

Edgar Filing: CRDENTIA CORP - Form 8-K/A

CRDENTIA CORP
Form 8-K/A
October 21, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K/A

(Amendment #1)

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

Date of Report (Date of earliest event reported): August 7, 2003

CRDENTIA CORP.

(Exact name of Registrant as specified by its charter)

DELAWARE	0-31152	76-0585701
----- (State or other jurisdiction of incorporation)	----- (Commission File Number)	----- (IRS Employer Identification Number)

455 Market Street, Suite 1220, San Francisco, California 94105

(Address of principal executive offices)

(415) 543-1535

(Registrant's telephone number, including area code)

Former Name or Former Address If Changed Since Last Report

ITEM 2. Acquisition or Disposition of Assets.

On August 7, 2003, we, Crdentia Corp., Baker Anderson Christie, Inc., BAC Acquisition Corporation, a wholly owned subsidiary of Crdentia, and certain shareholders of Baker Anderson Christie consummated the merger of BAC Acquisition Corporation with and into Baker Anderson Christie pursuant to the terms of the Agreement and Plan of Reorganization dated June 19, 2003, as amended on July 31, 2003. On our current report filed on Form 8-K filed with the Securities and Exchange Commission on August 14, 2003, we announced our consummation of the merger.

Edgar Filing: CRDENTIA CORP - Form 8-K/A

We hereby amend Item 7 of our current report on Form 8-K filed on August 14, 2003 to include financial statements of the businesses acquired and pro forma financial information in accordance with Item 7(a)(4) and Item 7(b)(2) within 60 days after the due date of the initial filing. Except as set forth in Item 7 below, no other changes are being made to our current report on Form 8-K filed on August 14, 2003.

ITEM 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(a) Financial Statements of Businesses Acquired.

The financial statements of Baker Anderson Christie required to be filed are attached hereto as Exhibit 99.1.

(b) Pro Forma Financial Statements.

The pro forma financial information required to be filed is attached hereto as Exhibit 99.2.

The pro forma financial information attached to this report as Exhibit 99.2 also includes the pro forma financial information for New Age Staffing, Inc. previously included in Exhibit 99.2 to Form 8-K filed on October 20, 2003.

(c) Exhibits.

99.1 Financial Statements of Baker Anderson Christie, Inc.

99.2 Pro Forma Financial Information for Baker Anderson Christie, Inc.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has caused this report on Form 8-K/A to be signed on its behalf by the undersigned thereunto duly authorized.

Date: October 21 , 2003

CRDENTIA CORP.

/S/ LAWRENCE M. DAVIS

By: Lawrence M. Davis,
Chief Financial Officer and Secretary

EXHIBIT INDEX

Exhibit No.	Description
-----	-----
99.1	Financial Statements of Baker Anderson Christie, Inc.
99.2	Pro Forma Financial Information for Baker Anderson Christie, Inc.

EXHIBIT 99.1

Edgar Filing: CRDENTIA CORP - Form 8-K/A

BAKER ANDERSON CHRISTIE, INC.

Independent Auditors' Report
and Financial Statements

For the Years Ended December 31, 2001 and 2002

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Baker Anderson Christie, Inc.

We have audited the accompanying balance sheets of Baker Anderson Christie, Inc., (the "Company"), as of December 31, 2001 and 2002, and the related statements of operations, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 audits provide a reasonable basis for our opinion.

As more fully described in Note 9 to the financial statements, the Company was acquired by and became a wholly owned subsidiary of Crdentia Corp. on August 7, 2003.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2001 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/MACIAS, GINI & COMPANY LLP

Certified Public Accountants

Sacramento, California
October 10, 2003

Edgar Filing: CRDENTIA CORP - Form 8-K/A

Baker Anderson Christie, Inc..

