

Edgar Filing: STONEPATH GROUP INC - Form 8-K/A

STONEPATH GROUP INC
Form 8-K/A
December 19, 2001

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 8-K/A

Current Report

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 5, 2001

STONEPATH GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware ----- (State or other jurisdiction of incorporation)	0-26929 ----- (Commission File No.)	65-0867684 ----- (IRS Employer Identification No.)
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Two Penn Center Plaza, Suite 605
Philadelphia, PA 19102

(Address of principal executive office)

Registrant's telephone number, including area code: (215) 564-9193

(Former name or former address, if changed since last report)

GENERAL EXPLANATION

The purpose of this Report is to amend the registrant's Current Report on Form 8-K dated October 5, 2001 and filed October 19, 2001 (the "Initial Report"), relative to the acquisition by Stonepath Group, Inc. of 100 percent of the outstanding stock of M.G.R., Inc., d/b/a "Air Plus Limited" and its operating affiliates, a group of Minneapolis-based privately held companies that provide a full range of logistics and transportation services (collectively, "Air Plus"). This Report amends the Initial Report so as to provide the information required under Item 7(b).

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(b) Pro Forma Condensed Consolidated Financial Information.

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Basis of Presentation

Unaudited Pro Forma Condensed Consolidated Balance Sheet as of
September 30, 2001

Unaudited Pro Forma Condensed Consolidated Statement of Operations
for the nine months ended September 30, 2001

Unaudited Pro Forma Condensed Consolidated Statement of Operations
for the year ended December 31, 2000

- (c) Exhibits (referenced to Item 601 of Regulation S-K).
- 2.5 Stock Purchase Agreement by and among Stonepath Logistics, Inc., Stonepath Group, Inc. and M.G.R., Inc., Distribution Services, Inc., Contract Air, Inc., the Shareholders of M.G.R., Inc., Distribution Services, Inc., Contract Air, Inc. and Gary A. Koch (as Shareholders' Agent)*
 - 2.6 First Amendment to Stock Purchase Agreement by and among Stonepath Logistics, Inc., Stonepath Group, Inc. and M.G.R., Inc., Distribution Services, Inc., Contract Air, Inc., the Shareholders of M.G.R., Inc., Distribution Services, Inc., Contract Air, Inc. and Gary A. Koch (as Shareholders' Agent)*
 - 10.65 Executive Employment Agreement dated as of October 5, 2001 between M.G.R., Inc. and Jack E. Duffey*
 - 10.66 Executive Employment Agreement dated as of October 5, 2001 between M.G.R., Inc. and David A. Koch*
 - 10.67 Executive Employment Agreement dated as of October 5, 2001 between M.G.R., Inc. and Robert G. Heydt*
 - 10.68 Executive Employment Agreement dated as of October 5, 2001 between M.G.R., Inc. and James R. Such*
 - 10.69 Executive Employment Agreement dated as of October 5, 2001 between M.G.R., Inc. and Robert C. Carlson*
 - 10.70 Executive Employment Agreement dated as of October 5, 2001 between M.G.R., Inc. and Gary A. Koch*
 - 23 Consent of Independent Accountants*
 - 99.1 Press Release dated October 8, 2001*
 - 99.2 Press Release dated October 10, 2001*

*Filed as part of the Registrant's Current Report on Form 8-K dated October 5, 2001, filed October 19, 2001, and incorporated herein by reference.

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PRO FORMA FINANCIAL INFORMATION PROVIDED UNDER ITEM 7(b)

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

BASIS OF PRESENTATION

On October 5, 2001, Stonepath Group, Inc. ("Stonepath") acquired 100 percent of the outstanding stock of M.G.R., Inc., d/b/a "Air Plus Limited" and its operating affiliates, a group of Minneapolis-based privately held companies that provide a full range of logistics and transportation services (collectively, "Air Plus"). The total value of the transaction was \$34.5 million, consisting of cash of \$17.5 million paid at closing and a four year earn-out arrangement based upon the future financial performance of Air Plus. The \$17.0 million earn-out is payable in annual installments of \$3.0, \$5.0, \$5.0, and \$4.0 million, respectively, for each of the 2002, 2003, 2004, and 2005 calendar years that Air Plus achieves pre-tax net income of at least \$6.0 million (the "targeted net income"). The earn-out payment is reduced on a dollar-for-dollar basis to the extent Air Plus does not meet the targeted net income.

These contingent payments will be accounted for as additional cost of Air Plus when the earnings contingency is resolved and the consideration is issued or becomes issuable. Accordingly, the purchase price allocation presented herein is preliminary and includes only the \$17.5 million paid at closing financed through Stonepath's existing funds.

The following unaudited pro forma condensed consolidated balance sheet at September 30, 2001 presents Stonepath's acquisition of Air Plus as if it had occurred on September 30, 2001. The unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2000 and the nine months ended September 30, 2001 presents Stonepath's acquisition of Air Plus as if it had occurred on January 1, 2000 and excludes the historical effect of discontinued operations. The detailed assumptions used to prepare the unaudited pro forma condensed consolidated financial information are contained in the accompanying explanatory notes.

The unaudited pro forma condensed consolidated financial information is presented for illustrative purposes only and is not necessarily indicative of the financial position or results of operations which would have actually been reported had the transaction been consummated at the dates mentioned above or which may be reported in the future. This unaudited pro forma condensed consolidated financial information is based upon the respective historical financial statements of Stonepath and Air Plus and should be read in conjunction with those statements and the related notes.

