forth herein, we also intend to implement an aggressive advertising and marketing campaign aimed at individuals and managed health care organizations and to utilize the knowledge and experience of the professional advisory board which consists of 6 individuals with high levels of experience in hearing health care, gerontology, and early intervention, accounting, marketing and practice development concepts. We have also made positive strides and have been successful in identifying potential acquisition targets in medically related industries (see subsequent events) which we believe will add a material increase in gross revenues and profitability.

We estimate that in order to achieve these goals, many of which will involve the increase and expansion of marketing the "Discount Medical Service Cards" of our recently acquired, Comprehensive Network Solutions, Inc. as outlined in our subsequent events discussion. Although there can be no guarantees of successfully attaining these goals, management will be actively pursuing same. We will require financing from sources other than cash flow, within the next six to eighteen months, in an amount ranging from $1,000,000 to $1,500,000. Our present plan for financing focuses on raising funds through a private placement of our securities. Although we have had limited success in raising private placement funds, our efforts have fallen short of our previous expectations. Although the capital markets have a perceived improvement, we are cautiously optimistic of our abilities to achieve these goals. Along these lines, we are continually and actively pursuing potential businesses alliances with privately held businesses in like and or compatible medically related industries. We believe that the addition of both sales volume growth and profitability will greatly assist us in successfully raising additional capital. (see subsequent events)

Overview of the Industry

Hearing Loss

We continue to believe and are reinforced by nationwide statistics that hearing loss is one of the most prevalent chronic health conditions in the United States, and that its incidence is on the rise. Hearing loss occurs when there is damage to the auditory system, possibly caused by heredity, aging, noise exposure, illness, trauma, and/or some medications. Some hearing loss is temporary and/or can be corrected with medical or surgical treatment. Other types of hearing loss can be effectively managed with hearing devices. Although hearing loss traditionally has been considered an "old person's" condition, in several reports, the Better Hearing Institute reported that hearing loss is becoming increasingly common among the "Baby Boomer" 40 to 65 year old segment of the population. This is widely believed to be the result of extreme noise exposure, possibly because of a history of excessive exposure to extremely high decibel rock-and-roll concerts and the widespread use of "walkman" type radios (which produce a concentrated level of noise in extremely close proximity to the ear). The degree of hearing loss is often directly related to the amount of exposure and the intensity of loud noise. However, damaging noise does not necessarily have to result from extreme situations. Even cumulative exposure to everyday noises, such as the sounds of daily traffic, construction work, or a noisy office can contribute to hearing loss.

Hearing loss can have serious implications, leading to communication disorders, isolation, depression, cognitive dysfunction, and overall decline in quality of life. While hearing loss has historically been considered an effect of aging, recently some government agencies, health care organizations and insurance companies have begun increasing their scope of services and coverage's to include early interventions for children up to the age of 12. While a great many people suffering from hearing loss can be helped with the use of hearing aids, a survey by the National Council on the Aging (NCOA) indicated that older adults with hearing impairments, who do not wear hearing aids, are more likely to report sadness and depression, worry and anxiety, paranoia, diminished social activity, and greater insecurity than those who wear aids. We believe that the products and technologies currently available are broad and varied and in most instances can afford to the hearing impaired individual the amplification necessary to afford them the ability to have improved hearing and enjoy a full and normal lifestyle. In addition, we believe that these people could also benefit from the use of other assisted listening devices, such as telephone or television amplifiers (see "Products", below).

The Future of the Industry

While we recognize that in the past and still today, many members of the public have been reluctant to use hearing aids, we believe that this industry can be expected to experience substantial and continuing growth during the coming decades. Management recognizes our ability to take advantage of these increases and that we must have required additional capital and infrastructure to be successful. Although the statistics of the last three years have shown minor growth, Sergei Kochkin, PhD, an officer and board member of the Better Hearing Institute and a director of market development at Knowles Electronics, has written a market research article in which he concluded that, "With modern estimates of hearing loss ranging from 24 million to 28 million and hearing instrument penetration at only 21% to 22% historically, it is of interest to determine the extent to which the more than 20 million hearing- impaired individuals who do not use hearing instruments are, in fact, current or future candidates for hearing aids. In the past we have conservatively estimated that if even 25% of the non-owner market were convinced to purchase hearing aids over the next five years that the market would double and retailers would realize an incremental $1 billion a year."

Some of the factors which we believe will contribute to a measured expansion of hearing aid use and audiological services include the following:

- A rapidly aging population (the "graying of America") accompanied by a natural, progressive deterioration in hearing acuity;
- Wide exposure to excessive noise, pollution among younger segments of the population resulting in ever increasing damage to hearing;

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- A growing acceptance among all segments of the population of the use of hearing aids;
- The availability of smaller and less visible hearing aids;
- Advances in hearing aid technology, including computerized digital products;
- Decreasing prices of hearing aids;
- Increasing coverage of hearing aid products by HMO's, PPO's, unions, employer-sponsored groups, and Medicare and Medicaid to offset the costs to the end user; and
- Substantial increase in testing of pediatric patients since the medical profession has become aware of hearing losses in infants and toddlers.

As a result of the increase in the early intervention area of audiology, many health care organizations, managed care organizations and health care insurance companies (including medicaid) have begun to reimburse the costs of implementing early intervention testing procedures in their reimbursement schedules. We are currently expanding our marketing efforts in the early intervention segment of our business, mainly through the efforts of John H. Treglia our president and CEO.

Our Sales and Dispensing Offices

We are currently operating three hearing aid sales and audiological testing facilities. These are retail sales and dispensing offices, which are located in medical arts buildings, independent store-fronts, and, in one case, on-site at a medical outpatient center. One of our retail offices is located in Yonkers, New York, one is in Mount Vernon, New York, and one is in Forty Fort, Pennsylvania. Our Mount Vernon facility is located on-site at The Wartburg Home of The Evangelical Lutheran Church in its 16,000 square foot outpatient facility.

Our Yonkers office and our Pennsylvania office are open and functioning on a full time basis. We had expected that another office in Yonkers, which was recently closed, would provide full time services on an as needed basis. However, such offices were recently closed since it failed to meet our projected profitability. Our Wartburg out-patient office is currently open two days per week and our Wartburg Nursing Home office is currently open an average of four days per month, on an as-needed basis. Our Ludlow Street Yonkers office is staffed and supervised by a full-time, licensed and certified audiologist and one full-time patient care coordinator. Our Pennsylvania office operates on a full time basis and is staffed by a state licensed hearing aid dispenser, as required by applicable Pennsylvania law and at least one clerical employee.

Our current New York sales and dispensing offices range from 600 to 1,100 square feet in size. These include our Yonkers office and our on-site Wartburg Outpatient Facility office, all of which are fully equipped with:

* soundproof testing booths and state-of-the-art testing equipment that meets or exceeds all state standards; and

* a full range of diagnostic and auditory-vestibular tests that assist referring physicians in the treatment of patients with hearing and balance disorders.

Our on-site nursing home offices, which do not have their own existing on-site testing booths and audiological equipment, are equipped with our portable electronic audiological equipment brought in by the audiologist at each visit. This equipment meets or exceeds the requirements of all federal and state agencies as well as all third-party payers. We have found this equipment to be adequate to serve the needs of almost all patients at these facilities and continually upgrade all equipment to the latest industry standards.

On-Site Offices

The Wartburg Adult Care Community Outpatient Clinic and The Wartburg Nursing Home

We have entered into lease and service agreements with The Wartburg Adult Care Community Outpatient Clinic and the Wartburg Nursing Home. These facilities are part of the Wartburg Adult Care Community which is located in a 36-acre campus in the town of Mount Vernon in Westchester County, New York. The Wartburg is a comprehensive senior health care complex which includes residential assisted living, nursing home, and critical care facilities as well as a 16,000 square foot Outpatient Health Services complex serving area residents as well as persons residing within the Wartburg facilities. Our contracts with the outpatient clinic and the nursing home provide for our:

* Operating an on-site dispensing and testing office in the Wartburg Diagnostic and Treatment Center (outpatient center). Under the terms of the contract, our office has use, at no cost, of a common reception and waiting room and reception personnel in the Wartburg, who will schedule and coordinate patient appointments. This facility is fully equipped, including a sound- proof booth, and all required electronic testing equipment as well as all other peripheral equipment necessary for appropriate audiological testing and the fitting and dispensing of hearing aids. This office is used for the treatment of both non-resident outpatients and Wartburg assisted living facility residents. We are currently in the process of expanding the patient base to include early intervention (pediatric testing and evaluation) as well as dispensing of hearing aids when deemed appropriate and necessary.

* Operating a separate on-site dispensing and testing facility in Wartburg nursing home (The Wartburg Home of the Evangelical Lutheran Church, Inc.). Wartburg provides treatment and waiting room areas within the nursing home to be used as an audiological testing, fitting, and dispensing facility for its nursing home patients, utilizing portable and mobile, state of the art, testing and fitting equipment.

