

Edgar Filing: ND HOLDINGS INC - Form 8-K/A

ND HOLDINGS INC  
Form 8-K/A  
March 28, 2002

UNITED STATES OF AMERICA  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 8-K/A

Current Report Pursuant to Section 13 or 15(d) of  
The Securities Act of 1934

Date of Report (Date of earliest event reported)  
March 27, 2002 (January 15, 2002)  
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ND Holdings, Inc.  
(Exact name of registrant as specified in its charter)

North Dakota ----- (State or other Jurisdiction Of Incorporation)	0-25958 ----- (Commission File Number)	45-040406 ----- (IRS Employer Identification No.)
1 North Main Street, Minot, North Dakota (Address of principal executive offices)		58703 (Zip Code)

Registrant's telephone number, including area code: (701) 852-5292

This Document consists of 5 pages

Item 2:

Acquisition of Capital Financial Services, Inc.

Through an agreement executed on January 15, 2002, the Registrant, ND Holdings, Inc. acquired one hundred percent of the equity stock of Capital Financial Services, Inc., a Wisconsin Corporation from two individuals, Charles G. Hartman and Geoffrey Legler. Capital Financial Services, Inc. is an NASD Regulation, Inc. member Broker Dealer with offices in Madison, Wisconsin. The transaction was an arms length purchase and sale transaction negotiated by the representatives of each party to the agreement. On January 15, 2002, the final closing of the transaction occurred and control and ownership of Capital Financial Services, Inc. passed to ND Holdings, Inc. As a wholly owned subsidiary of ND Holdings, Inc., Capital Financial Services, Inc. will continue its same line and manner of business, that of a Broker Dealer involved in the sale and distribution of mutual funds, annuities and variable insurance products. The total purchase price for Capital Financial Services, Inc. was as follows: \$1,140,000 in cash at closing; a convertible debenture

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in the principal amount of \$250,000 with certain provisions for reduction; the issuance of 750,000 shares of no par value common stock of ND Holdings, Inc. in three installments together with certain put rights; and the issuance of 250,000 options to purchase 250,000 shares of no par value common stock of ND Holdings, Inc. at a strike price of \$1.00 per share, with the provisions and restrictions with respect to each item further defined in the Stock Purchase Agreement (see attached Exhibit to Form 8K - Stock Purchase Agreement). Prior to the acquisition of Capital Financial Services, Inc. by ND Holdings, Inc., ND Holdings, Inc. had no affiliation with Capital Financial Services, Inc., nor its individual shareholders, nor any of the officers, directors, or other affiliated persons of Capital Financial Services, Inc. ND Holdings, Inc. utilized existing current assets, working capital and credit lines to fund the acquisition.

Item 7.

Financial Statements and Pro Forma Financial Information related to acquisition of Capital Financial Services, Inc.

Financial statements and pro forma financial information required by Item 7 of Form 8K with respect to the acquisition of Capital Financial Services, Inc. as a wholly owned subsidiary corporation by ND Holdings, Inc. follow:

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THREE MONTHS ENDED 12-31-01	PRO-FORMA CONSOLIDATED PROFIT AND LOSS STATEMENT (UNAUDITED)		ADJU
	ND HOLDINGS, INC. AND SUBSIDIARIES	CAPITAL FINANCIAL SERVICES, INC.	
REVENUES			
Fee Income	751,281	43,950	
Commissions	1,104,954	1,610,391	
Internet revenues	146,875		
<b>Total revenue</b>	<b>2,003,110</b>	<b>1,654,341</b>	
OPERATING EXPENSES			
Compensation and Benefits	430,294		
General and administrative expenses	871,942	20,765	
Commission expense	511,492	1,616,608	
Sales commission amortized	155,777		
Depreciation and amortization	146,101		
<b>Total operating expenses</b>	<b>2,115,605</b>	<b>1,637,373</b>	
<b>OPERATING INCOME (LOSS)</b>	<b>(112,495)</b>	<b>16,968</b>	
OTHER INCOME (EXPENSES)			
Interest and other income	24,293		
Interest expense	(76,002)		
<b>Net other expense</b>	<b>(51,709)</b>	<b>-</b>	
<b>INCOME (LOSS) BEFORE INCOME TAX EXPENSE</b>	<b>(164,204)</b>	<b>16,968</b>	
<b>INCOME TAX BENEFIT (EXPENSE)</b>	<b>35,588</b>		

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INCOME (LOSS) BEFORE MINORITY INTEREST AND CUMULATIVE EFFECT OF AN ACCOUNTING CHANGE	(128,616)	16,968
Minority interest, net of income taxes	9,344	
Cumulative effect of an accounting change, net of income taxes	-	
NET INCOME (LOSS) AFTER MINORITY INTEREST AND CUMULATIVE EFFECT OF AN ACCOUNTING CHANGE	(119,273)	16,968
EARNINGS (LOSS) PER COMMON SHARE:		
Basic	(0)	
Diluted	(0)	
SHARES USED IN COMPUTING EARNINGS (LOSS) PER COMMON SHARE:		
Basic	6,545,282	
Diluted	6,545,282	