Balance Sheets

	December 31		June 30
	2001	2002	2003
Assets			
Cash	\$ 91,562	\$ 55,138	\$ 127,424
Prepaid expenses		-	
Accounts receivable	156,858	230,677	119,498
Total Current Assets	248,420	285,815	246,922
Property and Equipment, net	7,231	5,864	4,878
Total Assets	\$ 255,651	\$ 291,679	\$ 251,800
Liabilities and Stockholders' Equity			
Accounts payable and accrued expenses	158,797	140,258	113,318
Deferred revenue	18,582	15,306	13,644
Stockholder note payable	25,000	12,405	-
Total Current Liabilities	202,379	167,969	126,962
Stockholders' Equity			
Common stock, \$10 par value; 100,000 shares authorized, 600 issued and outstanding	6,000	6,000	6,000
Retained earnings	47,272	117,710	118,838
Total Stockholders Equity	53,272	123,710	124,838
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 255,651	\$ 291,679	\$ 251,800

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

F-2

New Age Staffing, Inc.

Statements of Operations

Edgar Filing: CRDENTIA CORP - Form 8-K/A

	Year Ended December 31,		Six Months Enses June 30,	
	2001	2002	2002	2003
	(Unaudited)			
REVENUES				
Income from services	\$ 2,186,512	\$ 2,353,371	\$ 1,212,978	\$ 966,614
Reimbursed expenses	59,777	75,837	35,418	37,505
Total revenues	2,246,289	2,429,208	1,248,396	1,004,119
COST OF REVENUES	1,862,712	1,911,077	941,256	751,754
GROSS PROFIT	383,577	518,131	307,140	252,365
SELLING GENERAL AND ADMINISTRATIVE EXPENSES	395,388	408,082	240,927	240,775
Income (Loss) from Operations	(11,811)	110,049	66,213	11,590
INTEREST EXPENSE	(4,032)	(1,766)	(981)	(537)
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	(15,843)	108,283	65,232	11,053
PROVISION FOR INCOME TAXES	(936)	(800)	(800)	(663)
NET INCOME (LOSS)	\$ (16,779)	\$ 107,483	\$ 64,432	\$ 10,390

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

F-3

Baker Anderson Christie, Inc.

Statements of Stockholders' Equity
Years Ended December 31, 2001 and 2002

	Common Stock		Retained Earnings	Total
	Shares	Amount		
Balance, December 31, 2000	600	\$ 6,000	\$ 64,051	\$ 70,051
Net loss		-	(16,779)	(16,779)
Balance, December 31, 2001	600	6,000	47,272	53,272
Net income		-	107,483	107,483
Stockholder dividends		-	(37,045)	(37,045)

Edgar Filing: CRDENTIA CORP - Form 8-K/A

Balance, December 31, 2002	600	6,000	117,710	123,710
Net income		-	10,390	10,390
Stockholder dividends		-	(9,262)	(9,262)

Balance, June 30, 2003 (Unaudited)	600	\$ 6,000	\$ 118,838	\$ 124,838
=====				

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

F-4

Baker Anderson Christie, Inc.

Statements of Cash Flows

	Years Ended December 31,		Six Months Ended June 30,	
	2001	2002	2002	2003

Cash Flows from Operating Activities				
Net income (loss)	\$ (16,779)	\$ 107,483	\$ 64,432	\$ 10,390
Adjustment to reconcile net income to net cash from operating activities:				
Depreciation and amortization	2,134	1,935	948	984
(Increase) decrease in:				
Accounts receivable	57,884	(73,820)	(73,358)	111,180
Accounts payable and accrued expenses	10,062	(18,539)	(19,110)	(26,940)
Deferred revenue	445	(3,276)	(1,508)	(1,662)
	-----	-----	-----	-----
Net cash provided (used) by operating activities	53,746	13,783	(28,596)	93,952
	-----	-----	-----	-----
Cash flows from investing activities:				
Acquisition of property and equipment	(2,046)	(568)	(568)	-
	-----	-----	-----	-----
Cash Flows From Financing Activities:				
Repayments on line of credit	(30,000)	-	-	-
Proceeds from stockholder note payable	25,000	-	-	-
Principal payments on stockholder note payable	-	(12,595)	(8,429)	(12,405)
Payment of stockholder dividends	-	(37,044)	(18,522)	(9,261)
	-----	-----	-----	-----
Net cash used by financing activities	(5,000)	(49,639)	(26,951)	(21,666)
	-----	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	46,700	(36,424)	(56,115)	72,286
	-----	-----	-----	-----
Cash and cash equivalents at beginning of period	44,862	91,562	91,562	55,138
	-----	-----	-----	-----

