

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

CNE GROUP INC
Form 8-K/A
July 07, 2003

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 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):
July 7, 2003 (April 17, 2003)

CNE Group, Inc.

(Exact Name of Registrant as Specified in Charter)

Delaware

1-9224

56-2346563

(State or Other Jurisdiction
of Incorporation)

(Commission File Number)

(I.R.S. Employer
Identification No.)

200 West 57th Street, Suite 507
New York, New York

10019

(Address of Principal Executive Offices)

(Zip Code)

212-977-2200

Registrant's telephone number, including area code

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

1

THIS FORM 8K/A IS BEING FILED SO THAT REGISTRANT SHALL BE IN TIMELY COMPLIANCE
WITH THE REQUIREMENTS SET FORTH IN ITEM 7 OF FORM 8-K

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

ITEM 2. Acquisition or Disposition of Assets.

On April 23, 2003, CNE Group, Inc. ("CNE") acquired all of the outstanding stock of SRC Technologies, Inc. ("SRC") and Econo-Comm, Inc. ("ECI") by merging these companies into its wholly-owned subsidiaries.

CNE issued to Michael and Carol Gutowski, the principal stockholders of SRC, an aggregate of 4,867,937 shares of its non-voting Series C Preferred Stock and a like number of ten year Class C Warrants, each to purchase one share of its Common Stock at \$1.00 per share. The Class C Warrants are not exercisable and are not detachable from the C Preferred Stock prior to 66 months after their issuance. CNE issued to the other common stockholders of SRC, including Larry Reid, SRC's Chief Operating Officer, an aggregate of 899,976 shares of its Common Stock, 1,697,961 shares of its non-voting Series A Preferred Stock and a like number of ten year Class A Warrants, each to purchase one share of its Common Stock at \$1.00 per share. The Class A Warrants are not exercisable and are not detachable from the A Preferred Stock prior to 66 months after their issuance. The Company issued an aggregate of 440,000 shares of its Series B Preferred Stock to the holders of the SRC Series B Preferred Stock. The A Preferred Stock has an aggregate liquidating preference over all other CNE equity of \$1,697,961 and the B Preferred Stock has an aggregate liquidating preference over all other CNE equity except the A Preferred Stock of \$440,000. The C Preferred Stock has no liquidating preference.

CNE issued to Gary Eichsteadt and Thomas Sullivan, the stockholders of ECI, an aggregate of 4,867,938 shares of its Series C Preferred Stock and a like number of Class C Warrants. In addition, Messrs. Eichsteadt and Sullivan retained certain of ECI's trade receivables aggregating in the amount of approximately \$100,000. The Company also acquired a patent related to the operation of ECI's business from Mr. Eichsteadt for four notes each in the principal amount of \$500,000 (aggregating \$2,000,000), bearing interest at the annual rate of 8% payable quarterly and due on October 31, 2008.

There were no relationships between CNE or any of its affiliates and any of the sellers of the assets acquired by the Company prior to the acquisition transactions. Messrs. Gutowski and Reid and Ms. Gutowski became directors and Mr. Gutowski became President and Mr. Reid became Executive Vice President of the Company immediately subsequent to the consummation of the acquisitions. Ms. Gutowski and Messrs. Eichsteadt and Sullivan became executive officers, respectively, of the Company's subsidiaries that merged with SRC and ECI.

2

On April 23, 2003, CNE also effected a private financing pursuant to which it issued its notes (the "Notes") in the aggregate principal amount of \$750,000, of which \$650,000 was contributed by officers of the Company, and 3,124,350 ten year Class B Warrants, each warrant to purchase one share of its Common Stock at \$0.50 per share. The Notes bear interest at the annual rate of 10% payable quarterly and are due on April 30, 2004. The Warrants are non-dilutive until the Notes have been repaid. The due date of the Notes may be extended at the Company's option for an additional year in consideration for the issuance of 10 year cashless warrants to purchase 5% of the Company's then outstanding common stock at \$0.50 per share. These Warrants will also be anti-dilutive until the Notes have been repaid.