STONEPATH GROUP, INC.
Unaudited Pro Forma Condensed Consolidated Balance Sheet
September 30, 2001

	Historical Statements	
	Stonepath	Air Plus
Assets	-----	-----

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Current assets:		
Cash and cash equivalents	\$ 31,876,170	\$ 428,070
Available-for-sale securities	57,846	301,967
Accounts receivable, less allowance for doubtful accounts of \$169,601	--	7,960,903
Loans receivable	130,162	--
Prepaid expenses and other current assets	30,375	298,209
Total current assets	32,094,553	8,989,149
Ownership interests in and advances to Affiliate Companies	1,433,783	--
Goodwill, net	--	--
Furniture and equipment, net	75,043	1,355,215
Other assets	382,265	240,814
	\$ 33,985,644	\$10,585,178
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 303,808	\$ 5,445,455
Notes payable to shareholders	--	245,362
Short-term borrowings	--	100,000
Net liabilities of discontinued operations	695,000	--
Total current liabilities	998,808	5,790,817
Stockholders' equity:		
Convertible preferred stock, Series C	3,868	--
Common stock, Stonepath Group	20,487	--
Common stock, Air Plus	--	304,270
Additional paid-in capital	209,567,588	--
Retained earnings (deficit)	(173,609,522)	4,705,376
Deferred compensation	(2,808,354)	--
Accumulated other comprehensive loss	(187,231)	(215,285)
Total stockholders' equity	32,986,836	4,794,361
	\$ 33,985,644	\$10,585,178

Pro Forma Adjustment Legend

- (a) To reflect payment of \$17.5 million purchase price paid at closing plus approximately \$1.2 million of capitalized closing costs.
- (b) To reflect the excess of the acquisition cost over the estimated fair value of net assets acquired (goodwill).
- (c) To reflect the value assigned to acquired intangibles
- (d) To reflect the elimination of the stockholders' equity accounts of Air Plus.

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STONEPATH GROUP, INC.
 Unaudited Pro Forma Condensed Consolidated Statement of Operations
 Nine months ended September 30, 2001

	Historical Statements	
	Stonepath	Air Plus
Revenues	\$ --	\$ 40,044,898
Operating expenses:		
Purchased transportation	--	(23,142,551)
Salaries, wages and benefits	(1,265,445)	(6,867,679)
Depreciation and amortization	(107,165)	(384,518)
Rent	(158,804)	(2,145,589)
Stock-based compensation	(3,369,406)	--
General and administrative	(2,188,527)	(5,454,637)
	(7,089,347)	(37,994,974)
Total operating expenses		
Income (loss) from operations	(7,089,347)	2,049,924
Interest and dividend income	1,175,536	10,252
Other losses	(4,502,696)	--
Equity in losses of Affiliate Companies	(3,284,609)	(3,819)
	\$ (13,701,116)	\$ 2,056,357
Net income (loss) from continuing operations	\$ (13,701,116)	\$ 2,056,357
Basic and diluted net loss per common share - continuing operations	\$ (0.83) (c)	

Pro Forma Adjustment Legend

- (a) To reflect amortization of acquired identifiable intangibles
- (b) To reflect payment of \$17.5 million purchase price paid at closing plus approximately \$1.2 million of capitalized closing costs and resulting reduced average cash balance invested at a rate of 6%.
- (c) Basic and diluted net loss per common share - continuing operations calculated as follows:

	Historical Stonepath	Pro Forma Results
Net loss	\$ (13,701,116)	\$ (12,576,2
Preferred stock dividends	(3,238,502)	(3,238,5
Net loss attributable to common stockholders	\$ (16,939,618)	\$ (15,814,7
Weighted average common shares outstanding	20,463,909	20,463,9
Basic and diluted net loss per common share	\$ (0.83)	\$ (0.

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STONEPATH GROUP, INC.
 Unaudited Pro Forma Condensed Consolidated Statement of Operations
 Year ended December 31, 2000

	Historical Statements		
	Stonepath	Air Plus	
Revenues	\$ --	\$56,201,458	\$
Operating expenses:			
Purchased transportation	--	(31,856,174)	
Salaries, wages and benefits	(1,830,137)	(11,805,734)	
Depreciation and amortization	(1,620,855)	(424,803)	
Rent	(355,729)	(2,097,615)	
Stock-based compensation	(15,887,067)	--	
General and administrative	(5,375,798)	(6,216,391)	
Total operating expenses	(25,069,586)	(52,400,717)	
Income (loss) from operations	(25,069,586)	3,800,741	
Interest and dividend income	2,080,140	55,542	(
Other losses	(4,981,933)	(66,394)	
Equity in losses of Affiliate Companies	(7,781,868)	--	
Net income (loss) from continuing operations	\$ (35,753,247)	\$3,789,889	\$
Basic and diluted net loss per common share - continuing operations	\$ (4.62) (d)		

Pro Forma Adjustment Legend

- (a) To reflect contractual reduction in officers compensation at Air Plus, a former S-Corporation.
- (b) To reflect amortization of acquired identifiable intangibles
- (c) To reflect payment of \$17.5 million purchase price paid at closing plus approximately \$1.2 million of capitalized closing costs and resulting reduced average cash balance invested at a rate of 6%.
- (d) Basic and diluted net loss per common share - continuing operations calculated as follows:

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	Historical Stonepath	Pro Re
	-----	-----
Net loss	\$ (35,753,247)	\$ (
Preferred stock dividends	(45,750,830)	(
	-----	-----
Net loss attributable to common stockholders	\$ (81,504,077)	\$ (
	=====	=====
Weighted average common shares outstanding	17,657,913	
	=====	=====
Basic and diluted net loss per common share	\$ (4.62)	\$
	=====	=====

SIGNATURES

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

STONEPATH GROUP, INC.

Date: December 19, 2001

By: /s/ Dennis L. Pelino

 Name: Dennis L. Pelino
 Title: Chairman and Chief Executive Officer