Edgar Filing: CRDENTIA CORP - Form 8-K/A

Cash and cash equivalents at end of period	\$ 91,562	\$ 55,138	\$ 35,447	\$ 127,424
	=====	=====	=====	=====
Supplemental Disclosure of Cash Flow Information				
Cash paid for interest	\$ 4,032	\$ 1,766	\$ 981	\$ 537
	=====	=====	=====	=====
Cash paid for income taxes	\$ 800	\$ 1,208	\$ 1,072	\$ 663
	=====	=====	=====	=====

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

F-5

BAKER ANDERSON CHRISTIE, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - NATURE OF OPERATIONS

Baker Anderson Christie, Inc. (the "Company") is a home health care agency operating primarily in San Francisco, California. Substantially all of the Company's revenues are derived from providing clinical staffing to residential care facilities and hospices. Services provided by the Company include assistance with daily living activities, short or long term post-operative care, corporate wellness consultations, and geriatric care management.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could materially differ from those estimates under different assumptions or conditions.

Interim Financial Information - The Company's financial statements as of June 30, 2003 and for the six months ended June 30, 2002 and 2003 are unaudited and, in the opinion of management, contain all adjustments that are of a normal and recurring nature necessary to present fairly the financial position at such date and results of operations for such periods then ended.

Financial Instruments and Risk Concentration - Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of its accounts receivable. The risk related to accounts receivable is mitigated by performing on-going credit evaluations. Historically, the Company has not incurred any significant credit related losses and has collected substantially all of its receivables. The Company believes its credit policies do not result in significant adverse risk.

For the years ended December 31, 2001 and 2002, the Company had one

Edgar Filing: CRDENTIA CORP - Form 8-K/A

customer which accounted for approximately 39% and 44% of its revenues, respectively. As of December 31, 2001 and 2002, that same customer accounted for approximately 51% and 72% of the Company's accounts receivable, respectively.

Fair Value of Financial Instruments - The carrying amounts of cash, accounts receivable, accounts payable, accrued expenses, and borrowings under the Company's line of credit approximate fair values because of the short-term nature of these instruments. The fair value of the Company's note payable is based upon current interest rates for debt instruments with comparable maturities and characteristics. The recorded values of these obligations approximated fair value at the end of the year.

F-6

BAKER ANDERSON CHRISTIE, INC. NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents - The Company considers all highly liquid securities purchased with original purchase maturities of three months or less to be cash equivalents.

Accounts Receivable - Accounts receivable consist primarily of billed invoices for services provided by the Company. The Company routinely evaluates the collectability of its receivables. At December 31, 2001 and 2002, the allowance for doubtful accounts was \$0.

Property and Equipment - Property and equipment are recorded at cost, less accumulated depreciation and amortization. The provision for depreciation and amortization is computed using the straight-line method, or methods which approximate the straight-line method, over the estimated useful lives of the assets, which ranges from three to five years. Maintenance and repairs are charged to expense in the year incurred.

Revenue Recognition - Revenue is recognized when services are rendered and billings for such services are processed. Certain of the Company's billing arrangements provide for the reimbursement of out-of-pocket expenses incurred by the Company in performing services. The Company records amounts billed for the reimbursement of expenses as revenues.

Deferred Revenue - Deferred revenue represents client payments received in advance of the performance of services by the Company.