The Company is using the funds obtained from this financing to pay certain ECI

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

notes payable and for working capital. The financing was effected pursuant to the exemption from the registration provisions of the Securities Act of 1933 provided by Section 4(2) thereof.

Reference is made to the (i) SRC and ECI Merger Agreements, (ii) Designations for the Company's Series A, B, C, and E Preferred Stock, (iii) form of the Class A and C Warrants, (iv) form of the 8% Notes issued to Mr. Eichsteadt, (v) Asset Purchase Agreement, Patent Assignment and Pledge Agreement relating to the Company's acquisition of the patent from Mr. Eichsteadt, and (vi) form of the 10% Note and the Class B Warrant issued in connection with the Company's financing, copies of which are being filed as Exhibits to this Form 8-K/A. All statements made with respect to the transactions discussed in this Item 2 are qualified by such reference.

Item 5. OTHER INFORMATION

On April 17, 2003, pursuant to the terms of Section 251(g) of the Delaware General Corporation Law, CareerEngine Network, Inc. ("CareerEngine") became a wholly-owned subsidiary of CNE Group, Inc. Pursuant to this transaction the Company acquired all of the assets of CareerEngine, all former stockholders of CareerEngine became the stockholders of the Company, which is the entity that is now publicly traded on the American and Pacific Stock Exchanges under the symbol "CNE," and the officers and directors of CareerEngine became the officers and directors of the Company.

As a successor entity to CareerEngine, the Company's shares are deemed to be registered under Section 12(g) of the Securities Exchange Act of 1934 and Rule 12g-3 promulgated thereunder. The shares have been issued without registration in reliance upon exemptions provided in Section 3(a)(9) of the Securities Act of 1933 and Rule 145 promulgated thereunder. CareerEngine has been subject to the reporting requirements of the Exchange Act since 1986. The last report filed by CareerEngine was its Annual Report on Form 10-KSB for the year ended December 31, 2002.

3

Reference is made to the (i) Agreement and Plan of Merger among CNE Group, Inc., CNE Acquisition, Inc. and CareerEngine Network, Inc, (ii) Certificate of Incorporation of CNE Group, Inc., (iii) Certificate of Amendment of the Certificate of Incorporation of CNE Group, Inc., and (iv) Amended and Restated By-laws of CNE Group, Inc, copies of which were filed as Exhibits to the Company's Form 8-K filed with the Securities and Exchange Commission on May 6, 2003. All statements made with respect to the transactions discussed in this Item 5 are qualified by such reference to such exhibits.

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

(a) Financial Statements of Business Acquired.

Financial information of the businesses acquired are filed as Exhibits to this Form 8-K/A and are incorporated herein by reference.

(b) Pro Forma Financial Information.

Set forth below is Unaudited Pro forma Consolidated Financial Information which

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

includes an unaudited pro forma consolidated balance sheet as of March 31, 2003 and pro forma consolidated statements of operations for the three-month period ended March 31, 2003 and the year ended December 31, 2002 (collectively, the "Pro forma Financial Information"). The Pro forma Financial Information relates to the acquisitions of SRC Technologies, Inc. ("SRC") and Econo-Comm, Inc. ("ECI"). In addition, the Pro forma Financial Information reflects additional adjustments pertaining to the Company which relate to (i) a private financing and (ii) the proposed settlement of assets and liabilities of two subsidiaries of the Company for the benefit of creditors.

In April 2003, the Company acquired all of the outstanding voting common stock of the SRC and ECI in a purchase business combination, entered into private financing transaction, and entered into certain corporate re-structuring transactions (see Items 2 and 5 above). The Company's Form 8-K filed with the Securities and Exchange Commission on May 6, 2003 pertaining to these events is incorporated herein by reference.

