

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K/A

Current report filing [amend]

Filing Date: **1996-08-26** | Period of Report: **1996-06-30**
SEC Accession No. **0000891554-96-000554**

([HTML Version](#) on [secdatabase.com](#))

FILER

PRIME CELLULAR INC

CIK: **864890** | IRS No.: **133570672** | State of Incorpor.: **DE** | Fiscal Year End: **0531**
Type: **8-K/A** | Act: **34** | File No.: **000-18700** | Film No.: **96620806**
SIC: **9995** Non-operating establishments

Mailing Address	Business Address
100 FIRST STAMFORD PLACE 3RD FLOOR STAMFORD CT 06902	100 FIRST STAMFORD PL 3RD FLR STAMFORD CT 06902 2033273620

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): June 11, 1996

PRIME CELLULAR, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation)	0-18700 (Commission File Number)	13-3570672 (I.R.S. Employer Identification No.)
---	--	---

100 First Stamford Place, Stamford, Connecticut (Address of principal executive offices)	06902 (Zip Code)
---	---------------------

Registrant's telephone number, including area code: (203) 327-3620

Former name or former address, if changed since last report

Item 7. Financial Statements and Exhibits

The following financial statements and pro forma financial information omitted from Form 8-K, dated June 11, 1996, in reliance upon instructions 7(a)(4) and 7(b)(2) of Form 8-K, are filed herewith.

(a). Financial Statements of Business Acquired.

Financial Statements of Bern Communication, Inc. as of May 31, 1996.

- (i) Balance Sheets
- (ii) Statements of Operations
- (iii) Statements of Stockholders' Deficit
- (iv) Statements of Cash Flows
- (v) Notes to Financial Statements

(b). Pro Forma Financial Information.

Unaudited Pro Forma Condensed Consolidated Financial Statements for Prime Cellular, Inc.

- (i) Introduction
- (ii) Balance Sheet as of May 31, 1996
- (iii) Statement of Operations for the year ended May 31, 1996
- (iv) Notes to Pro Forma Condensed Consolidated Financial Statements

(c). Exhibits.

Reference is made to the Exhibits previously filed with the Securities and Exchange Commission as Exhibits to the Company's Report on Form 8-K, dated June 11, 1996.

SIGNATURES

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

PRIME CELLULAR, INC.

By: /s/Joseph K. Pagano

Joseph K. Pagano, President

Date: August 26, 1996

Prime Cellular, Inc.

Index to Financial Statements

=====

Bern Communications, Inc.
(formerly Bern Associates, Inc.) Financial Statements:

Report of Independent Certified Public Accountants	F-2
Balance sheets	F-3
Statements of operations	F-4
Statements of stockholders' deficit	F-5
Statements of cash flows	F-6
Notes to financial statements	F-7-F-11

Prime Cellular, Inc. Pro Forma Condensed Consolidated
Financial Statements - Unaudited:

Introduction	F-12
Balance sheet as of May 31, 1996	F-13
Statement of operations for the year ended May 31, 1996	F-14
Notes to pro forma condensed consolidated financial statements	F-15

F-1

Report of Independent Certified Public Accountants

Board of Directors and Stockholders
Bern Communications, Inc.
Teaneck, New Jersey

We have audited the accompanying balance sheets of Bern Communications, Inc. (formerly Bern Associates, Inc.) as of May 31, 1996 and 1995, and the related statements of operations, stockholders' deficit, and cash flows for the year ended May 31, 1996 and the period February 22, 1995 (inception) to May 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bern Communications, Inc. (formerly Bern Associates, Inc.) at May 31, 1996 and 1995 and the results of its operations and its cash flows for the year ended May 31, 1996 and the period February 22, 1995 (inception) to May 31, 1995, in conformity with generally accepted accounting principles.

The financial statements referred to above have been prepared assuming that the Company will continue as a going concern. The Company has suffered losses since inception and has a net working capital deficit and a capital deficit. These conditions raise substantial doubt as to the Company's ability to continue as a going concern. Management's plan in regard to these matters is described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

BDO Seidman, LLP

August 14, 1996

Bern Communications, Inc.
(Formerly Bern Associates, Inc.)