Income Taxes - The Company has elected to be taxed under the subchapter S provisions of the Internal Revenue Code for federal and state purposes. Under these provisions, the Company does not pay federal corporate income taxes on its taxable income, but is subject to a 1.5% California franchise tax. The Company's stockholders are liable for individual federal and state income taxes on the Company's taxable income.

At December 31, 2002, the Company had net operating loss carryforwards of approximately \$6,600 available to offset future California franchise tax liabilities and which expire in 2012. The Company has not recorded a deferred tax asset related to these net operating loss carryforwards as such amount is insignificant. The provision for income tax in the current period consists entirely of the California minimum franchise tax.

Edgar Filing: CRDENTIA CORP - Form 8-K/A

F-7

BAKER ANDERSON CHRISTIE, INC. NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comprehensive Income - There were no items of comprehensive income (loss) and therefore comprehensive income was the same as net income for the year presented.

Recent Accounting Pronouncements - Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS No. 144 requires an impairment loss to be recognized only if the carrying amounts of long-lived assets to be held and used are not recoverable from their expected undiscounted future cash flows. Adoption of SFAS No. 144 had no effect on the Company's financial position, results of operations, or liquidity.

In April 2002, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 145, Rescission of FASB Statement No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections. SFAS No. 145 rescinds FASB Statement No. 4, Reporting Gains and Losses from Extinguishment of Debt and an amendment of that statement, FASB Statement No. 64, Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements and eliminates extraordinary gain and loss treatment for the early extinguishment of debt. This statement also rescinds FASB Statement No. 44, Accounting for Intangible Assets of Motor Carriers and amends FASB Statement No. 13, Accounting for Leases, to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. The statement also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. The Company has adopted SFAS No. 145 for the year ended December 31, 2002. The application of this statement did not have a material impact on the Company's financial position, results of operations or liquidity.

In November 2002, FASB issued FASB Interpretation No. ("FIN") 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an interpretation of FASB Statements Nos. 5, 57, and 107 and rescission of FIN No. 34. FIN No. 45 details the disclosures that should be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. This interpretation also requires a company to record, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing certain guarantees. The disclosure provisions are effective for interim or annual periods ending after December 15, 2002. The recognition requirements of this interpretation are effective for all guarantees issued or modified subsequent to December 31, 2002. The adoption of this interpretation did not have a material impact on the Company's financial position or results of operations.

F-8

Edgar Filing: CRDENTIA CORP - Form 8-K/A

BAKER ANDERSON CHRISTIE, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2001	2002
	-----	-----
Furniture and fixtures	\$ 13,015	\$ 13,015
Office equipment	4,210	4,778
	-----	-----
Total property and equipment	17,225	17,793
Accumulated depreciation	(9,994)	(11,929)
	-----	-----
	\$ 7,231	\$ 5,864

NOTE 4 - LINE OF CREDIT

The Company's stockholders entered into a line of credit agreement on behalf of the Company providing for borrowings up to \$150,000. Borrowings under the line bear interest at prime plus 2.5% (6.75% at December 31, 2002). The interest rate on the line is variable and may change on a monthly basis. Borrowings and repayments under the line of credit were made by the Company. At December 31, 2001 and 2002, there were no amounts outstanding under the line of credit. In August 2003, in conjunction with the Company's acquisition (see Note 9), the line of credit was terminated.

NOTE 5 - STOCKHOLDER NOTE PAYABLE

In October 2001, the Company's stockholders entered into a \$25,000 note payable with a bank on behalf of the Company. The note is payable in 36 monthly installments unless an earlier demand payment request is made. The note has a variable interest rate of prime plus 2.25% (6.5% at December 31, 2002). At December 31, 2001 and 2002, the balance on the note was \$25,000 and \$12,405, respectively. In May 2003, the outstanding balance on the note was paid in full.