Presently, the Wartburg outpatient facility handles six hundred patient visits per month. We had anticipated that during the past six months, we would devote a total of approximately two to three days per week to patients at the Wartburg facilities, but we fell short of our expectations. The Wartburg Diagnostic and Treatment Center had advised us that it intended to actively promote its outpatient services but financial constraints have prohibited them from doing so. We will continue to expand our own marketing program as soon as the financial resources are available to us. We intend to coordinate such a marketing program with the Wartburg so as to maximize promotion of our Wartburg outpatient facility, as well as our other facilities. Because of financial constraints, the Wartburg was unable to fully implement its projected marketing program. This has continued to negatively impact our projected growth of our audiological services and hearing aid sales. It is our belief that our continued coordinated marketing efforts and the physical presence of our facility on-site, will increase patient awareness of our services. To date, we have not been as successful in our business operations as our original projections had lead us to believe. With anticipated increases in capital and fording, we continue to believe these goals of additional revenues and/profitability can be attained. In response to the expected growth in pediatric and early intervention services which are to be added to those services we already provide, the Wartburg is in the process of constructing 2 separate waiting rooms for its patients. It is intended that one room will be for seniors and one will be for pediatric patients. This construction is not being undertaken solely to accommodate our patients but also for the Wartburg's expected entrance into pediatric medical, psychiatric and physical rehabilitation services. As a result, we intend to increase our personnel and operating hours at the Wartburg Out-Patient Clinic in order to adequately service the non-resident outpatients that will be added, as well as the full time residents/patients of the facility.

Existing Contracts with Nursing Home Facilities

We have presently entered into contracts with approximately fifty eight nursing homes for the establishment of on-site offices and our appointment as sole provider of audiological services and products during the terms of the contracts. The following sets forth the nursing home facilities that we have entered into such contracts:

Daughters of Jacob Nursing & Rehabilitation Center	Bronx
Daughters of Jacob Adult Care	Bronx
Schervier Nursing Care Center	Bronx
Judith Lynn Adult Home	Bronx
Hebrew Hospital Home	Bronx
Laconia Nursing Home	Bronx
Hebrew Hospital Home	Greenburgh
Saint Joseph's Hospital Nursing Home	Yonkers
New Sans Souci Nursing Home	Yonkers
The Wartburg	Mount Vernon
Outpatient Health Services @ The Wartburg	Mount Vernon
Shalom Nursing Home	Mount Vernon
ICF	Mount Vernon
Dumont Masonic Home	New Rochelle
Bethel Nursing & Rehabilitation Center	
Croton-on-Hudson	
Bethel Nursing Home, Inc.	Ossining
Cortlandt Manor Nursing Care Center	Cortlandt Manor
Northern Manor Geriatric Care Center	Nanuet
Northern Metropolitan RHCF	Monsey
Northern Riverview Nursing & Rehabilitation Center	Haverstraw
Wingate at Duchess	Fishkill
Wingate at St. Francis	Beacon
Wingate at Ulster	Highland

The Fountains at RiverVue	Tuckahoe
Eden Park Nursing Home	Poughkeepsie
Eden Park Health Care Center (Rensselaer Co.)	E. Greenbush
Oakwood Care Center (Suffolk Co.)	Oakdale
Florence Nightingale Rehabilitation & Nursing Center	Manhattan
Somers Manor Nursing Home, Inc.	Somers
Laconia Nursing Home	Bronx
Schervier Nursing Home	Bronx
New San Souci Health Care	Yonkers
Fieldston Lodge	Bronx
Throgs Neck Extended Care*	Bronx
Pelham Parkway Nursing Home*	Bronx
Concourse Rehabilitation & Nursing Center	Bronx
Waterview Hills Nursing Home	Purdys
Northwoods Facilities (3 facilities)	Albany
Victory Lake Nursing Home	Hyde Park

In the past we have aggressively pursued contracts with new nursing home facilities (especially those that have been made available to us pursuant to the needs of our association with Park Avenue Medical Associates, PC as set forth herein). However, we have currently curtailed these efforts due to capital constraints which prevent us from adding to our professional staff of audiologists and therefore adding to the number of nursing home and senior care facilities we are currently unable to service.

We are also in process of renegotiating existing contracts with these facilities to add additional revenues to make up for the cuts in Medicaid and Medicare reimbursement rate.

Contract With Park Avenue Health Care Management Inc.

On February 15, 2002, we executed an Agreement with Park Avenue Health Care Management Inc. and its affiliate, Park Avenue Medical Associates, P.C. (referred to herein, collectively, as "Park Avenue") which closed on February 28, 2002. Pursuant to this Agreement, Park Avenue contributed its entire Audiology business in consideration for the issuance of 1,200,000 of our shares to Park Avenue. Park Avenue is a health care management organization which services nursing homes, hospitals, assisted living facilities, adult day care centers, adult homes, and senior outpatient clinics. Park Avenue directly employs medical professional personnel, including physicians in both general and specialty practices and other health care professionals such as podiatrists, audiologists, and optometrists.

Nursing homes contract with Park Avenue for the services of its medical professionals, on a pre-determined schedule or on an as-needed basis. Park Avenue presently provides staff to approximately seventy-two nursing homes. We anticipate that with additional operating capital we will be able to service a majority of these nursing homes and senior care facilities.

Our Services

We provide all of our patients at our retail, nursing home, and out-patient clinic sales and dispensing offices with comprehensive hearing care services consisting of the following:

- an interview with one of our audiologists or patient care coordinators respecting the hearing problems and all factors which may contribute to or cause such problems;

- an internal and external examination of the patient's ear performed by one of our audiologists;
- an initial hearing screening to establish a permanent base-line hearing acuity and to determine whether the patient has a hearing problem;
- if the initial screening indicates that there is a hearing problem, the audiologist will then perform additional testing and do a complete audiological evaluation, including:

    * air conduction;
    * bone conduction;
    * speech recognition thresholds;
    * most comfortable hearing level;
    * uncomfortable hearing level;
    * site of lesion tests, if required;
    * tymponometry;
    * acoustic reflex testing; and
    * acoustic reflex decay.

The patient is then counseled with respect to the results of the audiological testing and evaluation, the nature and extent of any hearing defects found, the possible effects of such hearing aids on the patient's lifestyle, and the options for treatment with a hearing aid; and if it is determined that a hearing aid would be of benefit to the patient, an appropriate aid will be prescribed and fitted; the fitting process will include taking impressions of the affected ear or ears.

All hearing aids that we prescribe are custom made for the individual patient. Delivery is usually made within one week to ten days. When the patient receives the hearing aid, the audiologist explains the properties and capabilities of the hearing aid, and demonstrates proper insertion, removal, maintenance techniques, and the operation of all the features of the hearing aid. The patient is then re-tested wearing the hearing aid to enable the audiologist to determine whether the hearing aid is performing to prescribed standards and to evaluate the benefit to the patient. After one week, the patient care coordinator will contact the patient by telephone to discuss any problems or questions and to schedule a follow-up appointment if the patient or the patient care coordinator feels it is needed.

We provide follow-up services including, where necessary, additional personal contacts with the patient and/or the patient's family, for the purpose of monitoring and guiding the patient's progress in successfully utilizing the hearing aid and making all adjustments required to insure a successful outcome. We also have a family hearing counseling program to help the patient and his or her family understand the proper use of their hearing products and the nature of their disability. These services are provided on an as needed basis as determined by the licensed audiologists.

In addition to all of the foregoing services, at the Wartburg Nursing Home, and at all on-site offices which we may establish at other nursing homes in the future:

* We continually coordinate with these facilities for the payments which have not been reimbursed by the various third party payors and are to be paid to us by the facilities or the patients (this does not include Medicaid beneficiaries).

* we work directly with the director of the facility and nursing staff

to insure that all residents and patients are provided any required audiological assistance on a timely basis.

* patient's appointments are scheduled by the nursing home personnel at intervals of approximately one-half hour to forty-five minutes;

* all patients are seen at the direction and referral of his or her ear nose and throat specialist or primary care physician;

* we provide base-line hearing screening for all new admissions including residents and short-term rehab patients; and

* results of all procedures are reported to the attending physician and become a part of the patient's permanent medical records.

Early Intervention Services

While hearing loss has historically been considered an effect of aging, recently health care professionals as well as some government agencies, health care organizations and insurance companies have begun to increase their scope of services and coverage's to include early interventions for infants and children up to the age of 16. The reason for the rise in early intervention is due to the fact that many organizations now believe that pediatric hearing impairment may be the cause, or part of the reason, for such disorders as Attention Deficit Disorder, Dyslexia, disciplinary problems, educational underachievement and disfunctional behavior with a family setting, especially with siblings. Unfortunately, many of these problems have been deemed to be caused by alcohol and drug abuse by the child's mother or other prenatal problems which were not previously brought to light. We currently have referral contracts with and provide audiological services to the following agencies:

-First Step Services, Inc.
-Los Ninos Community Services
-Speech and Communications Professionals
-Project Rainbow
-Secundino Services, Inc
-Early Achievers Services, Inc.
-Paxxon Healthcare Services, LLC

As a result of our providing such services for these companies, we are continually approached by similar organizations and we believe that we can attain substantial growth in this new source of revenues to our company if our operating capital improves.

We were in negotiations to enter into a business combination with Paxxon Healthcare Services, Inc. However, we have ceased negotiations with Paxxon and we do not currently anticipate that we will enter into any form of business combination with Paxxon.