Balance Sheets

<TABLE> <CAPTION>		
=====		
May 31,	1996	1995

<S>	<C>	<C>
Assets		
Current:		
Cash and cash equivalents	\$ 184,684	\$ 11,324
Accounts receivable, net of allowance for doubtful accounts of \$15,000	294,196	--
Inventory	268,707	--
Prepaid expenses	10,746	--
Stock subscription receivable	--	10,000
Due from officers	390	550

Total current assets	758,723	21,874
Property and equipment, net of accumulated depreciation	119,153	--
Other	3,432	489

Total assets	\$ 881,308	\$ 22,363
=====		
Liabilities and Stockholders' Deficit		
Current:		
Accounts payable	\$ 434,464	\$ --
Accrued expenses	180,561	28,125
Due to officers	76,561	2,776
Note payable related party	500,000	--

Total current liabilities	1,191,586	30,901

Commitments and contingencies		
Stockholders' Deficit		
Common stock, \$.01 par value, 1,000 shares authorized, 400 shares issued and outstanding	4	4
Additional paid-in capital	32,260	32,260
Accumulated deficit	(342,542)	(18,542)
Unearned compensation	--	(22,260)

Total stockholders' deficit	(310,278)	(8,538)

	\$ 881,308	\$ 22,363
=====		

</TABLE>

See accompanying notes to financial statements.

F-3

Bern Communications, Inc.
(Formerly Bern Associates, Inc.)

Statements of Operations

=====		
	For the Year Ended May 31, 1996	For the Period February 22, 1995 (inception) to May 31, 1995

Revenues:		
Equipment	\$1,767,737	\$ --
Service	563,437	12,000

Total revenues	2,331,174	12,000

Cost of revenues:		
Equipment	1,567,436	--
Service	600,828	21,094

Total cost of revenues	2,168,264	21,094

Gross profit (loss)	162,910	(9,094)

Expenses:		
General and administrative	486,910	9,448

Net loss	\$ (324,000)	\$ (18,542)
=====		
Loss per share of common stock	\$ (810.00)	\$ (46.36)
=====		
Weighted average common shares outstanding	400	400
=====		

See accompanying notes to financial statements.

F-4

Bern Communications, Inc.
(Formerly Bern Associates, Inc.)

Statements of Stockholders' Deficit

<TABLE>
<CAPTION>

	Common Stock		Additional	Accumulated	Unearned	Total
	Shares	Amount	Paid-in	Deficit	Compensation	
			Capital			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Contribution of capital	400	\$ 4	\$ 32,260	\$ --	\$ (22,260)	\$ 10,004
Net loss for the period						
February 22, 1995 (inception)						
to May 31, 1995	--	--	--	(18,542)	--	(18,542)

Balance at May 31, 1995	400	4	32,260	(18,542)	(22,260)	(8,538)
Satisfaction of stock subscriptions						
receivable	--	--	--	--	22,260	22,260
Net loss for the year ended						
May 31, 1996	--	--	--	(324,000)	--	(324,000)

Balance at May 31, 1996	400	\$ 4	\$ 32,260	\$ (342,542)	\$ --	\$ (310,278)

</TABLE>

See accompanying notes to financial statements.

F-5

Bern Communications, Inc.
(Formerly Bern Associates, Inc.)

Statements of Cash Flows
Increase (Decrease) in Cash and Cash Equivalents

<TABLE>
<CAPTION>

	For the Year	For the Period
	Ended May 31,	February 22, 1995
	1996	(inception) to
		May 31, 1995
<S>	<C>	<C>
Cash flows from operating activities:		
Net loss	\$ (324,000)	\$ (18,542)

Adjustments to reconcile net loss to net cash provided by (used in) operating		
activities:		
Depreciation and amortization	12,240	--
Compensation recognized in satisfaction of stock subscription		
receivable	22,260	--
Reserve for doubtful accounts	15,000	--
Changes in operating assets and liabilities:		
Accounts receivable	(309,196)	--
Inventory	(268,707)	--
Prepaid expenses	(10,746)	--
Due from officers	160	(550)
Other assets	(3,000)	(489)
Due to officers	73,785	2,776
Accounts payable and accrued expenses	586,900	28,125

Total adjustments	118,696	29,862

Net cash provided by (used in) operating activities	(205,304)	11,320

Cash flows from investing activities:		
Purchase of property and equipment	(131,336)	--
Cash flows from financing activities:		
Proceeds from issuance of common stock	--	4
Proceeds from stock subscriptions receivable	10,000	--
Proceeds from note payable related party	500,000	--
Net cash provided by financing activities	510,000	4
Net increase in cash and cash equivalents	173,360	11,324
Cash and cash equivalents, beginning of period	11,324	--
Cash and cash equivalents, end of period	\$ 184,684	\$ 11,324

</TABLE>

See accompanying notes to financial statements.