The accompanying Pro forma Financial Information illustrates the effect of the acquisition and financing transactions and is not necessarily indicative of the consolidated financial position at an earlier date or results of operations of future periods or the results that would have been realized had the Company, SRC and ECI been a consolidated entity during the specified periods. The Pro forma Financial Information (including the notes thereto) is qualified in its entirety by reference to, and should be read in conjunction with, the historical financial statements of the Company, SRC and ECI, including the notes thereto, incorporated herein by reference or included herein. The Company's historical financial statements incorporated herein by

4

reference are the audited December 31, 2002 financial statements included in its Form 10-KSB and the unaudited financial statements for the three-month period ended March 31, 2003 included in its related Form 10-QSB and the Form 10-QSB/A. The financial statements referred to in the preceding sentence have been filed with the Securities and Exchange Commission. The historical financial statements of SRC and ECI at December 31, 2002 and 2001 and for the years then ended are enclosed herein as Exhibits to this Form 8-K/A.

The following pro forma financial statements give effect to the reorganization of the Company, SRC and ECI using the purchase method of accounting. The pro forma financial statements are based on the respective historical financial statements and the notes thereto for the Company, SRC and ECI (which are included or incorporated herein by reference).

The March 31, 2003 unaudited pro forma consolidated balance sheet, which assumes that the reported transactions occurred on January 1, 2003, combines the unaudited balance sheets of the Company, SRC and ECI as of March 31, 2003. The unaudited pro forma consolidated statement of operations for the year ended December 31, 2002, which assumes that the reported transactions occurred on January 1, 2002, combines the audited statements of operations of the Company, SRC and ECI for the year ended December 31, 2002. The unaudited pro forma consolidated statement of operations for the three-month period ended March 31, 2003, assumes that the reported transactions occurred on January 1, 2003, combines the unaudited statements of operations of the Company, SRC and ECI for the three-month period ended March 31, 2003.

Management is in the process of assessing and formulating its integration plans; although restructuring costs, if any, are not yet known, in the opinion of management, all known presently quantifiable adjustments have been made that are

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

necessary to present fairly the Pro-forma Financial Information.

CNE Group, Inc. and Subsidiaries
 Pro Forma Consolidated Balance Sheet
 (Unaudited)
 March 31, 2003

	Historical March 31		
	CNE Group, Inc. and subsidiaries	SRC Technologies, Inc. and subsidiaries	Econ
	(Unaudited)	(Unaudited)	(U
Balance Sheet:			
Assets:			
Current assets:			
Cash	\$ 96,747	\$ 12,412	\$
Accounts receivable, net	28,447	24,924	
Investment in subsidiaries	--	--	
Inventory	--	90,953	
Other	--	--	
Fixed assets, net	22,167	82,599	
Deferred financing costs, net	--	--	
Patent	--	390,000	
Other assets	--	20,707	
Goodwill	--	178,833	
	\$ 147,361	\$ 800,428	\$
	=====	=====	=====
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	\$ 379,141	\$ 230,012	\$
Interest payable	288,000	--	
Line of credit	--	19,088	
Notes payable	--	12,922	
Short-term financing arrangements	--	454,064	
12% Debentures payable	2,400,000	--	
Other	--	2,396	
Tax assessment payable	929,403	428,479	
Notes payable	--	34,152	
10% Subordinated notes	--	--	
8% Subordinated notes	--	--	
Deferred grant revenue	291,827	--	
	4,288,371	1,181,113	
	-----	-----	-----
Stockholders' Equity:			
Preferred Stock	--	--	
Common Stock	68	36,992	
Paid-in-surplus	16,973,583	515,911	
Retained earnings	(18,241,561)	(933,588)	
Treasury stock	(2,873,100)	--	
	-----	-----	-----

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

	(4,141,010)	(380,685)	
	-----	-----	-----
\$	147,361	\$ 800,428	\$
	=====	=====	=====

See Notes to Pro forma Consolidated Balance Sheet (Unaudited)

CNE Group, Inc. and Subsidiaries
 Pro Forma Consolidated Balance Sheet
 (Unaudited)
 March 31, 2003