Our Products

A hearing aid is an electronic, battery-operated device that amplifies and transforms sound to allow for improved communications. All hearing aids consist of three components: the microphone, the amplifier, and the loudspeaker. Sound is received through the microphone, which vibrates in response to sound waves and converts the sound waves to electrical signals. The amplifier enhances the intensity of these signals before transmitting them to the loudspeaker where they are converted back to sound waves for broadcast in the ear.

All hearing aids that we prescribe are custom made for the individual patient. We have selected a variety of major worldwide manufacturers' products, to make available through our offices, in order to provide the best possible hearing aid products for our patients. These include the latest digital technology available from Magnatone, Siemens, Phonak, Sonotome, Lori/Unitron, United Hearing Systems, and others. We are also able to make available, by special order, a large selection of other hearing enhancement devices including telephone and television amplifiers, telecaptioners and decoders, pocket talkers, specially adapted telephones, alarm clocks, doorbells and fire alarms.

Customers

To date, we have continued to expand our patient referral base by securing our appointment as the potential sole providers of hearing aids and audiological services to nursing homes, out-patient facilities, and adult group homes with whom we have contractual arrangements. We have also established relationships and have signed contacts with other types of health care organizations, such as HMO's and PPO's. Our affiliations with these types of health care organizations and facilities have grown rapidly to the extent that our current capital structure has allowed. Our customers include:

* word of mouth generated by our existing patient base;
* patients who are participating members of health care organizations, who come to us as a result of contractual (or in some cases, non-contractual) arrangements with such organizations, appointing us as an approved, preferred, or sole, provider of audiological care to their members. As a provider, we are listed in the organization's provider manual as a source for audiological services and products;
* patients who are referred to us by out-patient health care clinics and hospitals;
* patients who are referred to us, on an out-patient basis, by nursing homes and senior care facilities at which they reside;
* patients who are referred to us by area physicians with whom we have established relationships;
* patients who are treated on an in-patient basis in nursing homes or senior care facilities; and
* pediatric patients referred to us by local school districts, pediatric managed care organizations and local pediatric physicians.

Existing Contracts With Health Care Providers and Third-Party Payers

To date we have entered into contracts for the provision of audiological services with an excess of sixty health care provider organizations, as well as third-party payers such as Medicare and New York State Medicaid. We expect these additional contracts to continue to grow as we progress. We believe that we currently have sufficient staff and facilities which are geographically accessible for all participants in organizations which we have contracted with. Some of these groups and organizations include:

Medicare Federal Health Care Program, Parts A and B;
New York State Medical Assistance (Title XIX) Program/Medicaid;
Independent Health Association;
Magnacare Health Care;
Empire Blue Cross Blue Shield Health P.P.O.;
Corvel Corporation;
Oxford Health Plans (New York, Inc.);
Health Insurance Plan of Greater New York and Group;
Community Choice Health Plan, Inc.;
Better Health Advantage, Inc.;
Fidelis Health Care, Inc.
Health Source Westchester Pre-Paid Health Services Plan, Inc.;
Workers Compensation Agreement;

Preferred Choice Management Systems;
Speech and Communications Professionals;

Los Ninos Services, Inc.
Genesis Health Care, Inc.
Pomco
National Ear Care Plan, Inc.
Paxxon Health Care Services
Visiting Nurse Services of Bronx/Westchester Counties
United Health Care
Local 1199
Blue Cross Senior Plans
Aetna US Health Care
Blue Cross Senior Plan
GHI (General Health Insurance)
AARP (Secondary Pay)
American Postal
Workers Union
United America Insurance
Mutual of Omaha
Cigna
City of Yonkers
First United (Secondary Payer)
Westchester Community Health Plan
Local 32 E
Health Source
Fidellis
Oxford
Genesis Health Care

Generally, our agreements with health insurance or managed care organizations provide for services to be offered on four different bases, including:

(1) fee for service basis based on a contractual rate which we offer to provider's members (all paid for by the patient); and

(2) an encounter basis where we are paid a fixed fee by the insurance or managed care organization for each hearing aid sold (with the balance paid to us by the individual member).

(3) a special Medicare/Medicaid encounter basis where we are paid a fixed fee by Medicare and/or Medicaid for particular audiological services, at a price preestablished by Medicare or Medicaid (other than the "deductible" amount, which is paid either by the patient or other third-party payers).

(4) For those services not covered by a third party payor to be paid either by the facility or the patients family members.

Requirement for Renewal of Agreements with Health Insurance and Managed Care Organizations

The terms of most agreements with health insurance and managed care organizations are subject to renegotiation annually. Moreover, most of these agreements may be terminated, at any time, by either party on 90-days notice. Even if we are successful in expanding our base of contracts with such organizations and institutions, the early termination or failure to renew such agreements could adversely affect our results of operations. To date, we have not been terminated and, in some instances, new and updated contracts have been signed.

Nursing Homes

Approximately fourteen nursing homes, assisted living facilities and adult day care centers currently provide out-patient referrals and transportation of their residents to our Ludlow Street office. We also provide limited on-site testing and evaluations within these nursing homes for residents who are disabled or infirm. These nursing homes include:

Kings Terrace/Terrace Health Care	Bronx
Manhattanville Nursing Home	Bronx
Methodist Church Home	Riverdale
Riverdale Nursing Home	Bronx
Tarrytown Hall Care Center	Tarrytown
Classic Residence by Hyatt	Yonkers
St. Joseph's Nursing Home	Yonkers
Saint Joseph Geriday Care	Yonkers
Sutton Park Adult Care	Yonkers
Varian Woods Assisted Living	Riverdale
Sprain Brook Manor	Yonkers
Saint Michaels/Nursing Home	Westchester
Mary The Queen/Retired Nuns	Bronx
Saint Joseph's Long Term Care	Yonkers

Existing Referral Arrangements With Out-Patient Facilities

We have established relationships with four local out-patient facilities and these referrals continue to steadily increase. We believe that patient referrals from these sources will continue to grow based upon the positive feedback we receive from these out-patient facilities.

On-Site Offices

We have established an on-site office at The Wartburg Adult Care Community Outpatient Clinic, where our location makes us the sole on-site audiological services provider to patients being treated at the clinic. We have also established an on-site office at The Wartburg Nursing Home where we are the exclusive provider of audiological services to all residents at the Nursing Home. Our audiologist visits the out-patient clinic two half-days per week and the nursing home four half-days per month. On average, our audiologist sees approximately six to eight patients, per half-day, at each of these facilities. We had expected that the amount of time our audiologists would spend at the out-patient clinic would increase to at least two full days per week. The current financials constraints taking place at this facility have negatively impacted this anticipated growth.

Area Hospitals

We have established relationships with five area hospitals who have been referring patients to our Ludlow Street office. We believe that if we receive the necessary infusion of additional capital, the growth in the number of our sales offices will put our services within the geographical reach of an increased number of the patients of these and other hospitals. We therefore, expect that these relationships will have a continuing impact on the volume of our out-patient referrals. The hospitals with which we have established patient referral relationships are:

1. Saint Josephs Medical Center South Yonkers, NY

2. Yonkers General Hospital South Yonkers, NY
3. Montefiore Medical Center Northeast Bronx, NY
4. Westchester Medical Center White Plains, NY
5. Saint Johns Medical Center

Physician Referrals

Referrals from physicians are generally based upon personal contacts and established patient and physician satisfaction. We endeavor to maintain our relationships with referring physicians by using a timely comprehensive medical reporting system which provides each referring physician with a full audiological report on each of their patients that visit our offices.

Payments for Services

Our customer base includes self-pay patients, patients whose costs are covered by medicare or medicaid, patients whose costs are covered by private health care organizations; and patients whose costs are covered as union benefits). Treating Medicare and Medicaid patients involves payment lag issues which are currently problematic for us because of our current capital constraints. Current Medicare and Medicaid payments for audiological services and hearing aids can take as long as 120 to 180 days after approved services are provided and hearing aids are dispensed. In order to assist us with the cash flow lag, we have been successful in obtaining from some of our suppliers an extension of their normal payment term. We are hopeful that if the current domestic economic conditions improve in the near future, we will be able to put bank financing arrangements into place which will provide us with a credit line for working capital. Beginning in February 2002, we began billing Medicare directly on-line. We anticipate that this will continue to accelerate our collection time. Medicaid does not currently have an on-line billing system for audiological services or the billing for hearing aids dispersed, and we therefore continue to encounter the long payment lag from time of service to actual payments.

Sales and Marketing

Recognizing the vast untapped market of hearing impaired individuals we intend to continue to expand our marketing efforts to include, on a more highly concentrated basis self-pay patients who had previously not been our principal customer base, to include:

- physicians in private or group practices;
- providers of group health care;
- unions;
- nursing homes;
- senior care facilities;
- out-patient health care clinics;
- hospitals;
- speech pathology groups;
- nursing home managed
- health care organizations; and
- third party payers, including Medicare and New York State Medicaid.

Marketing to these organizations and entities has consisted and for the near forseeable future solely of personal contacts by our president, John H. Treglia, with all of the types of entities and organizations listed above.