F-6

Bern Communications, Inc.
(Formerly Bern Associates, Inc.)

Notes to Financial Statements

1. Organization and Business Operations Bern Communications, Inc. (formerly Bern Associates, Inc.) (the "Company") was incorporated in New Jersey on February 22, 1995 to sell computer equipment and provide services to telephone companies providing internet services throughout the United States.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has suffered losses since inception and has a net working capital deficit and a capital deficit. As a result, these matters raise substantial doubt as to the Company's ability to continue as a going concern. As discussed in Note 10, the Company entered into a merger agreement with Prime Cellular, Inc. which had approximately \$5,900,000 of cash and investments at May 31, 1996. In connection with the merger, Prime Cellular, Inc. is investigating possible breaches of certain representations and warranties of the Company's stockholders in connection with the merger and otherwise. The ultimate outcome of this investigation is currently not determinable. The financial statements do not include any adjustments that might result should the Company be unable to continue as a going concern.

2. Significant Accounting Policies
- (a) Inventories
- Inventories, consisting of computer equipment, are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.
- (b) Property, Equipment, Depreciation and Amortization
- Property and equipment are stated at cost. Depreciation and amortization are computed over the estimated useful lives of the assets using the straight-line method for financial reporting and by statutory methods for income tax purposes.
- (c) Cash and Cash Equivalents
- For purposes of the statement of cash flows, the company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

(d) Revenue Recognition

Equipment revenue is recognized upon delivery to and acceptance by the customer. Service revenue consists of consulting and help desk revenue. Consulting revenue is recognized ratably over the applicable period. Help desk revenue is recognized as earned on a monthly basis.

F-7

Bern Communications, Inc.
(Formerly Bern Associates, Inc.)

Notes to Financial Statements

=====

(e) Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments and trade accounts receivable with companies primarily located in the United States. The Company's cash investments are placed with high credit quality financial institutions and may exceed the amount of federal deposit insurance. The Company reviews a customer's credit history before extending credit. The Company establishes an allowance for possible losses based on factors surrounding the credit risk of specific customers, historical trends and other information.

(f) Income Taxes

Deferred income taxes, when applicable, are provided on differences between the financial reporting and income taxes bases of assets and liabilities based upon statutory tax rates enacted for future periods.

(g) Stock-Based Compensation

In October 1995, Financial Accounting Standards Board issued Statements of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock Based Compensation." SFAS No. 123 establishes a fair value method for accounting for stock-based compensation plans either through recognition or disclosure. The Company will adopt the employee stock based compensation provisions of SFAS No. 123 by disclosing the pro forma net income and pro forma net income per share amounts assuming the fair value method as of June 1, 1996. The adoption of this standard will not impact the Company's results of operations, financial position or cash flows. Stock arrangements with non-employees, if applicable, will be recorded at fair value.

(h) Use of Estimates

In preparing the financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

F-8

Notes to Financial Statements

(i) Financial Instruments

The carrying amounts of financial instruments including cash and cash equivalents, accounts receivable, due from officers, accounts payable, due to officers and note payable related party approximated fair value at May 31, 1996 and 1995, because of relatively short maturity of these instruments.

3. Property and Equipment

Major classes of property and equipment consist of the following:

May 31,	Lives	1996
Computer equipment	5 years	\$130,827
Furniture and fixtures	5 years	509
		131,336
Less accumulated depreciation		12,183
		\$119,153

4. Note Payable Related Party

On May 15, 1996, the Company entered into a revolving credit note with Prime Cellular, Inc. (See Note 10) in the amount of \$1,000,000 and is payable on demand. At May 31, 1996, the Company had outstanding \$500,000 under the note with interest at the prime rate, 8%.