	Adjustments		
	Debits	Notes	Credits
	-----		-----
Balance Sheet:			
Assets:			
Current assets:			
Cash			
Accounts receivable, net			\$ 351
Investment in subsidiaries	\$ 6,523,813	b	6,523
Inventory			
Other			
Fixed assets, net			
Deferred financing costs, net			
Patent	1,160,820	a	
Other assets			
Goodwill	6,913,534	d	
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses			
Interest payable			
Line of credit			
Notes payable			
Short-term financing arrangements	351,210	c	
12% Debentures payable			
Other			
Tax assessment payable			
Notes payable			
10% Subordinated notes			
8% Subordinated notes			2,000
Deferred grant revenue			
Stockholders' Equity:			
Preferred Stock			
Common Stock	37,092	d	
Paid-in-surplus	138,069	a, d	6,935
Retained earnings			565
Treasury stock			

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

 \$ 16,375,538
 =====

 \$ 16,375,538
 =====

See Notes to Pro forma Consolidated Balance Sheet (Unaudited)

CNE Group, Inc. and Subsidiaries
 Pro Forma Consolidated Balance Sheet
 (Unaudited)
 March 31, 2003

	Additional Adjustment		
	----- Debits	Notes	Credits -----
Balance Sheet:			
Assets:			
Current assets:			
Cash	\$ 692,000	1	\$ 97,
Accounts receivable, net			28,
Investment in subsidiaries			
Inventory			13,
Other			
Fixed assets, net			22,
Deferred financing costs, net	58,000	1	
Patent			
Other assets			16,
Goodwill			
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	289,558	2	
Interest payable	288,000	2	
Line of credit			
Notes payable			
Short-term financing arrangements			
12% Debentures payable	2,400,000	2	
Other			
Tax assessment payable	1,357,882	2	
Notes payable			
10% Subordinated notes			227,
8% Subordinated notes			
Deferred grant revenue			
Stockholders' Equity:			
Preferred Stock			
Common Stock			
Paid-in-surplus			3,211,
Retained earnings			1,468,
Treasury stock			

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

 \$ 5,085,440
 =====

 \$ 5,085,
 =====

See Notes to Pro forma Consolidated Balance Sheet (Unaudited)

Notes to Pro forma Consolidated Balance Sheet:

Adjustments:

- a. Purchase of patent in consideration of a \$2,000,000 8% note payable recorded at its fair value of \$1,380,000 and reduction of \$219,180 to fair value of a patent owned by SRC Technologies, Inc.
- b. Adjustments to record acquisition of SRC Technologies, Inc. and Econo-Comm, Inc.:

- i. Adjustment to record the acquisition of SRC Technologies, Inc. The cost of the acquisition of approximately \$4,126,427 consisted of the issuance of 1,697,961 shares of Class A Preferred Stock and 1,697,961 Class A Warrants, 4,867,937 shares of Class C Preferred Stock and 4,867,937 Class C Warrants, 440,000 shares of Class D Preferred Stock, and 899,976 shares of Common Stock. The fair value ascribed to the acquisition is based on an appraisal performed by an independent valuation consultant. Total consideration was allocated as follows:

Fair value of tangible assets acquired	\$ 231,
Fair value of separately indentifiable intangible assets	170,
Goodwill	4,553,

	4,956,
Obligations	829,

Total consideration	\$4,126,
	=====

- ii. Adjustment to record the acquisition of Econo-Comm, Inc.. The cost of the acquisition of approximately \$2,589,743 consisted of the issuance of 4,867,938 shares of Class C Preferred Stock and 4,867,938 Class C Warrants. The fair value ascribed to the acquisition is based on an appraisal performed by an independent valuation consultant. Total consideration was allocated as follows:

Fair value of tangible assets acquired	\$ 488,
Goodwill	2,538,

	3,026,
Obligations	437,

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

Total consideration

\$2,589,
=====

- c. To eliminate intercompany accounts receivable and related accounts payable amounting to \$351,210
- d. Excess of purchase price over net assets acquired

Additional Adjustments:

1. Proceeds from issuance of \$750,000 10% notes payable in a private placement less estimated related offering costs of \$58,000. Related attached warrants are valued at \$523,000 and included in Paid-in-Surplus. Debt discount of \$523,000 to be amortized as additional interest expense over a one-year period.
2. Treatment of the assets and liabilities of the Company's subsidiaries, (i) CareerEngine Network, Inc. ("CEI"), and (ii) Denbridge Digital, Ltd. ("DDL"), a subsidiary of SRC Technologies, Inc. ("SRC"). The pro forma adjustments assume the following:
 - a. That all assets of CEI and DDL will be used to satisfy the respective liabilities of CEI and DDL.
 - b. That the holders of the 12% convertible debentures of CEI will exercise their right to convert their debentures into common stock of the Company, in lieu of bankruptcy or liquidation, as the value of CEI's remaining assets are nominal and the Company has no legal obligation to pay this liability.
 - c. That the Internal Revenue Service will accept the Company's Offer in Compromise in the amount of \$50,000 to satisfy the existing tax obligation of CEI as the value of CEI's remaining assets are nominal and the Company has no legal obligation to pay this liability.
 - d. That the Internal Revenue Service will accept SRC's Offer in Compromise of a nominal amount to satisfy the existing tax obligation of DDL as the value of DDL's remaining assets are nominal and SRC has no legal obligation to pay this liability.
 - e. That the remaining liabilities of CEI and DDL, estimated at \$577,558, will not be paid as there is insufficient value in the remaining assets of either CEI or DDL and neither the Company or SRC, as the case may be, has any legal obligation to pay these liabilities.

CNE Group, Inc. and Subsidiaries
Pro Forma Consolidated Statement of Operations
(Unaudited)
Three-month period ended March 31, 2003

Historical

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

	Three-months ended Ma	
	CNE Group, Inc. and subsidiaries	SRC Technologies, Inc. and subsidiaries
	(Unaudited)	(Unaudited)
Revenue:		
Product sales	\$ --	\$ 135,417
Service fee income	45,039	--
Interest income	282	--
	-----	-----
	45,321	135,417
Costs of Goods Sold	--	75,121
	-----	-----
Gross Profit	45,321	60,296
	-----	-----
Operating Expenses:		
Selling	--	27,646
Compensation and related costs	90,231	80,373
General and administrative	110,071	31,147
Interest	87,942	3,602
	-----	-----
	288,244	142,768
	-----	-----
Income (loss) before items below	(242,923)	(82,472)
Amortization of debt discount	--	--
Rental income	--	--
Gain on fixed assets destroyed in catastrophe	--	--
Reversal of Director fee accrual	--	--
	-----	-----
Income (loss) before taxes	(242,923)	(82,472)
Income tax provision	\$ (0.4)	-----
	-----	-----
Net income (loss) from continuing operations	\$ (242,923)	\$ (82,472)
	=====	=====
Net income (loss) from continuing operations per share - basic and diluted	\$ (.04)	
	=====	
Weighted average number of shares outstanding - basic and diluted	5,590,944	
	=====	

See Notes to Pro Forma Consolidated Statement of Operations (Unaudited)

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

CNE Group, Inc. and Subsidiaries
 Pro Forma Consolidated Statement of Operations
 (Unaudited)
 Three-month period ended March 31, 2003

	Adjustments			
	Debits	Notes	Credits	Notes
Revenue:				
Product sales	32,443	b		
Service fee income				
Interest income				
Costs of Goods Sold			37,607	a, b
Gross Profit				
Operating Expenses:				
Selling				
Compensation and related costs				
General and administrative	57,892	c		
Interest			9,439	a
Income (loss) before items below				
Amortization of debt discount				
Rental income	14,626	a		
Gain on fixed assets destroyed in catastrophe				
Reversal of Director fee accrual				
Income (loss) before taxes				
Income tax provision				
Net income (loss) from continuing operations	\$ 104,961		\$47,046	
Net income (loss) from continuing operations per share - basic and diluted				

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

Weighted average number
of shares outstanding -
basic and diluted

See Notes to Pro forma Consolidated Statement of Operations (Unaudited)

CNE Group, Inc. and Subsidiaries
Pro Forma Consolidated Statement of Operations
(Unaudited)
Three-month period ended March 31, 2003