As of December 31, 2002, future scheduled principal payments for the note payable are as follows for the years ending December 31:

2003	\$ 8,333
2004	4,072

Total	\$ 12,405
	=====

F-9

BAKER ANDERSON CHRISTIE, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 - COMMITMENTS AND CONTINGENCIES

The Company leases an automobile under a non-cancelable operating lease expiring in May 13, 2005. Under the terms of the lease, the

Edgar Filing: CRDENTIA CORP - Form 8-K/A

Company pays \$413 a month. Total rent expense was \$0 and \$2,480 for the years ended December 31, 2001 and 2002, respectively.

Future minimum lease payments under this lease are as follows:

Year Ending December 31, -----	Amount -----
2003	\$ 4,961
2004	4,961
2005	2,067
	=====
Total	\$ 11,989

The company also leases its office facility under a non-cancelable operating lease expiring in February 28, 2005. Under the terms of the lease, the Company pays \$2,220 a month, on a triple net basis. Total rent expense was \$20,861 and \$23,998 for the years ended December 31, 2001 and 2002, respectively.

Future minimum payments under this lease are as follows:

2003	\$ 27,750
2004	29,132
2005	4,894

Total	\$ 61,776
	=====

The Company is subject to legal and regulatory actions in the ordinary course of its business and is a defendant or plaintiff in various actions. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's business, financial condition or results of operations.

F-10

NOTE 7 - RELATED PARTIES

During the years ended December 31, 2001 and 2002, the Company's shareholders received \$249,526 and \$125,479, respectively, as compensation for their services as officers of the Company. In addition, such officers and shareholders received \$37,044 in shareholder dividends for the year ended December 31, 2002.

NOTE 8 - EMPLOYEE BENEFIT PLAN

The Company maintains a 401(k) salary reduction plan which covers substantially all eligible employees. Under the Plan, the Company may match its employees' contributions on a discretionary basis. For the years ended December 31, 2001 and 2002, the Company made no matching contributions.

NOTE 9 - SUBSEQUENT EVENT

In August 2003, the Company became a wholly owned subsidiary of Crdentia Corp. (Crdentia). Under the terms of the merger agreement,

Edgar Filing: CRDENTIA CORP - Form 8-K/A

the Company's stockholders are to receive shares of Crdentia common stock equal to six times the sum of the Company's earnings before interest, taxes, depreciation and amortization for the six consecutive quarters commencing with the fiscal quarter ending September 30, 2003. An advance payment of 480,000 shares of Crdentia common stock was made to the Company's former shareholders upon completion of the merger.

F-11

EXHIBIT 99.2

CRDENTIA CORP.

Unaudited Pro Forma Combined Condensed Statements of Operations

The following unaudited pro forma combined condensed statements of operations have been prepared to give effect to the merger of Crdentia Corp., Baker Anderson Christie, Inc., and New Age Staffing, Inc., ("The Acquired Companies") using the purchase method of accounting and the assumptions and adjustments described in the accompanying notes to the unaudited pro forma combined condensed statements of operations. Management has previously reported the pro forma combined condensed statements of operations of New Age Staffing, Inc., but has elected to present them in conjunction with those of Baker Anderson Christie, Inc. for greater clarity to the reader. These pro forma statements were prepared as if the transaction had been completed as of January 1, 2002.

The unaudited pro forma combined condensed statements of operations are presented for illustrative purposes only and are not necessarily indicative of the results of operations that would have actually been reported had the transaction occurred on January 1, 2002, nor are they necessarily indicative of the future results of operations. The pro forma combined condensed statements of operations include adjustments, which are based upon preliminary estimates, to reflect the allocation of purchase price to the acquired assets and assumed liabilities of the Acquired Companies. The preliminary purchase price allocation is subject to revision as more detailed analysis is completed and additional information on the fair values of these assets and liabilities becomes available. Any change in the fair value of the net assets of the Acquired Companies will change the amount of the purchase price allocable to goodwill. Final purchase accounting adjustments may differ materially from the pro forma adjustments presented herein.