Proposed and Existing Advertising and Marketing Program

We intend to continue to try to bring our company and our services and products to the attention of managed care providers, which can promote our products and services to the hearing impaired, and to their participating members. In connection with this, we began a proposed, but somewhat limited, joint advertising campaign with the Wartburg Out-Patient Clinic. The combined capital constraints of the Wartburg and our company have continued to cause all current advertising to be discontinued. We also intend to increase our marketing efforts to the self-pay, (uninsured patient) market when sufficient operating capital is made available. Our marketing plan contemplates implementing an aggressive advertising and marketing program focused on both of these markets, highlighting the quality of our services and products, as well as competitive pricing. In addition, to address the substantial growth in the number of assisted living facilities and nursing homes, we intend, when financial resources are available, to retain a director of senior care and nursing home marketing to promote and develop relationships with such establishments. At present, all marketing to health care organizations is done by our CEO, Mr. Treglia. Our marketing and advertising efforts have been continually hindered by our capital constraints which have adversely effected our originally projected higher gross profit percentages.

It is our goal to establish ourselves as a provider of highly professional services, quality products, and comprehensive post-sale consumer education. Our marketing campaign, although currently limited, will emphasize company-operated, free seminars on hearing and hearing loss, as well as direct consumer advertising in local radio, newspaper, and, eventually, television media.

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In April of 2002 we entered into a binding letter of intent with United Hearing Systems, Inc. to purchase all of their assets. Although our management devoted a substantial amount of time and resources into this potential acquisition during the 2002 year we ultimately determined that the purchase of these assets would not have the original perceived positive impact on our potential profitability.

Business Strategy - Audiological Services

Our business plan recognizes that increasing the number of our sales offices will make our services conveniently accessible to a greater number of participating members of health care organizations and other entities with which we have relationships or may establish relationships. Our plan is therefore to couple such an increase in offices with an expansion of our patient referral base. We expect this two-pronged approach to enable us to substantially increase the volume and profitability of our business by further concentrations on the private pay population. We believe that our success will be largely dependent upon our ability to raise capital and then use such funds to:

* expand and emphasize our marketing efforts to include the growing adult assisted living community nursing home and adult day care population;
* expand our existing operations, first in the New York metropolitan area and then on a regional basis;
* distinguish our company from its competitors as a provider of hearing healthcare services to not only the affluent private pay population;
* effectively market our products and services to service the growing pediatric patient base.

We believe that, in addition, the hearing aid industry, as a whole, must use customer satisfaction, advertising, and educational programs to strengthen consumer confidence in the industry and to educate the hearing impaired population with respect to:

* the importance of professional hearing testing;

* the availability, ease of use, and effectiveness of the newest hearing aid technologies; and

* the ability to arrange financing for hearing aids through an arrangement with several emerging lease financing organizations which arrange for lease-purchase financing of hearing aids on reasonable terms, especially directed to the senior citizen marketplace and other hearing impaired persons on fixed incomes.

Proposed Financing Plans

In order for us to implement our business plan, we will require financing in a minimum amount of $500,000 during the next twelve months. We intend to use our best efforts to generate between $500,000 and $1,000,000 in equity or convertible debt financing from a private placement of our securities within six to eighteen months. To date, we have received limited financing which we believe is in part attributable because of the current years market conditions. At this time, we are unable to state what the terms of the anticipated private placement will be or the amount of shareholder dilution which will result from the intended financing.

If we are unable to raise these funds through a private placement, we will endeavor to raise the required financing from other sources such as lease financing for major equipment purchases and loans from banks or institutional lenders. We cannot be certain that we will be able to raise the required financing from any of the foregoing sources.

If we fail to do so, our growth will continue to be curtailed and we will concentrate on increasing the volume and profitability of our existing outlets, using any surplus cash flow from operations to expand our business as quickly as such resources will support.

Dependence on Outside Manufacturers of Hearing Aids

We currently make available to our customers hearing aids supplied by approximately five major manufacturers, as well as hearing enhancement devices manufactured by other companies. There are currently approximately 40 manufacturers of these products world wide and few manufacturers offer dramatic product differentiation. We are therefore confident that, in the event of any disruption of supply from any of our current sources, we could obtain comparable products from other manufacturers on comparable terms. We have not experienced any significant disruptions in supply in the past.

Dependence on Qualified and Licensed Audiological Personnel

We employ New York State licensed, ASHA certified audiologists in our New York offices. In our Pennsylvania office and in-home services, Registered Hearing Aid Fitters provide primary services, with licensed audiologists available on a consulting basis. In our New York area operations, we currently have two full-time, and one part-time, New York State audiologist. In our Pennsylvania operation, we have four available Registered Hearing Aid Fitters in Pennsylvania, who are employed by us, on a part-time basis, as independent contractors, and two Pennsylvania licensed audiologists available on a consulting basis for special needs.

Should we be unable to attract and retain qualified audiologists or Registered Hearing Aid Fitters, either as employees or independent contractors, it could limit our ability to compete effectively against competing hearing aid retailers and thus adversely affect our business. There are currently 6,000 audiologists in the United States and approximately 200 educational institutions in the United States which offer audiology degree/certification programs. There is therefore no current or potential shortage of qualified personnel. However, while we have not encountered any problems attracting and retaining sufficient audiological staff, it is possible that we could find ourselves at a competitive disadvantage against larger, better financed, and more well established hearing aid providers for the services of qualified personnel.

Government Regulation

Federal

The practice of audiology and the dispensing of hearing aids are not presently regulated on the Federal level. The United States Food and Drug Administration ("FDA") is responsible for monitoring the hearing care industry. Currently there are only two regulations affecting the sale of hearing aids:

(i) A physician's review. While the FDA requires first time hearing aid purchasers to receive medical clearance from a physician prior to purchase, patients may sign a waiver in lieu of a physician's examination. A majority of our patients and targeted market are members of the managed care or institutional providers with whom we have contracts, or whom we expect to enter into contracts with, to provide hearing care. Some of these organizations require a physician referral. Consequently, even if any new federal or state physician referrals are mandated in the future, they should not be expected to have an adverse impact on our operations.

(ii) A return policy. The FDA requires states to adopt a return policy for consumers offering them the right to return their products, generally within three to forty five-days. In Pennsylvania, where the state mandated return period is three days, we offer our customers a full thirty-day return policy. In New York, the state requires a forty-five day return period, which we comply with. Moreover, if our audiologist determines that an individual patient requires additional time to become acclimated to using a hearing aid, we will extend the return period to accommodate such special needs.

In addition, because we accept Medicare and Medicaid patients, each of our sales and dispensing offices must maintain their eligibility as Medicare/Medicaid providers and must comply with related federal anti-fraud, anti-kickback and other applicable regulations. Federal laws prohibit the payment of remuneration ("kickbacks") in return for a physician referring a Medicare or Medicaid patient, and those laws limit physicians from referring patients to providers in which they have a financial interest. We believe that none of our managed care or other provider contracts or our relationships with referring physicians are violative of the anti-kickback statute.

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We are unable to predict the effect of future changes in federal laws, or the impact that changes in existing laws or in the interpretation of those laws might have on our business. We believe we are in material compliance with all existing federal regulatory requirements.

State

Generally, state regulations, where they exist, are concerned primarily with the formal licensure of audiologists and of those who dispense hearing aids and with practices and procedures involving the fitting and dispensing of hearing aids.

In Pennsylvania and New York, where we currently operate, and in New Jersey and Connecticut, which are part of our currently targeted markets, such regulations do exist. We believe we are in compliance with all applicable regulations in Pennsylvania and New York and we intend to format all of our programs in Connecticut and New Jersey so that they are in full compliance with the regulations of those states. While we believe it is unlikely, there can be no assurance that regulations will not be promulgated in states in which we operate, or plan to operate, which could have a material adverse effect upon us. Such regulations could include stricter licensure requirements for dispensers of hearing aids, inspections of centers for the dispensing of hearing aids and the regulation of advertising by dispensers of hearing aids. We know of no current or proposed state regulations with which we, as we currently operate, could not comply.

Product and Professional Liability

In the ordinary course of our business, we may be subject to product and professional liability claims alleging the failure of, or adverse effects claimed to have been caused by, products sold or services which we have provided. We maintain insurance at a level which we believe to be adequate. Each of our licensed audiologists is also required by state law to carry appropriate malpractice liability insurance. All of our audiologists have furnished us, as well as all nursing homes, assisted living, adult day care, senior care, HMO's, PPO's and other managed care organizations with whom we have contractual or other relationships with copies of their insurance coverage certificates. As a part of this process we also keep records of all license and insurance anniversary and/or effective dates to attempt to insure compliance. We believe that they are all in compliance with applicable federal and state requirements. Also included as a part of compliance with the credentialing requirements, copies of all educational degrees, certificates and licensing are appropriately maintained. While we believe that it would be highly unlikely that a successful claim would be in excess of the limits of our insurance policies, if such an event should occur, it could conceivably adversely affect our business. Moreover, because we distribute products manufactured by others, we believe we will have recourse against the manufacturer in the event of a product liability claim. It should be noted however that we could be unsuccessful in a recourse claim against a manufacturer or, that even if we were successful, such manufacturer might not have adequate insurance or other resources to make good on our claim.