5. Capital Transactions

During the period ended May 31, 1995, the Company issued 400 shares of capital stock at \$80.65 per share in exchange for \$10,004 cash and unearned compensation of \$22,260. During the year ended May 31, 1996, the Company received cash of \$10,000 and recognized compensation expense of \$22,260 in satisfaction of the capital contribution.

On June 11, 1996, the Company entered into a merger agreement with Prime Cellular, Inc. wherein all the capital stock of the Company was exchanged for a certain number of shares of common stock of Prime Cellular, Inc. (See Note 10).

F-9

Notes to Financial Statements

6. Commitments and Contingencies

(a) The Company rents office space under an operating lease expiring on August 31, 1996. The lease calls for monthly payments of \$1,000.

Rent expense was \$12,000 and none for the year ended May 31, 1996 and the period February 22, 1995 to May 31, 1995.

(b) The Company has entered into employment agreements with six officers of the Company which expire through August 1998. The agreements provide for minimum aggregate annual base salaries of \$735,000. In conjunction with the merger agreement with Prime Cellular, Inc. (See Note 10), five of

these employees agreed to rescind their rights to the unpaid salaries under the employment agreements through May 15, 1996. Compensation relating to these individuals under the employment agreements and other arrangements amounted to \$180,500 and \$26,700 for the year ended May 31, 1996 and the period February 22, 1995 to May 31, 1995, respectively. At May 31, 1996, amounts due to and due from officers of \$76,561 and \$390 represents short-term non-interest bearing advances.

7. Major Customers One customer accounted for 86% of total revenue for the year ended May 31, 1996. One customer accounted for the total revenue for the period ended May 31, 1995.

8. Taxes on Income As of May 31, 1996 and 1995, the Company had gross deferred tax assets of approximately \$110,000 and \$5,000, respectively. A valuation allowance has been recognized for the entire deferred tax assets. Deferred income taxes result primarily from the net operating loss carryforwards. As of May 31, 1996, the Company had net operating loss carryforwards of approximately \$320,000 which can be used to offset future taxable income through 2011.

F-10

Bern Communications, Inc.
(Formerly Bern Associates, Inc.)

Notes to Financial Statements

9. Supplemental Cash Flow Information Supplemental non-cash investing and financing activity was as follows:

<TABLE>
<CAPTION>

	For the year ended May 31, 1996	For the period February 22, 1995 (inception) to May 31, 1995
Capital stock issued for stock subscription	<C>	<C>
receivable and unearned compensation	\$ --	\$32,260

</TABLE>

10. Subsequent Events On June 11, 1996, Bern Associates, Inc. entered into a merger agreement with Prime Cellular, Inc. ("Prime"). Under the agreement all of the outstanding shares of the Company's common stock were exchanged for 4,100,000 shares of Prime. Bern Associates, Inc. merged with an inactive subsidiary of Prime Cellular, Inc., which was formed to complete the merger and simultaneously Bern Associates, Inc. changed its name to Bern Communications, Inc. ("Bern"). In connection with the merger, Prime is investigating possible breaches of certain representations and warranties of Bern stockholders in connection with the merger and otherwise. In the event Prime concludes that such breaches have occurred Prime may seek to reduce the consideration paid in the merger or pursue other remedies available to it including an action for damages, rescission or equitable relief.

In July 1996, a stockholder, who is a former officer of the Company, has attempted to serve a summons on the Company seeking the release of the

shares received by the stockholder upon the merger of the Company with Prime Cellular, Inc. or alternatively, claiming damages of \$2,500,000. The Company has demanded a complaint which has not yet been served. The Company's management believes the claims lack merit and that the Company has counterclaims against the former officer.

F-11

Prime Cellular, Inc. Unaudited Pro Forma Condensed
Consolidated Financial Statements

Introduction

The following unaudited pro forma condensed consolidated balance sheet as of May 31, 1996, and the unaudited pro forma condensed consolidated statement of operations for the year ended May 31, 1996 reflect the pro forma condensed consolidated financial statements of Prime Cellular, Inc. giving effect to the pro forma adjustments described herein as though the merger with Bern Communications, Inc. (formerly Bern Associates, Inc.) dated June 11, 1996, had been consummated at May 31, 1996 for the condensed consolidated balance sheet and at June 1, 1995 for the condensed consolidated statement of operations.