These unaudited pro forma combined condensed statements of operations are based upon the respective historical consolidated statements of operations of Crdentia Corp. and the Acquired Companies and should be read in conjunction with the historical consolidated financial statements of these companies and related notes. Also refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in the reports and other information Crdentia Corp. has on file with the SEC.

The pro forma adjustments described in the accompanying notes are preliminary and are based on management's assumptions. Management has engaged an independent third party professional appraisal firm to perform the required valuation of the fair value of the net assets acquired and of the Company's restricted common stock issued to the former shareholders of the Acquired Companies. Based upon the preliminary findings of this independent appraiser, for pro forma purposes, management has assumed the value of the Company's common stock to be \$0.36 per share. There can be no assurance that the actual fair value of the Company's common stock will equal \$0.36 per share. Management intends to file an amended 8-K if the valuation results in material differences from assumed value.

Edgar Filing: CRDENTIA CORP - Form 8-K/A

CRDENTIA CORP.
UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2002

	Historical			Adjustments
	Crdentia (1)	BAC	New Age	
Revenue	\$ -	\$ 2,429,208	\$ 5,663,672	\$ -
Cost of revenue	-	1,911,078	4,126,495	-
Gross profit	-	518,131	1,537,177	-
Selling, general & administrative expenses	433,771	408,082	1,059,119	-
(Loss)/income from operations	(433,771)	110,049	478,058	-
Amortization of intangibles	-	-	-	93,000
Interest expense	-	1,766	80,229	-
(Loss)/income before income taxes	(433,771)	108,283	397,829	(93,000)
Provision for income taxes	-	800	113,000	(113,000)
Net (loss)/income	\$ (433,771)	\$ 107,483	\$ 284,829	\$ 20,000
Basic loss per share	\$ (0.05)			
Fully diluted loss per share	\$ (0.05)			
Weighted average number of shares outstanding (basic)	8,562,822			
Weighted average number of shares outstanding (fully diluted)	8,562,822			

(1) On October 22, 2002, Crdentia's board of directors voted to change the Company's fiscal year end from August 31st to December 31st. As such, Crdentia's results of operations for the twelve months ended December 31, 2002 were calculated by adding the results of operations for the four months ended December 31, 2002 and deducting the results of operations for the four months ended December 31, 2001 from the results of operations for the twelve months ended August 31, 2002.

The accompanying notes are an integral part of these unaudited pro forma combined condensed financial statements.

F-2

CRDENTIA CORP.
UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2003

	Historical			Adjustments
	Crdentia	BAC	New Age	

Edgar Filing: CRDENTIA CORP - Form 8-K/A

Revenue	\$ -	\$ 1,004,119	\$ 4,743,392	\$
Cost of revenue	-	751,754	3,515,255	
Gross profit	-	252,365	1,228,137	
Selling, general & administrative expenses	560,043	240,775	692,344	
(Loss)/income from operations	(560,043)	11,590	535,793	
Amortization of intangibles	-	-	-	46,500
Interest expense	4,858	537	58,871	-
(Loss)/income before income taxes	(564,901)	11,053	476,922	(46,500)
Provision for income taxes	-	663	190,388	(190,388)
Net (loss)/income	\$ (564,901)	\$ 10,390	\$ 286,534	\$ 143,888
Basic loss per share	\$ (0.06)			
Fully diluted loss per share	\$ (0.06)			
Weighted average number of shares outstanding (basic)	10,036,728			
Weighted average number of shares outstanding (fully diluted)	10,036,728			

The accompanying notes are an integral part of these unaudited pro forma combined condensed financial statements.