Competition

The hearing care industry is highly fragmented with approximately 11,000 practitioners providing testing and dispensing products and services. Approximately 2,500 of these practitioners are audiologists working for hospitals or physicians, 2,500 of the practitioners are licensed audiologists in private practice, and the remaining 6,000 are hearing aid specialists. Industry surveys estimate that approximately 5% of all hearing aids are sold in physicians' offices, 60% are dispensed by qualified audiologists in private practice, and the remaining 35% are sold by hearing aid specialists.

Because there are no federal, state or local regulatory or oversight agencies in the hearing care industry, it is not possible to determine the precise number of competitors in every market which we are operating in or which we intend to enter. Our present plan is to continue to focus our efforts primarily on urban, high density population areas, since we believe these areas will best implement our current business plan and potential growth with a minimal amount of impact on our current capital structure.

Most competitors are small retailers generally focusing on the sale of hearing aids without providing comprehensive audiometric testing and other professional services. However, some of our chief competitors offer comprehensive services and have large distribution networks and brand recognition. Principal among these are: (1) Bausch & Lomb, a hearing aid manufacturer whose distribution system is through a national network of over 1,000 franchised "Miracle Ear" stores including 400 located in Sears Roebuck & Co. stores; (2) Beltone Electronics Corp., a hearing aid manufacturer that distributes its products primarily through its network of approximately 1,000 "authorized" distributors; and (3) HEARx LTD., a hearing aid distributor whose dispensing and distribution system is through a network of approximately 79 company owned centers located in Florida, New York, New Jersey, and California.

To the best of our knowledge, except for HearX, most national networks primarily offer hearing aids only and do not provide the comprehensive diagnostic services, use of audiologist services or other ancillary products offered by us. More importantly, they do not use the services of audiologists in the majority of their centers. However, these networks are owned by companies having greater resources than are available to us, and there can be no assurance that one or more of these competitors will not expand and/or change their operations to capture the market targeted by us. Nor can there be any assurance that the largely fragmented hearing care market cannot be successfully consolidated by the establishment of co-operatives, alliances, confederations or the like which would then compete more effectively with us in our intended market areas.

Employees

As of June 1, 2004, in our New York area operations, we had a total of four full-time, and two part-time employees. Full-time employees include, our president and CEO, John H. Treglia, two New York State licensed audiologists, and one receptionist - patient care coordinator. In our Pennsylvania operations, we employ two full-time employees. Our part-time employees consist of three Pennsylvania Registered Hearing Aid Fitters, who work for us, on an as needed basis (part- time), and two Pennsylvania licensed audiologists who consult with us on an as needed basis.

The loss of the services of Mr. Treglia would adversely affect the conduct and operation of our business. To date we have not purchased a "key man" insurance policy on Mr. Treglia's life. However, we intend to purchase such a policy in the amount from $1M to $3M, at such time as we have the financial resources to do so.

COMPREHENSIVE NETWORK SOLUTIONS, INC.

Section A Mission & Purpose

The hearing aid industry was changing at a rapid pace and management decided to identify additional opportunities to position Nantucket as a major provider of health care delivery systems.

The first successful result of this search was the acquisition of 100% of the stock of Comprehensive Network Solutions, Inc. (CNS) an Austin, Texas based company in the business of disease management through the development of healthcare networks with common purposes. Nantucket management believes this is the foundation for a premier medical savings card in the rapidly expanding market place. CNS's discount medical savings card can be customized to serve both retail and commercial markets with a broad menu of health care service options. CNS's early entry into the market should enable CNS to capture a large market share in a short period of time.

Background:

Significant market changes have occurred over the past two years that creates an advantageous environment for new health care financing initiatives in all three major commercial markets - Employee Benefits, Individual Health Benefits and Workers' Compensation. These changes present the opportunity for traditional and complimentary medicine to increase their collaboration coupled with innovative consumer choice and defined contribution products which are the foundation of Comprehensive Network Solutions business strategy and plans.

Change 1: As the cost of health care has begun to increase in double digits again, employers, health insurers and the uninsured are all searching for alternatives to traditional health insurance, health plans and HMO's. Initial efforts in the market have focused on medical savings plans and defined contribution alternatives. This is leading to the logical consumer focused alternative of limited indemnity reimbursement plans coupled with discounted networks of preferred providers. Historically consumers, employers and health issuers focused on choosing the insurance plan that met their anticipated financial needs and then concerned themselves with what health care providers they could access. The move toward consumer choice requires the benefit purchaser, now the individual with either their own or their employers fixed dollar amount to spend, to choose the health care providers they want to access and then choose the financing arrangement that best meets their individual needs. For all segments of the benefit market, this shift of purchase priority means that consumers are demanding a broad array of health care providers including complimentary and alternative care.

CNS, Inc. Business planning includes products, administration and product distribution to exploit this market change in a defined geographic market initially, and then broadening to more markets with improved products. The initial packaged products include six levels of providers networks and one limited indemnity medical insurance plan. These products have been trademarked as CNS Select, CNS Advantage, CNS Optima and CNS 500 Plan which will be marketed to individuals utilizing the chiropractic networks either owned or under the control of CNS, Inc. Summaries of these products are attached to this business plan of reference. These products will be marketed to employers, unions, trade associations and municipalities.

Change 2: Traditional employee benefit plans and workers' compensation plans have begun incorporating disease management processes and services into their operations. Disease management programs are based on the principle that there are a few diagnosis that generate most of the cost of a health plan and that these diagnosis can be managed cost effectively through the introduction of a closed network of health care providers who agree to follow evidence based, best practice diagnostic and treatment guidelines for patients with these specific diagnoses. Seminal work on this cost management and patient outcomes strategy began over 15 years ago and has progressed for diseases such as diabetes, heart disease, stroke, arthritis and others. Diseases and conditions of the back, neck and upper extremities were primarily ignored until recently. These conditions are now a focus of disease management as their costs increase compared to the costs of other diseases which have been reduced comparatively. Until the early 1990s, back conditions were not in the top 15 diagnoses by costs. Today, these conditions rank in the top 10 for cost with the least positive patient outcomes.

CNS, Inc. Began in 2002 with a mission to develop disease management treatment guidelines that would address back, neck and upper extremity musculoskeletal conditions specifically for workers' compensation. During the past year, these have been codified and copyrighted. Through an affiliation with the Health Partners, the strategy is to develop Exclusive Provider Organizations (EPO) in markets where state regulation enables workers' compensation plans to direct injured workers to specific health care providers. The CNS' EPO's will be marketed to workers' compensation and employee benefit plans on the basis access fees, case management fees and shared savings of future medical costs versus historic medical costs and patient outcomes. The longer term strategy will be implemented based on actual performance of CNS disease management outcomes over a period of one or more years' data.

Mission: Provide high quality consumer choice and defined contribution health care benefits for employees and uninsured and underinsured individuals while continuing development of evidence based disease management program for musculoskeletal conditions of the back, neck and upper extremity.

Purpose: Focus on those marketing health care benefits that will meet the real perceived health care needs of consumers, enabling these prospective clients to choose appropriate providers and financial arrangements that best meet their individuals needs. Complete development and market implementation of a high quality musculoskeletal disease management program for target markets with directed care of workers' compensation cases.

ITEM 2. PROPERTIES

Corporate Headquarters

Our corporate headquarters is located in Suite 602, The Ludlow Street Medical Building, located at 45 Ludlow Street, Yonkers, New York. This office consisted of 850 square feet. We recently leased an additional 800 square feet to accommodate additional sales and administrative personnel hired by us pursuant to the acquisition of Comprehensive Network Solutions, Inc. (see subsequent event).

We occupy these premises pursuant to a five year lease with Diamond Properties, Inc. which expires in February 2006. With the additional space, our lease calls for monthly rental payments of $2,100 fully inclusive of all utilities, taxes, and other charges. The building in which these offices are located is of a newly renovated, seven story building which houses the private offices of approximately twenty physicians, dentists, and other medical professionals, with adequate, free, or off street parking available. It is located off of a main street and is around the corner from Saint Joseph's Medical Center, a major area health care facility.

Ludlow Street Sales and hearing Aid Dispensing Office

We have a retail sales and dispensing office located on the first floor lobby of the Ludlow Street Medical Building in a retail space adjacent to the elevators. We occupy this space pursuant to a five-year lease with Diamond Properties Inc, which will expire in February 2006. The lease calls for monthly rental payments of $1,087, fully inclusive of all utilities, taxes and other charges.

This facility comprises approximately 800 square feet and has a glass enclosed, visible waiting and reception area and a private fully equipped testing and dispensing office. This office is fully equipped as an audiological and hearing aid dispensing facility; equipment includes: (i) a full spectrum hearing suite, consisting of a wheel chair accessible sound-proof testing booth, of approximately 10 feet x 12 feet, designed to accommodate the needs of pediatric patients as well as handicapped adults; (ii) an electronic audiometer; (iii) an electronic tympanometer; (iv) a computerized hearing aid programmer; and (iv) other required peripheral testing, fitting and repair equipment. This equipment was purchased, used, from Saint Joseph's Hospital, which has discontinued its audiological services department. The equipment purchased from Saint Joseph's included, in addition to the equipment listed above, a second full spectrum hearing suite, which we are presently keeping in storage. All of the equipment which we purchased from Saint Joseph's, and which we are currently using, is modern and has been totally refurbished and recalibrated. Saint Joseph's original cost for this equipment was approximately $54,000 and its replacement cost would be approximately $78,000. We were able to purchase, relocate, refurbish and recalibrate the equipment for a total cost of $19,000. This equipment enables us to fully service all patients whom we see at this facility, including the nursing home patients who are brought to us on an out-patient basis as well as pediatric patients.