The unaudited pro forma condensed consolidated financial statements should be read in conjunction with the notes thereto and with the historical financial statements of Prime Cellular, Inc., as filed in its annual report on form 10-K and Bern Communications, Inc. (formerly Bern Associates, Inc.) included elsewhere herein. See "Index to Financial Statements". The unaudited pro forma condensed consolidated statement of operations is not necessarily indicative of operating results that would have been achieved had the merger actually been consummated at June 1, 1995 and should not be construed as indicative of future operations.

Under the terms of the merger agreement, Prime Cellular, Inc. will issue 4,100,000 shares of its common stock in exchange for all of the outstanding shares of common stock of Bern Communications, Inc. (formerly Bern Associates, Inc.). The transaction is being accounted for as a reverse acquisition whereby Bern Communications, Inc. (formerly Bern Associates, Inc.) is the acquirer for accounting purposes.

F-12

Prime Cellular, Inc.

Pro Forma Condensed Consolidated Balance Sheet
(Unaudited)

<TABLE> <CAPTION>				
=====				
	Prime Cellular, Inc.	Bern Communi- cations, Inc.	Adjustments	Pro forma
May 31, 1996				
<S>	<C>	<C>	<C>	<C>
Assets				
Current:				
Cash and cash equivalents	\$ 960,223	\$ 184,684	\$ --	\$ 1,144,907
Investments	4,958,796	--	--	4,958,796
Accounts receivables	--	294,196	--	294,196
Inventory	--	268,707	--	268,707
Notes and other receivables	512,885	11,136	[2] (500,000)	24,021
	6,431,904	758,723	(500,000)	6,690,627
Property and equipment, net	--	119,153	--	119,153
Other assets	--	3,432	--	3,432
	\$6,431,904	\$ 881,308	\$ (500,000)	\$6,813,212
=====				
Liabilities and Stockholders'				
Equity (Deficit)				
Current:				
Accounts payable and accrued expenses	\$ 32,643	\$ 615,025	\$ --	\$ 647,668
Notes payable	--	500,000	[2] (500,000)	--
Due to officers	--	76,561	--	76,561
	32,643	1,191,586	(500,000)	724,229
Total current liabilities	32,643	1,191,586	(500,000)	724,229

Stockholders' equity (deficit):				

Common stock	43,000	4	[1] (4)	84,000
Additional paid-in capital	6,401,005	32,260	[1] 41,000	6,347,525
Accumulated deficit	(44,744)	(342,542)	[1] (53,480)	(342,542)
	6,399,261	(310,278)	[1] 44,744	6,088,983
	\$6,431,904	\$ 881,308	\$ (500,000)	\$6,813,212

</TABLE>

See accompanying notes to pro Forma condensed consolidated financial statements.

F-13

Prime Cellular, Inc.

Pro Forma Condensed Consolidated Statement of Operations
(Unaudited)

<TABLE>
<CAPTION>

Year ended May 31, 1996	Prime Cellular, Inc.	Bern Communications Inc.	Adjustments	Pro forma
<S>	<C>	<C>	<C>	<C>
Revenues	\$ --	\$2,331,174	\$ --	\$2,331,174
Interest income	358,865	--	--	358,865
Total revenue	358,865	2,331,174	--	2,690,039
Expenses:				
Cost of sales	--	2,168,264	--	2,168,264
Selling, general and administrative	378,645	486,910	--	865,555
Total expenses	378,645	2,655,174	--	3,033,819
Net loss	\$ (19,780)	\$ (324,000)	\$ --	\$ (343,780)
Net loss per share	\$ --			\$ (.04)
Weighted average common shares outstanding	4,108,200			[3] 8,208,200

</TABLE>

See accompanying notes to pro forma condensed consolidated financial statements.

F-14

Prime Cellular, Inc.

Notes Pro Forma Condensed Consolidated
Financial Statements
(Unaudited)

- To record issuance of 4,100,000 shares of Prime Cellular, Inc. common stock to acquire Bern Communications, Inc. (formerly Bern Associates, Inc.). As discussed in the introduction section, the acquisition was recorded as a reverse acquisition.
- To eliminate intercompany loan.
- Represents the weighted average number of shares of Prime Cellular, Inc. plus the 4,100,000 shares issued to the stockholders of Bern Communications, Inc. (formerly Bern Associates, Inc.).

F-15