F-3

CRDENTIA CORP.
UNAUDITED PRO FORMA COMBINED CONDENSED BALANCE SHEETS
June 30, 2003

	Historical			Pr Adjustme
	Crdentia	BAC	New Age	
ASSETS				
Current assets				
Cash	\$ 6,215	\$ 127,424	\$ 60,567	
Accounts receivable, net	-	119,498	844,501	
Unbilled revenue	-	-	254,674	
Prepaid expenses	46,974	-	195,388	
Other receivables	1,750	-	-	
Total current assets	54,939	246,922	1,355,130	
Long term assets				
Fixed assets, net	5,285	4,878	28,346	
Prepaid rent	4,560	-	-	
Website development, net	2,332	-	-	
Security deposits	9,119	-	28,581	
Goodwill	-	-	-	\$ 3,780,1

Edgar Filing: CRDENTIA CORP - Form 8-K/A

Other intangible assets, net	-	-	-	465,0
	-----	-----	-----	-----
	21,296	4,878	56,927	4,245,1
	-----	-----	-----	-----
TOTAL ASSETS	\$ 76,235	\$ 251,800	\$1,412,057	\$ 4,245,1
	=====	=====	=====	=====
LIABILITIES & STOCKHOLDERS' EQUITY				
Liabilities				
Accounts payable and accrued liabilities	\$ 220,220	\$ 113,318	414,450	
Current portion of notes payable	180,000	-	-	1,290,0
Advances payable to factor	-	-	585,650	
Deferred revenue	-	13,644	-	
	-----	-----	-----	-----
Total current liabilities	400,220	126,962	1,000,100	1,290,0
	-----	-----	-----	-----
Long term portion of notes payable	-	-	-	360,0
	-----	-----	-----	-----
	400,220	126,962	1,000,100	1,650,0
	-----	-----	-----	-----
Stockholders' Equity				
Common stock	1,100	6,000	50,090	7
Additional paid in capital, net of costs incurred in obtaining financing	902,165	-	-	(56,0
(Accumulated deficit)/retained earnings	(1,227,250)	118,838	361,867	2,650,5
	-----	-----	-----	-----
	(323,985)	124,838	411,957	2,595,1
	-----	-----	-----	-----
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 76,235	\$ 251,800	\$1,412,057	\$ 4,245,1
	=====	=====	=====	=====

The accompanying notes are an integral part of these unaudited pro forma combined condensed financial statements.

F-4

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS

1. Basis of Pro Forma Presentation

On August 7, 2003, the Company acquired Baker Anderson Christie, Inc. ("BAC") in exchange for a minimum of 480,000 shares of its common stock at an appraised value of \$0.36 per share. The Company will account for the merger under the purchase method of accounting.

On September 22, 2003, the Company acquired New Age Staffing, Inc. ("New Age") for a purchase price of \$2,050,000 in cash and notes payable to the former shareholders of New Age. Additionally, these former shareholders were issued 6,884,614 shares of the Company's common stock at an appraised value of \$0.36 per share. The Company will account for the merger under the purchase method of accounting.

The unaudited pro forma condensed combined balance sheet at June 30, 2003 is presented to give effect to the merger of Crdentia and the Acquired companies as if these transactions had been consummated on January 1, 2002. The unaudited pro forma combined condensed statement of operations of Crdentia and the Acquired Companies for the year ended December 31, 2002 is presented as if these transactions had been

Edgar Filing: CRDENTIA CORP - Form 8-K/A

consummated on January 1, 2002. The unaudited pro forma combined statement of operations for the twelve months ended December 31, 2002 combines the results of operations of Crdentia for the twelve months ended December 31, 2002 and the Acquired Companies' results of operations for the fiscal year ended December 31, 2002. Crdentia's results of operations for the twelve months ended December 31, 2002 were calculated by adding the results of operations for the four months ended December 31, 2002, and deducting the results of operations for the four months ended December 31, 2001, to the results of operations for the twelve months ended August 31, 2002.