The Wartburg Diagnostic and Treatment Center On-Site Facility

On April 1, 2001, we began operations at our dispensing and testing office located on-site at the Wartburg Adult Care Community, Outpatient Clinic. This office is approximately 500 square feet and is located in the Outpatient Health Services Building on the Wartburg Mount Vernon Campus. We are permitted the use of common reception and waiting room facilities. The Wartburg also makes available to us, without additional charge, a large meeting room in which can run our hearing health care fairs in conjunction with the Wartburg. We occupy this office pursuant to a lease between our subsidiary, Interstate Hearing Aid Service and The Wartburg Diagnostic and Treatment Center. This lease is for an unspecified term beginning on March 12, 2001. The lease calls for monthly rental payments of $375, fully inclusive of all utilities, taxes, and other charges. The lease amount is subject to review upon written request by either party on the March 12th anniversary date of the lease. This dispensing office is outfitted and equipped with: (i) a standard size wheel-chair accessible sound-proof booth, (ii) an electronic audiometer; (iii) an electronic tympanometer; (iv) a computerized hearing aid programmer; and (iv) other required peripheral testing, fitting and repair equipment.

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Under the terms of the lease, we are required to maintain certain medical and administrative practice policies and procedures of the Outpatient Facility. We are also obligated to provide specified levels of audiological services at specified times, to maintain professional liability insurance, and to indemnify the Outpatient Clinic.

The Wartburg Home of the Evangelical Lutheran Church On-Site Facility

We operate a dispensing and testing facility at The Wartburg Home of the Evangelical Lutheran Church, a nursing home. This facility is approximately 150 square feet and is located on the third floor of the building housing, The Wartburg Skilled Nursing Facility on the Wartburg Mount Vernon Campus. We occupy this facility pursuant to a lease between our subsidiary, Interstate Hearing Aid Service and The Wartburg Home of the Evangelical

Lutheran Church. This lease is for an unspecified term beginning on March 15, 2001. The lease calls for monthly rental payments of $200, fully inclusive of housekeeping, security services, all utilities (excluding telephone charges), taxes, and other charges. The lease amount is subject to review upon written request by either party on the March 15th anniversary date of the lease. The equipment used in this office consists of portable audiological equipment, specifically designed to be in compliance with all federal and state requirements as well as those with all third-party payers, and brought in by the audiologist at each visit. This equipment is also used for bed-side testing when required for the treatment of infirm patients. Under the terms of the lease, we are required to maintain certain medical and administrative practice policies and procedures of the Outpatient Facility. We are also obligated to provide specified levels of audiological services at specified times, to maintain professional liability insurance, and to indemnify the nursing home.

Pennsylvania Forty-Fort Office

We currently lease an 800 square foot, street level office at 142 Wells Street, Forty-Fort, Pennsylvania. This facility is located in the main business district of Forty-Fort and the space is utilized for administrative, sales, dispensing, and telemarketing activities. The facility is divided among offices, waiting rooms, a sound deadened testing area, a dispensing area, and small telemarketing area. This facility is also used as a coordination center for our Pennsylvania licensed hearing aid fitters, who test and dispense hearing aids on an in-home basis, the most common method of dispensing hearing aid products in rural areas.

ITEM 3. LEGAL PROCEEDINGS

We are unaware of any pending or threatened legal proceedings to which we are a party or of which any of our assets is the subject. No director, officer, or affiliate, or any associate of any of them, is a party to or has a material interest in any proceeding adverse to us.

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

During the year ended February 28, 2004, we did not submit any matters to a vote of our shareholders.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS

Our common stock, $.10 par value, was traded on the American Stock Exchange under the symbol "NAN" until April 17, 1998. Because we had fallen below American Stock Exchange guidelines for continued listing, effective April 17, 1998, our common stock was delisted. It is currently traded in the over-the-counter market and quoted on the OTC Electronic Bulletin Board maintained by the National Association of Securities Dealers, Inc. (the "OTC Bulletin Board"). The stock was quoted on the OTC Bulletin Board under the symbol NANK until March 3, 2000, when we filed a Voluntary Petition under Chapter 11 of the Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of New York. After that date, our OTC Bulletin Board Symbol was changed to, NANKQ. On January 25, 2002, when the "Reverse Acquisition" was made on a stock-for-stock-basis pursuant to the terms of our Chapter 11 reorganization, the symbol was changed to NTKI. The following table sets forth representative high and low bid prices by calendar quarters during the period from (March 1, 2000 through February 28, 2004) and the subsequent periods. The level of trading in our common stock has been sporadic and limited and the bid prices reported may not be indicative of the value of our common stock or the existence of an active market. The OTC market quotations reflect inter-dealer prices without retail markup, markdown, or other fees or commissions, and may not necessarily represent actual transactions.

Period	Bid Prices Common Stock	
	Low	High

Fiscal Year Ended February 28, 2002		
May 31, 2001	$0.01	$0.05
August 31, 2001	0.01	0.07
November 30, 2001	0.01	0.50
February 28, 2002	0.15	0.80
Fiscal Year Ended February 28, 2003		
May 31, 2002	$0.75	$1.75
August 31, 2002	0.40	0.95
November 30, 2002	0.08	0.65
February 28, 2003	0.10	0.23
Fiscal Year Ended February 28, 2004		
May 31, 2003	$0.75	$1.75
August 31, 2003	0.60	0.17
November 30, 2003	0.62	0.81
February 28, 2004	0.55	1.37

We have never paid any cash dividends on our common stock, and have no present intention of doing so in the foreseeable future.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth our selected consolidated financial information

for the three fiscal years ended February 28, 2004.

The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operation" and in conjunction with our Consolidated Financial Statements and notes appearing elsewhere in this report.

For Fiscal Year Ended

(In thousands, except per share amounts)

	Feb. 28 2004	Feb. 28 2003	Feb. 28 2002
Summary Statements of Operations			
Net sales	$ 409	$ 406	$ 38
Gross profit	88	83	9
Net (loss) gain sale of asset		--	--
Net gain sale of asset		--	--
Net income (loss)	307	(169)	1,370
Net earnings (loss) per share-basic and diluted	(.03)	(.02)	(.38)
Average shares outstanding		8,440	3,620

Summary Balance Sheet Data

Total assets	1,408	828	254
Working capital	437	40	147
Long-term debt (exclusive of current maturities)	30	--	--
Convertible subordinated debt		--	--
Stockholders' equity	1,232	642	931

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is management's discussion and analysis of significant factors which have affected our financial position and operations during the fiscal years ended February 28, 2004 and February 28, 2003. This discussion also includes events which occurred subsequent to the end of the fiscal year ended February 28, 2004, and contains both historical and forward- looking statements. When used in this discussion, the words "expect(s)", "feel(s)", "believe(s)", "will", "may", "anticipate(s)" "intend(s)" and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties, which could cause actual results to differ materially from those projected. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in "Risk Factors". Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Readers are also urged to carefully review and consider the various disclosures elsewhere in this Report which discuss factors which affect the Company's business, including the discussion at the end of this Management's Discussion and Analysis. This discussion should be read in conjunction with the Company's Consolidated Financial Statements, respective notes and Selected Consolidated Financial Data included elsewhere in this Report.

The Reorganized Company

Pursuant to the terms of our Chapter 11 Plan of Reorganization, we effected a "Reverse Acquisition" by which we acquired all the issued and outstanding capital stock of Accuntone, Inc., a Pennsylvania corporation.

As a result of the above-described acquisition, Accutone Inc. (together with Accutone's wholly-owned subsidiary, Interstate Hearing Aid Service, Inc.) is now our wholly owned subsidiary. Through February 28, 2004, we had no business or assets other than those which we acquired through our acquisition of Accutone. (see subsequent event for disclosure of business acquired after February 28, 2004). With respect to our current business, history, and prospects, Accutone is the predecessor of Nantucket.

We are directly, and indirectly through our subsidiaries, Accutone Inc. and Interstate Hearing Aid Service Inc., in the business of distributing and dispensing custom hearing aids. Our predecessor, Accutone Inc. was formed under the laws of the State of Pennsylvania in October 1996 for the purpose of engaging in the manufacture, dispensing, and distribution of hearing aids. In 1998, Accutone acquired 100% ownership of Interstate, a Pennsylvania corporation and an FDA licensed hearing aid manufacturer which has been in the hearing aid business for approximately 35 years. In the Fall of 2000, Accutone discontinued all manufacturing operations and changed the focus of its marketing to include, not only the individual, self-pay patient, but health care entities and organizations which could serve as patient referral sources for us.