	Additional Adjustments			
	Debits	Notes	Credits	Notes
Revenue:				
Product sales				
Service fee income				
Interest income				
Costs of Goods Sold				
Gross Profit				
Operating Expenses:				
Selling				
Compensation and related costs				
General and administrative				
Interest	58,750	2	87,942	1
Income (loss) before items below				
Amortization of debt discount	130,750	3		
Rental income				
Gain on fixed assets destroyed in catastrophe				
Reversal of Director fee accrual				
Income (loss) before taxes				
Income tax provision				
Net income (loss) from continuing operations	\$ 189,500		\$ 87,942	

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

Net income (loss) from continuing
operations per share -
basic and diluted

Weighted average number
of shares outstanding -
basic and diluted

See Notes to Pro forma Consolidated Statement of Operations (Unaudited)

Notes to Pro forma Consolidated Statement of Operations:

Adjustments:

- a. (i) CNE Group, Inc.: Includes the operations generated by CareerEngine, Inc., a subsidiary of CareerEngine Network, Inc.
- (ii) Econo-Comm, Inc.: Excludes any rental income (\$14,626), depreciation (\$5,164), repair and maintenance (\$nil) and related debt expenses (\$9,439) pertaining to land and building not acquired by the Company.
- b. Elimination of intercompany sales and related costs of sales
- c. Amortization (\$42,930) of \$2,390,000 of intellectual property rights purchased (amortized, utilizing the straight-line method, over their estimated remaining lives of approximately 12 to 14 years) and rent per lease now in effect (\$14,962) in lieu of property ownership expenses, aggregating \$57,892

Additional Adjustments:

1. Elimination of interest on Debentures Payable (\$72,000) and interest on Tax Assessment (\$15,942) aggregating \$87,942
2. Interest expense adjustment includes interest on 10% 750,000 Note Payable (\$18,750) and 8% 2,000,000 Note Payable (\$40,000) aggregating \$58,750
3. Amortization of debt discount for quarter

CNE Group, Inc. and Subsidiaries
Pro-Forma Consolidated Statement of Operations
(Unaudited)
Year ended December 31, 2002

Historic

Year ended Decemb

CNE Group, Inc. SRC Technologies, Inc.
and subsidiaries and subsidiaries

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

	----- (Audited)	----- (Audited)
Revenue:		
Product sales	\$ --	\$ 1,265,137
Service fee income	237,800	--
Interest income	2,248	--
	-----	-----
	240,048	1,265,137
Costs of Goods Sold	--	770,470
	-----	-----
Gross Profit	240,048	494,667
	-----	-----
Operating Expenses:		
Selling	10,000	33,116
Compensation and related costs	580,145	434,474
General and administrative	927,367	97,187
Interest	1,040,666	36,888
	-----	-----
	2,558,178	601,665
	-----	-----
Income (loss) before items below	(2,318,130)	(106,998)
Amortization of debt discount	--	--
Rental income	--	--
Gain on fixed assets destroyed in catastrophe	152,934	--
Reversal of Director fee accrual	55,000	--
	-----	-----
Income (loss) before taxes	(2,110,196)	(106,998)
Income tax provision	5,250	--
	-----	-----
Net income (loss) from continuing operations	\$ (2,115,446)	\$ (106,998)
	=====	=====
Net income (loss) from continuing operations per share - basic and diluted	\$ (.37)	
	=====	
Weighted average number of shares outstanding - basic and diluted	5,585,944	
	=====	

See Notes to Pro forma Consolidated Statement of Operations (Unaudited)

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

CNE Group, Inc. and Subsidiaries
 Pro-Forma Consolidated Statement of Operations
 (Unaudited)
 Year ended December 31, 2002

	Adjustments			
	Debits	Notes	Credits	Notes
Revenue:				
Product sales	656,535	b		
Service fee income				
Interest income				
Costs of Goods Sold			687,729	a, b
Gross Profit				
Operating Expenses:				
Selling				
Compensation and related costs				
General and administrative	231,568	c	30,119	a
Interest			37,900	a
Income (loss) before items below				
Amortization of debt discount				
Rental income			61,458	a
Gain on fixed assets destroyed in catastrophe			152,934	a
Reversal of Director fee accrual			55,000	a
Income (loss) before taxes				
Income tax provision				
Net income (loss) from continuing operations			\$ 1,157,495	
Net income (loss) from continuing			\$ 755,748	