Under the purchase method of accounting, the total estimated purchase price is allocated to the Acquired Companies' net tangible and intangible assets based upon their estimated fair value as of the date of completion of the merger. Based upon the estimated purchase price and the preliminary valuation, the preliminary purchase price allocation, which is subject to change based upon Crdentia's final analysis, is as follows:

	BAC	New Age
Cash acquired	\$ 127,424	\$ 60,567
Tangible assets acquired	124,376	1,351,490
Customer related intangible assets	5,000	460,000
Goodwill	161,800	3,618,371
	-----	-----
Total assets acquired	418,600	5,490,428
Liabilities assumed	126,962	1,000,100
	-----	-----
Net assets acquired	\$ 291,638	\$4,490,328
	=====	=====

A preliminary estimate of \$465,000 has been allocated to amortizable intangible assets consisting of customer relationships with useful lives of five years.

A preliminary estimate of \$3.7 million has been allocated to goodwill. Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired. In accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets", goodwill will not be amortized and will be tested for impairment at least annually. The preliminary purchase price allocation for the acquired companies is subject to revision as more detailed analysis is completed and additional information on the fair values of the acquired companies' assets and liabilities becomes available. Any change in the fair value of the net assets of the acquired companies will change the amount of the purchase price allocable to goodwill. Final purchase accounting adjustments may therefore differ materially from the pro forma adjustments presented here.

F-5

2. Pro Forma Adjustments

The accompanying unaudited pro forma combined condensed financial statements have been prepared as if the merger was completed on June 30, 2003 for balance sheet purposes and as of January 1, 2002 for statements of operations purposes and reflects the following pro forma adjustments:

- (a) Amortization of intangible assets acquired for the year ended December 31, 2002 and the six months ended June 30, 2003. The useful lives of these assets have been assumed to be five years.
- (b) Crdentia has net operating loss carryforwards for federal income

Edgar Filing: CRDENTIA CORP - Form 8-K/A

tax purposes in excess of the taxable income of New Age and BAC. As such, there is no income tax expense recognized in these pro forma financial statements. Prior to the merger, BAC had been organized as Subchapter S corporation under the Internal Revenue Code and, accordingly, passed its operating results through to its shareholders for taxation on their personal income tax returns.

(c) To reflect assets acquired and liabilities assumed in the merger. As more fully discussed in Item 2, paragraph (a) of our report filed on Form 8-K on October 26, 2003, the Company is obligated to make periodic payments to the former shareholders of New Age, \$1,290,000 of which are payable within the next year and \$360,000 are payable in the following year.

3. Pro Forma Combined Net Income (Loss) Per Share

Shares used to calculate unaudited pro forma combined net loss per share were computed using Crdentia's weighted average shares outstanding during the respective periods. Additionally, the issuance of 480,000 shares to the sellers of BAC and 6,884,614 shares to the sellers of New Age were assumed to have occurred on January 1, 2002.

Pursuant to the Common Stock Purchase Agreement dated May 15, 2002 between the Company and James D. Durham, the Company's chairman and CEO, Mr. Durham has the right to acquire 25% of the number of shares of the Company's Common Stock issued to the sellers of New Age. Accordingly, Mr. Durham may purchase 1,721,154 shares at a purchase price of \$.0001 per share. As of the date of this report, Mr. Durham has not exercised his right under this Agreement. Accordingly, these shares have been included only in the computation of the fully diluted pro forma loss per share in these pro forma financial statements.

In connection with Registrant's acquisition program and on-going financing efforts, management, in conjunction with several of the Company's largest shareholders, have determined that it would be in the best interest of the Company to reduce the number of shares of Common Stock that are issued and outstanding. In discussions with management these shareholders agreed on August 6, 2003 to return an aggregate of 3,048,000 shares to the Company for no consideration. These 3,048,000 shares have been canceled by the Company and returned to Treasury. As this event occurred subsequent to the reporting period in this Form 8-K/A, the effect of this transaction has been excluded from the computation of both basic and fully diluted pro forma loss per share in these pro forma financial statements.