Until the summer of 2000, a small portion of our business consisted of manufacturing operations. However, because of changes in the competitive climate of the hearing aid manufacturing industry and the comparatively small level of our operations, we discontinued all manufacturing on July 30, 2000. This marked the beginning of a significant change in our then effective business plan, which now encompasses concentrating our marketing to nursing homes, hospitals, out-patient clinics, members of managed health care providers, such as health maintenance organizations ("HMO's"), Physician Provider Organizations (physician group practices known as "PPO's"), union health plans, medicare, and medicaid while expanding an advertising campaign aimed at individuals in the non-insured self- pay market. The geographic emphasis on this business has been and will continue to be focused in the New York metropolitan area. Since implementing this business plan, we have entered into contracts with approximately 63 managed health care provider organizations, unions, local municipalities and secondary health care insurance providers and pediatric care organizations in the New York metropolitan area, including Medicare and Medicaid. We are continually in negotiations with other such organizations.

In addition to marketing our services, we are continuing to attempt to expand our audiological staff and the level of operations and profitability at our existing offices as well as operations at new retail sales and dispensing offices in the New York Metropolitan area. Our long term goal in the audiological field is to expand our operations in this concentrated geographic area.. To date such expansion has been curtailed by our failure to obtain significant financing.

We also provide in-home fitting and dispensing services in the State of Pennsylvania, where our customer base is located in a somewhat rural area, making home visits convenient for our customers. We have four Pennsylvania Registered Hearing Aid Fitters who are available to us for in-home, as well as office visits in Pennsylvania. Through our offices and our in-home services, we offer a full range of audiological products and services for the hearing impaired. We have been unable to provide these services to our expectation level based on our need for capital infusion.

In order to make our services acceptable to managed care and health insurance companies, we must address their particular concerns. This will require that we have:

* service locations which are conveniently accessible to their members;
* an adequate staff of highly qualified audiologists;
* a full range of high quality hearing aid products;
* competitive pricing; and
* adequate product liability and professional malpractice insurance coverage.

We have been endeavoring to put all of these elements into place but have been unable to do so due to budgetary constraints. Therefore our primary goals during the next eighteen months, if we receive adequate financing, will include:

* opening and establishing operations at additional fully equipped offices accessible to residents of all five boroughs of New York City.
* opening and establishing operations at sales and dispensing offices on-site at additional nursing homes in the New York metropolitan area.
* increasing the number of audiologists on our staff to service these additional facilities; and
* hiring a chief financial officer and a chief operations officer.

We intended to implement an aggressive advertising and marketing campaign aimed at individuals and managed health care organizations. In order to undertake these initiatives we have established a professional advisory board of 6 individuals with high levels of experience and expertise in hearing health care, gerontology, accounting, marketing and various other medical practices.

We were in negotiations to enter into a business combination with Paxxon Healthcare Services, Inc. However, we have ceased negotiations with Paxxon and we do not currently anticipate that we will enter into any form of business combination with Paxxon.

Subsequent Events

On March 1, 2004 pursuant to a Stock Purchase Agreement, we acquired one hundred percent (100%) of the issued and outstanding shares of common stock of Comprehensive Network Solutions, Inc. based in Austin, Texas, from the Comprehensive Shareholders in consideration for the issuance of a total of 250,000 restricted shares of our common stock to the Comprehensive shareholders. Pursuant to the Agreement, Comprehensive became our wholly owned subsidiary. Additional consideration of $60,000 was also paid to Comprehensive to be used as working capital and we assumed a liability of $25,000 for marketing services performed by an individual. Such liability was satisfied through the issuance of 25,000 shares of our restricted common stock to such individual. All shares issued in this transaction have a holding period of two years.

The acquisition will allow us to utilize the resources of both companies to enter the health benefit market with consumer choice products for individuals, employers, associations, unions and political subdivisions. Comprehensive's business plan focuses on marketing health care benefits that enable the prospective clients to choose appropriate providers and financial arrangements that best meet their individual needs. The business plan also includes the complete development and market implementation of a high quality musculoskeletal disease management program for target markets with directed care of workers' compensation cases.

Comprehensive was organized in June 2002 with headquarters in Austin, Texas. The company has been focused on specialty health benefits products, including three levels of provider networks and one limited indemnity medical insurance plan. These products have been trademarked as ChiroCare Select, ChiroCare Advantage, ChiroCare Optima and CNS 500 Plan. The company is currently working on expanding its product with additional benefits and alternative benefit funding options. These new expanded products will be offered through a captive retail sales operation to individuals and small employers; and customized private label versions of the products through its broker and consultant relationships to associations, unions political subdivisions and large employers. The offerings are alternative cost and quality benefit solutions to prospects and clients who are uninsured or underinsured through existing traditional defined benefit health plans.

Comprehensive's goals include a plan to develop disease management treatment guidelines that would address back, neck and upper extremity musculoskeletal conditions specifically for workers' compensation. During the past year, these guidelines have been codified and copyrighted. Through an affiliation with Health Partners, the strategy is to develop exclusive provider organizations (EPO) in markets where state regulation enables workers' compensation plans to direct injured workers to specific health care providers. Comprehensive's EPOs will be marketed to workers' compensation and employee benefit plans on the basis access fees, case management fees and shared savings of future medical costs versus historic medical costs and patient outcomes.

The Company will continue to refine and improve its predictive model of evidence based on treatment guidelines and disease management for musculoskeletal injuries and illnesses. The quality and cost effective management of these conditions will continue to be a primary focus for the company's medical and network development staff in preparation for additional market introductions.

Our goal is to implement the Comprehensive business model initially in the NorthEast and then expand nationwide. In order to implement these goals, we are interviewing potential qualified candidates to fill various positions of sales, marketing and administration. To date, we have already met with and presented our various discount health care products and services. We estimate that in order to achieve these goals, we will require financing from sources other than cash flow, within the next eighteen months, in an amount ranging from $750,000 to $1,000,000. Since the acquisition, we have been successful in raising approximately $200,000 through private equity offerings. Although we have previously been unsuccessful in raising significant capital, our management believes that the current financial market upturn as well as the benefits of the acquisition of Comprehensive will assist us in potentially raising additional capital. Management believes that the acquisition of Comprehensive will add significant revenues and profitably during the upcoming year to the consolidated Nantucket family of businesses.

Results of Operations

Sales

Sales for the year ended February 28, 2004 were $409,040 compared to $406,134 for the year ended February 27, 2003. Our failure to materially increase sales was due in combination of failure to raise additional working capital on a timely basis and the decrease in Medicaid reimbursement rates.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $337,881 in 2004 as compared to $194,887 in fiscal 2003. This increase was due for the most part to increased consulting fees which were substantially paid for by the issuance of our restricted common stock.

Liquidity and Capital Resources

We incurred significant operating losses in recent years which resulted in severe cash flow problems that negatively impacted our ability to conduct our business as structured and ultimately caused us to become and remain insolvent. The reorganized Nantucket, utilizing the increasing sales and projected potential profitability of Accutone and its subsidiary Interstate Hearing Aid, should generate working capital to finance its current operations, but not enough to expand its scope of business activities.

We estimate that in order for us to achieve our goals to open equipment and staff additional offices, add another 40 nursing homes to those we currently service, increase our volume of sales and profitability, we will require capital investments and expenditures in the amount of $500,000 to $1,000,000. All of these funds will have to be obtained from sources other than cash flow. As noted above, under "Proposed Financing Plans", it is our intention to make a private placement of our equity or convertible debt securities in an amount of at least $500,000. We do not have any established bank credit lines or relationships in place at this time. However, we are optimistic that if we are able to raise a minimum of $500,000 through the sales of our securities, we will be able to establish credit lines that will further enhance our ability to finance the expansion of our business. There can be no assurance that we will be able to obtain outside financing on a debt or equity basis on favorable terms, if at all. In the event that there is a failure in any of the finance-related contingencies described above, the funds available to us may not be sufficient to cover the costs of our operations, capital expenditures and anticipated growth during the next twelve months. However, we believe that, even if we are unable to raise the required outside financing we can curtail our growth to such a degree so as to maintain increased operations.

Although the capital markets have a perceived improvement, we are cautiously optimistic of our abilities to achieve these goals. Along these lines we are actively pursuing potential businesses alliances with privately held businesses in like and or compatible industries. We believe that the addition of both sales volume growth and profitability will greatly assist us in successfully raising additional capital.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that may impact our financial position, results of operations or cash flows due to adverse changes in market prices and rates. We are exposed to market risk because of changes in foreign currency exchange rates as measured against the U.S. dollar. We do not anticipate that near-term changes in exchange rates will have a material impact on our future earnings, fair values or cash flows. However, there can be no assurance that a sudden and significant decline in the value of European currencies would not have a material adverse effect on our financial conditions and results of operations.