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

operations per share -
basic and diluted

Weighted average number
of shares outstanding -
basic and diluted

See Notes to Pro forma Consolidated Statement of Operations (Unaudited)

CNE Group, Inc. and Subsidiaries
Pro-Forma Consolidated Statement of Operations
(Unaudited)
Year ended December 31, 2002

	Additional Adjustments	
	Debits	Credits
Revenue:		
Product sales		
Service fee income		
Interest income		
 Costs of Goods Sold		
 Gross Profit		
 Operating Expenses:		
Selling		
Compensation and related costs		320,350
General and administrative		
Interest	235,000	3
 Income (loss) before items below		
Amortization of debt discount	523,000	3
Rental income		
Gain on fixed assets destroyed in catastrophe		
Reversal of Director fee accrual		
 Income (loss) before taxes		
Income tax provision		

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

Net income (loss) from continuing operations	----- \$ 758,000 =====	----- \$ 1,361,016 =====
Net income (loss) from continuing operations per share - basic and diluted		
Weighted average number of shares outstanding - basic and diluted		

See Notes to Pro forma Consolidated Statement of Operations (Unaudited)

Notes to Pro forma Consolidated Statement of Operations:

Adjustments:

- a.
 - (i) CNE Group, Inc.'s audited Statement of Operations within this Pro-forma Financial Information excludes the following non-recurring credits; Gain on fixed assets destroyed in catastrophe (\$152,934) and Reversal of Director fees accrual (\$55,000).
 - (ii) CNE Group, Inc.'s Pro-forma Statement of Operations includes the operations generated by CareerEngine, Inc. a subsidiary of CareerEngine Network, Inc.
 - (iii) Econo-Comm, Inc.'s audited Statement of Income within this Pro-forma Financial Information excludes any rental income (\$61,458), depreciation (\$31,194), repair and maintenance (\$30,119) and related debt expenses (\$37,900) pertaining to land and building not acquired by the Company.
- b. Elimination of intercompany sales and related costs of sales
- c. Amortization (\$171,720) of \$2,390,000 of intellectual property rights purchased (amortized, utilizing the straight-line method, over their estimated remaining lives of approximately 12 to 14 years) and rent per lease now in effect (\$59,848) in lieu of property ownership expenses, aggregating \$231,568

Additional Adjustments:

1. Elimination of interest on Debentures Payable (\$288,000), amortization of debt discount on Debentures Payable (\$29,768), interest on Tax Assessment (\$60,918) and expensing of remaining unamortized debt discount (\$661,980) aggregating \$1,040,666
2. Elimination of expensing deferred financing costs associated with Debentures Payable in the amount of \$320,350
3. Interest expense adjustment includes interest on 10% 750,000 Note Payable (\$75,000) and 8% 2,000,000 Note Payable (\$160,000), and amortization of entire debt discount of \$523,000 on 10% Note Payable

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

(c) Exhibits.

The following documents are being filed as exhibits to this Form 8-K/A. The documents filed as Exhibits to the Company's Form 8-K filed with the Securities and Exchange Commission on May 6, 2003 are incorporated herein by reference.

Exhibit No.	Description
-----	-----
99.1	Econo-Comm, Inc. (d/b/a Mobile Communications) Financial Statements and Independent Auditors' Report as of December 31, 2002 and 2001 and for the years then ended.
5	
99.2	SRC Technologies, Inc. (formerly Southern Dragon, Inc.) and Subsidiary (Connectivity, Inc. which was acquired on May 30, 2002) Financial Statements and Independent Auditors' Report as of December 31, 2002 and for the year then ended.
99.3	Southern Dragon, Inc. Financial Statements and Independent Auditors' Report as of December 31, 2001 and for the year then ended.
99.4	Connectivity, Inc. Financial Statements and Independent Auditors' Report as of December 31, 2001 and for the year then ended.

6

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.

CNE GROUP, INC.

Date: July 7, 2003

By: /S/George W. Benoit

George W. Benoit,
Chairman of the Board of Directors
and Chief Executive Officer