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THREE MONTHS ENDED 12-31-01	PRO-FORMA CONSOLIDATED BALANCE SHEET (UNAUDITED) ND HOLDINGS, INC. AND SUBSIDIARIES	CAPITAL FINANCIAL SERVICES, INC.	P AD
CURRENT ASSETS			
Cash and Cash Equivalents	1,834,683	13,228	(1
Cash segregated for the exclusive benefit of customers	298,536		
Securities available-for-sale	128,556	24,267	
Accounts Receivable	509,490	420,722	
Prepays	111,678		
Total current assets	2,882,943	458,217	(1
PROPERTY AND EQUIPMENT	2,049,236		
Less accumulated depreciation	(607,597)		
Net property and equipment	1,441,639	-	
OTHER ASSETS			
Deferred sales commissions	1,459,536		
Covenant not to compete (net of accumulated amortization of \$122,624 for 2001 and of \$368,124 for 2000)	95,376		
Investment adviser's agreements (net of accumulated amortization of \$1,754,816 for 2001 and \$1,449,689 for 2000)	4,350,657		
Other	984,641	38,300	
Total other assets	6,890,210	38,300	
TOTAL ASSETS	11,214,792	496,517	
LIABILITIES			

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CURRENT LIABILITIES		
Service fees payable	89,525	
Accounts payable	65,836	
Other current liabilities	464,756	385,802
Deferred tax liability	273,434	
Current portion of long-term debt	952,773	
Total current liabilities	1,846,324	385,802
LONG-TERM LIABILITIES		
Note Payable	474,375	
Subordinate debentures	645,000	
Debentures	940,000	
Corporate notes	962,000	
Common Stock Payable		
Less current portion shown above	(952,773)	
Total long-term liabilities	2,068,602	-
TOTAL LIABILITIES	3,914,926	385,802
MINORITY INTEREST IN SUBSIDIARY	411,029	
STOCKHOLDERS' EQUITY		
Common stock - 20,000,000 shares authorized, no par value; 6,462,240 and 7,444,687 shares issued and outstanding, respectively	8,588,793	5,000
Additional paid in Capital		105,715
Receivable - unearned ESOP shares	(97,093)	
Accumulated deficit	(1,596,862)	
Accumulated other comprehensive income (loss)	(6,001)	
Total stockholders' equity	6,888,837	110,715
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	11,214,792	496,517

Adjustment Notes to Pro-forma Consolidated Balance Sheet (Unaudited) for the three months ended December 31, 2001.

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Twelve Months Ended 12-31-01	Pro-forma Consolidated Profit and Loss Statement (Unaudited)	
	ND Holdings, Inc. and Subsidiaries	Capital Financial Services, Inc.
Fee Income	2,970,581	218,135
Commissions	4,554,559	6,192,932
Internet revenues	642,584	
Total revenue	8,167,724	6,411,067
OPERATING EXPENSES		

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Compensation and Benefits	1,833,715	
General and administrative expenses	1,751,487	232
Commission expense	3,583,310	6,411,307
Sales commission amortized	613,738	
Depreciation and amortization	578,534	
Total operating expenses	8,360,784	6,411,539
OPERATING INCOME (LOSS)	(193,060)	(472)
OTHER INCOME (EXPENSES)		
Interest and other income	164,641	2,865
Interest expense	(317,924)	
Net other expense	(153,283)	2,865
INCOME (LOSS) BEFORE INCOME TAX EXPENSE	(346,343)	2,393
INCOME TAX BENEFIT (EXPENSE)	20,148	(359)
INCOME (LOSS) BEFORE MINORITY INTEREST AND CUMULATIVE EFFECT OF AN ACCOUNTING CHANGE	(326,195)	2,034
Minority interest, net of income taxes	26,367	
Cumulative effect of an accounting change, net of income taxes	-	
NET INCOME (LOSS) AFTER MINORITY INTEREST AND CUMULATIVE EFFECT OF AN ACCOUNTING CHANGE	(299,828)	2,034
EARNINGS (LOSS) PER COMMON SHARE:		
Basic	(0)	
Diluted	(0)	
SHARES USED IN COMPUTING EARNINGS (LOSS) PER COMMON SHARE:		
Basic	6,469,025	
Diluted	6,469,025	

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Exhibits:

None

Signatures

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Date: March 27, 2002

ND Holdings, Inc. (Registrant)

/S/ ROBERT WALSTAD  
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Robert Walstad, Authorized Officer  
CEO