Our short-term bank debt bears interest at variable rates; therefore our results of operations would only be affected by interest rate changes to the short-term bank debt outstanding. An immediate 10 percent change in interest rates would not have a material effect on our results of operations over the next fiscal year.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

COMPREHENSIVE HEALTHCARE SOLUTIONS, INC.
(f/k/a Nantucket Industries, Inc. and Subsidiaries)

CONSOLIDATED FINANCIAL STATEMENTS

February 29, 2004

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the board of directors and shareholders of
COMPREHENSIVE HEALTHCARE SOLUTIONS, INC.
(f/k/a Nantucket Industries, Inc. and Subsidiaries)

We have audited the accompanying balance sheet of Comprehensive Healthcare Solutions, Inc. (f/k/a Nantucket Industries, Inc. and Subsidiaries) as of February 29, 2004 and the related statements of operations, changes in shareholders' deficiency, and cash flows for the years then ended. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Comprehensive Healthcare Solutions, Inc. (f/k/a Nantucket Industries, Inc. and Subsidiaries) as of February 29, 2004 and the results of its operations and its cash flows for the years then ended 2004 in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements referred to above have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 1, the Company needs to seek new sources or methods of financing or revenue to pursue its business strategy, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans as to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

JEWETT, SCHWARTZ & ASSOCIATES
Hollywood, Florida
March 7, 2005

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COMPREHENSIVE HEALTHCARE SOLUTIONS, INC.
(f/k/a - Nantucket Industries, Inc. and Subsidiaries)
AMENDED CONSOLIDATED BALANCE SHEETS

	2004
ASSETS	
Current assets	
Cash and cash equivalents	$ 172,429
Accounts receivable, net	125,454
Other current assets	8,870
Total current assets	306,753
Property and equipment, net	61,027
Intangible assets	560,000
Total assets	$ 927,780
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities	
Accounts payable	$ 106,767
Accrued liabilities	18,965
Total current liabilities	125,732
Revolving line of credit	30,000
Other liabilities	19,821

Total liabilities	175,553
Stockholders' equity	
Preferred stock, no par value; 5,000 shares authorized and zero shares issued and outstanding	-
Common stock, $.01 par value; 20,000,000 shares authorized; 11,667,309 shares issued and outstanding	1,166,730
Additional paid-in capital	13,534,031
Deferred stock - based consulting	(296,817
Accumulated deficit	(13,651,717
Total stockholders' equity	752,227
Total liabilites and stockholders' equity	$ 927,780

see accompanying notes to financial statements

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COMPREHENSIVE HEALTHCARE SOLUTIONS, INC.
(f/k/a - Nantucket Industries, Inc and Subsidiaries)
AMENDED CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended February 29,

	2004	
Net sales	$ 409,040	$
Cost of sales	321,462	
Gross profit	87,578	
Selling, general and administrative expenses	360,381	
Loss from operations	(272,803)	
Other expenses:		
Interest expense	10,305	
Depreciation and amortization	47,049	
Total other expense	57,354	
Loss before provision for income taxes	(330,157)	
Net loss	$ (330,157)	$
Net loss per share - basic and diluted	$ (0.03)	$

Weighted average common shares outstanding	9,834,258	

see accompanying notes to financial statements

COMPREHENSIVE HEALTHCARE SOLUTIONS, INC.
(f/k/a - Nantucket Industries, Inc. and Subsidiaries)
AMENDED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

For the years ended February 29,

	Preferred stock designated as non-voting convertible		Common stock		Add
	Shares	Amount	Shares	Amount	
Balance ar February 28, 2002	--	--	9,036,000	903,600	
Cancellation of consultant	--	--	(1,200,000)	(120,000)	
Private placement sales	--	--	337,857	33,785	
Executive compensation	--	--	416,667	41,667	
Common stock issued for services	--	--	--	--	
Net (loss)	--	--	--	--	
Balance at February 28, 2003	--	--	8,590,524	859,052	
Consultant agreement	--	--	1,250,000	125,000	
Private placement sales	--	--	899,642	89,964	
Executive compensation	--	--	357,143	35,714	
Common stock subscribed	--	--	--	--	
Convertible debt	--	--	570,000	57,000	
Deferred - stock based consulting	--	--	--	--	
Net (loss)	--	--	--	--	
Balance at February 29, 2004	--	--	11,667,309	$ 1,166,730	$

	Subscription Receivable	Deferred Stock - Based Consulting	Accumulated deficit
Balance ar February 28, 2002	--	--	(13,153,009)
Cancellation of consultant	--	--	--
Private placement sales	--	--	--

Executive compensation	--	--	--
Common stock issued for services	--	--	--
Net (loss)			(168,551)
	----------	----------	-------------
Balance at February 28, 2003	--	--	(13,321,560)
Consultant agreement	--	--	--
Private placement sales	--	--	--
Executive compensation	--	--	--
Common stock subscribed	(160,800)	--	--
Convertible debt			
Deferred - stock based consulting		(296,817)	
Net (loss)	--	--	(330,157)
	----------	----------	-------------
Balance at February 29, 2004	$ (160,800)	$ (296,817)	$ (13,651,717)
	==========	==========	============

see accompanying notes to financial statements

COMPREHENSIVE HEALTHCARE SOLUTIONS, INC.
(f/k/a - Nantucket Industries, Inc. and Subsidiaries)
AMENDED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended February 29,

	2004
Cash Flows From Operating Activities	
Net earnings (loss)	$ (330,157)
Adjustments to reconcile net earnings (loss) to net cash used by operating activities:	
Provision for bad debt	22,500
Depreciation and amortization	47,049
Decrease (increase) in assets:	
Accounts receivable	(15,630)
Inventories	1,495
Prepaid expenses	(65,000)
Other current assets	-
(Decrease) increase in liabilities:	
Accounts payable	29,002
Accrued expenses and other liabilities	-
Net Cash Provided by Operating Activities	(310,741)
Cash Flows From Investing Activities	
Additions to property, plant and equipment	(16,030)
(Increase) decrease in other assets	(223,750)

Net Cash Provided (Used) by Investing Activities		(239,780)
Cash Flows From Financing Activities		
Issue of stock for reorganization, acquisitions and operations, net		762,400
Repayment of loans		(40,000)
Proceeds from loans and line of credit		-
Net Cash Used in Financing Activities		722,400
Net increase (decrease) in cash and cash equivalents		171,879
Cash and cash equipvalents, beginning of year		550
Cash and cash equivalents, end of year	$	172,429
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Interest	$	10,305
		-

see accompanying notes to financial statements

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COMPREHENSIVE HEALTHCARE SOLUTIONS, INC.
(f/k/a - Nantucket Industries, Inc. and Subsidiaries)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2004

NOTE 1- REORGANIZATION

The Company filed for Chapter 11 bankruptcy protection in March 2000. Management began its search for a viable merger candidate since if it were not successful the Company would cease to exist. The Company had been totally inactive since November of 1999.

On January 25, 2002, Nantucket Industries Inc., effected a "reverse acquisition" pursuant to which Nantucket acquired all of the issued and outstanding capital stock of Accutone, Inc., a Pennsylvania corporation. The acquisition was made on a stock-for-stock basis pursuant to the terms of Nantucket's Chapter 11 Plan of Reorganization. The Plan of Reorganization, which was accepted by the creditors of Nantucket and approved by the Bankruptcy Court on December 10, 2001 and became effective on January 25, 2002.

Description of the Plan: The Plan provided for the cancellation of all outstanding shares of stock in the Company and the re-issuance of new shares of stock by the reorganized Company. All stock of existing Subsidiaries was cancelled.

All holders of allowed claims and stock interests in the Debtor would receive ratable distribution of the new shares of stock in accordance with the formulas set forth below.

The Plan of Reorganization, was predicated upon the acquisition of the Accutone business and its business prospects in exchange for a distribution of 5,285,160 common shares in the reorganized Company to the current equity holders of Accutone. The resulting combined entity issued new shares of its stock to all parties in interest in a manner that reflected the respective liquidation preferences of the classes of claims and interests.

Administrative Debt: The costs and expenses of the administrative claim of Nantucket in course of the reorganization had priority of distribution pursuant to 11 U.S.C. ss.503 and would either be paid in full upon confirmation, or other terms agreed upon by the holders of such claims.

The expenses of administration consisted primarily of the fees of professional persons retained by Nantucket in the course of this reorganization and their fees were ultimately subject to allowance and approval by the Bankruptcy Court.

Basis of Presentation and Going Concern: In accordance with SFAS No.7, the Company's policy regarding the preparation of these consolidated financial statements includes the presenting, in addition to its statements of operations, changes in shareholders' (deficiency) equity and cash flows, the cumulative amounts of revenues and expenses, stockholder equity transactions and cash flows since inception through February 29, 2004.

The Company's independent accountants are including a "going concern" paragraph in their accountants' report accompanying these consolidated financial statements that cautions the users of the Company's financial statements that these statements do not include any adjustments that might result from the outcome of this uncertainty. Furthermore, the "going concern" paragraph states that the Company's ability to continue is also dependent on its ability to, among other things, obtain additional debt and equity financing, identify customers, secure vendors and suppliers, and establish an infrastructure for its operations.

Even though the Company has not commenced planned principal operations or generated revenues from prospective customers nor has it secured the funding necessary to meet its current working capital needs, management believes that, despite the extent of the financial requirements and funding uncertainties going forward, it has a business plan under development that, if successfully funded and executed as an integral part of a financial structuring, the Company can overcome the concerns of the independent accountants within the next twelve months. Management continues to actively seek various sources and methods of short and long-term financing and support; however, there can be no assurances that some or all of the necessary financing can be obtained. Management continues to explore alternatives that include seeking strategic investors, lenders and/or technology partners and pursuing other transactions that, if consummated, might ultimately result in the dilution of the interest of the current shareholders.

Because of the nature and extent of the uncertainties, many of which are outside the control of the Company, there can be no