

Edgar Filing: GLOBAL TECHNOLOGIES LTD - Form 8-K

GLOBAL TECHNOLOGIES LTD
Form 8-K
March 20, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT

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

Date of report (Date of earliest event reported) March 5, 2001

Global Technologies, Ltd.
(Exact Name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation)	0-25668 (Commission File Number)	86-0970492 (IRS Employer Identification No.)
---	--	--

The Belgravia, 1811 Chestnut Street, Suite 120, Philadelphia, PA (Address of Principal Executive Offices)	19103 (Zip Code)
--	---------------------

Registrant's telephone number, including area code (215) 972-8191

(Former Name or Former Address, if Changed Since Last Report)

INFORMATION TO BE INCLUDED IN THIS REPORT

ITEM 2. DISPOSITION OF ASSETS

On March 7, 2001, The Network Connection, Inc., a Georgia corporation ("TNCi") and a majority-owned subsidiary of Global Technologies, Ltd., a Delaware Corporation (the "Registrant"), announced that it had re-evaluated certain aspects of its business and would be focusing its efforts on the operations of TNCi UK Ltd., a company incorporated under the laws of England and Wales ("TNCi UK"), and discontinuing and suspending its domestic operations. As explained in the Current Report on Form 8-K filed by TNCi on March 7, 2001, TNCi has discontinued its education and corporate training operations, suspended its hotel operations and is focusing on train operations.

In connection with this discontinuance and suspension of domestic operations, TNCi has determined it necessary to write off all of the intangible assets on its balance sheet, which consisted of goodwill and certain intellectual property. The amount to be written off is approximately \$5.8 million. In addition, based on the impairment of certain fixed assets of TNCi, consisting primarily of installed interactive entertainment systems at hotel properties, resulting from the determination to suspend hotel operations, TNCi has written down the value of these assets as reflected on its balance sheet by approximately \$3.3 million.

On March 2, 2001, TNCi UK's English directors provided a letter to TNCi's

Edgar Filing: GLOBAL TECHNOLOGIES LTD - Form 8-K

Chairman expressing their concerns regarding the solvency of TNCi UK, and explaining that under English law statutory directors can be personally and criminally liable for operating a company that is insolvent, i.e., that such directors have an obligation to put an entity the solvency of which is questionable into a voluntary dissolution. The letter explained that unless funding was received by March 9, 2001, they were going to put TNCi UK into receivership.

The Registrant and TNCi have been pursuing capital from many third party sources to finance the operations of TNCi UK. These efforts included retaining Dawnay Day Corporate Finance Limited ("Dawnay Day"), a reputable London-based investment bank, to find investors for TNCi UK. After an extensive search and repeated reductions of TNCi UK's valuation, Dawnay Day has been unable to secure an investment.

To permit TNCi UK to fund ongoing operations and avoid insolvency and receivership, on March 9, 2001, the Registrant acquired 600 cumulative redeemable preferred shares of TNCi UK (the "Preferred Shares"). The Registrant has committed to pay \$600,000 for the Preferred Shares, \$50,000 of which was paid to TNCi UK through March 15, 2001. The remainder of the purchase price is evidenced by a 9% note payable over the next 150 days.

The Preferred Shares have a 9% cumulative dividend payable in cash or in-kind, and each Preferred Share has a liquidation preference and redemption price of \$1,000, is convertible into one ordinary share and votes as if it were an ordinary share. The Preferred Shares have customary anti-dilution protection.

Prior to this transaction, TNCi UK was a wholly owned subsidiary of TNCi, of which the Registrant currently owns approximately 70%. The 600 Preferred Shares acquired by the Registered represent 60% of the outstanding voting equity of TNCi UK. TNCi now holds the remaining 40% of the outstanding voting equity of TNCi UK through its ownership of ordinary shares.

In connection with this transaction, TNCi converted approximately \$1.4 million (as of February 28, 2001) of inter-company advances to TNCi UK on its balance sheet into equity. Subsequently, TNCi wrote down the value of its investment in TNCi UK by approximately \$900,000 to reflect its 40% net equity interest in TNCi UK.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

Listed below are certain financial statements, pro forma financial information and exhibits filed as part of this Report on Form 8-K:

a. FINANCIAL STATEMENTS:

None.

b. PRO FORMA FINANCIAL INFORMATION:

GLOBAL TECHNOLOGIES, LTD. AND SUBSIDIARIES
PRO FORMA FINANCIAL INFORMATION

The following pro forma unaudited financial information presents the Registrant's pro forma condensed consolidated balance sheet as of December 31, 2000 and the Registrant's pro forma condensed consolidated statements of operations for the fiscal year ended June 30, 2000 and the six months ended December 31, 2000. The pro forma unaudited financial information gives effect to (i) the acquisition of 600 cumulative redeemable preference shares of TNCi UK, representing 60%, of the equity of TNCi UK, (ii) the conversion of approximately \$1.4 million (as of February 28, 2001) of inter-company advances of TNCi to TNCi UK into equity representing the remaining 40% of the equity of TNCi UK, and

Edgar Filing: GLOBAL TECHNOLOGIES LTD - Form 8-K

(iii) the discontinuance and suspension of domestic operations of TNCi, including the write off all of the intangible assets on its balance sheet, consisting of goodwill and certain intellectual property, and the impairment of certain fixed assets of TNCi, consisting primarily of installed interactive entertainment systems at hotel properties. The pro forma adjustments were recorded as if they had occurred, for purposes of the pro forma unaudited condensed consolidated balance sheet, as of December 31, 2000 and, for purposes of the pro forma unaudited condensed consolidated statements of operations, as of the beginning of the respective periods presented.

This pro forma unaudited financial information does not purport to represent what the Registrant's actual financial position and operating results would have been had such events actually occurred on the aforementioned dates. The pro forma unaudited financial information also does not purport to serve as a forecast of the Registrant's financial position or results of operations for any future periods.

The pro forma adjustments are based upon currently available information that management believes is reasonable in the circumstances. This pro forma financial information should be read in conjunction with the Registrant's audited consolidated financial statements as of and for the fiscal year ended June 30, 2000 and the unaudited condensed consolidated financial statements as of and for the six months ended December 31, 2000 appearing in the Registrant's form 10-QSB for the quarter then ended.

2

GLOBAL TECHNOLOGIES, LTD. AND SUBSIDIARIES
Pro Forma Condensed Consolidated Balance Sheet
as of December 31, 2000
(Unaudited)

	AS REPORTED	PRO FORMA ADJUSTMENT
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,975,772	\$
Restricted cash	282,150	
Investments	9,670,937	
Deferred tax asset	2,973,190	
Other current assets	1,368,710	
	-----	-----
Total current assets	16,270,759	
Property and equipment, net	12,771,168	(3,344,800)
Intangibles, net	5,833,615	(5,833,615)
Investments	--	
Other assets	166,216	
	-----	-----
Total assets	\$ 35,041,758	\$ (9,178,500)
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	8,097,715	
Accrued liabilities	2,551,786	
Advances from related parties	365,046	

Edgar Filing: GLOBAL TECHNOLOGIES LTD - Form 8-K

Notes payable	9,917,294	
Notes payable to related parties	3,737,400	
	-----	-----
Total current liabilities	24,669,241	
Accrued litigation settlement	833,333	
	-----	-----
Total liabilities	25,502,574	
	-----	-----
Minority Interest	--	60,6
Stockholders' equity (deficiency):		
Series C preferred stock	10	
Common stock	112,626	
Additional paid-in capital	139,802,670	
Accumulated other comprehensive income	8,718,535	
Accumulated deficit	(139,094,658)	(9,178,5
	--	(60,6
	-----	-----
Total stockholders' equity (deficiency)	9,539,184	(9,239,1
	-----	-----
Total liabilities and stockholders' equity (deficiency)	\$ 35,041,758	\$(9,178,5
	=====	=====

3

NOTES TO PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2000

- 1) To record the write down of equipment, primarily interactive entertainment systems installed at hotel properties, to net realizable value.
- 2) To record the write-off of intangible assets, primarily goodwill.
- 3) To record the minority interest in the consolidated accounts of TNCi UK, resulting from the Registrant's 74.3% ownership of TNCi as of December 31, 2000, which in turn owns 40% of TNCi UK.

4

GLOBAL TECHNOLOGIES, LTD. AND SUBSIDIARIES
Pro Forma Condensed Consolidated Statement of Operations
for the fiscal year ended June 30, 2000

	AS REPORTED	PRO FORMA ADJUSTMENTS
	-----	-----
Revenue:		
Equipment sales	\$ 6,983,787	\$ --
Service income	413,209	--
	-----	-----
	7,396,996	--
	-----	-----
Costs and expenses:		
Cost of equipment sales	4,867,519	--

Edgar Filing: GLOBAL TECHNOLOGIES LTD - Form 8-K

Cost of service income	148,221	--
General and administrative expenses	21,166,771	(163,015) (2)
Amortization of intangibles	912,553	(912,553) (2)
Expenses associated with investments	1,944,743	--
Loss on impairment of assets	--	9,937,739 (1)
Special charges	2,156,205	
	-----	-----
	31,196,012	8,862,171
	-----	-----
Operating loss	(23,799,016)	(8,862,171)
Other:		
Interest expense	(5,948,347)	--
Interest income	655,194	--
Equity in loss of non-consolidated affiliates	(10,345,210)	--
Other expense	(14,339)	--
	-----	-----
Loss before minority interest	(39,451,718)	(8,862,171)
Minority interest	1,612,529	47,986 (3)
	-----	-----
Net Loss	(37,839,189)	(8,814,185)
Cummulative dividend on preferred stock	(187,415)	--
Redemption of preferred stock	509,183	--
	-----	-----
Net loss available to common stockholders	(37,517,421)	(8,814,185)
	=====	=====
Basic and diluted net loss per common share	(3.81)	
	=====	
Weighted average number of shares outstanding	9,842,392	
	=====	

5

NOTES TO PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

- 1) To record the impairment losses on the write down of equipment, primarily interactive entertainment systems installed at hotel properties, and the write-off of intangible assets, primarily goodwill.
- 2) To eliminate the depreciation and amortization expenses associated with the equipment write down and the intangible asset write-off.
- 3) To record the minority interest in the consolidated accounts of TNCi UK resulting from the Registrant's 79% ownership of TNCi as of June 30, 2000, which in turn owns 40% of TNCi UK.

6

GLOBAL TECHNOLOGIES, LTD. AND SUBSIDIARIES
Pro Forma Condensed Consolidated Statement of Operations
for the six months ended December 31, 2000
(Unaudited)

Edgar Filing: GLOBAL TECHNOLOGIES LTD - Form 8-K

	AS REPORTED	PRO FORMA ADJUSTMEN
	-----	-----
Equipment sales	\$ 59,186	\$
Service income	162,642	
	-----	-----
	221,828	
	-----	-----
Costs and expenses:		
Cost of equipment sales	43,632	
Cost of service income	157,932	
General and administrative expenses	13,745,189	(156,
Amortization of intangibles	864,342	(864,
Loss on foreign currency exchange	46,643	
Loss on impairment of assets	3,053,497	10,042,
Special charges	1,501,360	
	-----	-----
	19,412,595	9,022,
	-----	-----
Operating loss	(19,190,767)	(9,022,
Other:		
Interest expense	(4,278,659)	
Interest income	51,929	
Loss from write down of investment in affiliates	(174,990)	
Gain on sale of investments	4,159,582	
Gain on legal settlement	1,336,563	
Other income	21,901	
	-----	-----
Loss before minority interest and extraordinary item	(18,074,441)	(9,022,
Minority interest	985,401	57,
	-----	-----
Loss before extraordinary item	(17,089,040)	(8,965,
Extraordinary gain on extinguishment of debt	1,492,138	
	-----	-----
Net Loss	(15,596,902)	(8,965,
Cummulative dividend on preferred stock	(340,936)	
Beneficial conversion on preferred stock	(173,469)	
	-----	-----
Net loss available to common stockholders	(16,111,307)	(8,965,
	=====	=====
Basic and diluted net loss per common share	(1.45)	
	=====	=====
Weighted average number of shares outstanding	11,112,465	
	=====	=====

Edgar Filing: GLOBAL TECHNOLOGIES LTD - Form 8-K

- 1) To record the impairment losses on the write down of equipment, primarily interactive entertainment systems installed at hotel properties, and the write-off of intangible assets, primarily goodwill.
- 2) To eliminate the depreciation and amortization expenses associated with the equipment write down and the intangible asset write-off.
- 3) To record the minority interest in the consolidated accounts of TNCi UK resulting from the Registrant's 74.3% ownership of TNCi as of December 31, 2001, which in turn owns 40% of TNCi UK.

c. EXHIBITS:

- 2.1 Articles of Association of TNCi UK Limited.
- 2.2 Application for Shares.

8

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 hereunto duly authorized.

GLOBAL TECHNOLOGIES, LTD.

Dated: March 20, 2001

By: /s/ Irwin L. Gross

Name: Irwin L. Gross
Title: Chairman and
Chief Executive Officer

9

Index to Exhibits

No.	Description
---	-----
2.1	Articles of Association of TNCI UK LIMITED.*
2.2	Application for Shares.*

* Filed herewith.

10