NANTUCKET INDUSTRIES INC
Form 8-K/A
June 21, 2004

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

AMENDMENT NO. 1 TO FORM
FORM 8-K

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

Date of report (Date of earliest reported): February 28, 2004

Nantucket Industries, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of Incorporation)

0-26715	58-0962699
(Commission File Number)	(IRS Employer Identification No.)

45 Ludlow Street, Suite 602, Yonkers, NY 10705
(Address of Principal Executive Offices)(Zip Code)

(914) 375-7591
(Registrant's Telephone Number, Including Area Code)

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

INFORMATION TO BE INCLUDED IN THE REPORT

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

On February 28, 2004 (the "Effective Date"), pursuant to a Stock Purchase Agreement ("Agreement") between Nantucket Industries, Inc. ("Nantucket" or the "Company"), a Delaware corporation and all of the shareholders of Comprehensive Network Solutions, Inc. ("Comprehensive"), Nantucket acquired one hundred percent (100%) of the issued and outstanding shares of common stock of Comprehensive from the Comprehensive Shareholders in consideration for the issuance of a total of 250,000 restricted shares of Nantucket common stock to the Comprehensive Shareholders. Pursuant to the Agreement, Comprehensive became a wholly owned subsidiary of the Company. Additional consideration of $60,000 was also paid to Comprehensive to be used as working capital.

The acquisition was approved by the unanimous consent of the Board of Directors of the Company on February 28, 2004.

The acquisition will allow the Company to utilize the resources of both companies to enter the health benefit market with Consumer Choice products for individuals, employers, associations, unions and political subdivisions. Comprehensive's business plan focuses on marketing health care benefits that enable the prospective clients to choose appropriate providers and financial arrangements that best meet their individual needs. The business plan also includes the complete development and market implementation of a high quality musculoskeletal disease management program for target markets with directed care of workers' compensation cases.

Comprehensive was organized in June, 2002 with headquarters in Austin, Texas. The company has been focused on specialty health benefits products, including three levels of provider networks and one limited indemnity medical insurance plan. These products have been trademarked as ChiroCare Select, ChiroCare Advantage, ChiroCare Optima and CNS 500 Plan. The company is currently working on expanding its product with additional benefits and alternative benefit funding options. These new expanded products will be offered through a captive retail sales operation to individuals and small employers; and customized private label versions of the products through its broker and consultant relationships to associations, unions political subdivisions and large employers. The offerings are alternative cost and quality benefit solutions to prospects and clients who are uninsured or underinsured through existing traditional defined benefit health plans.

Comprehensive's goals include a plan to develop disease management treatment guidelines that would address back, neck and upper extremity musculoskeletal conditions specifically for workers' compensation. During the past year, these guidelines have been codified and copyrighted. Through an affiliation with Health Partners, the strategy is to develop exclusive provider organizations (EPO) in markets where state regulation enables workers' compensation plans to direct injured workers to specific health care providers. Comprehensive's EPOs will be marketed to workers' compensation and employee benefit plans on the basis access fees, case management fees and shared savings of future medical costs versus historic medical costs and patient outcomes

The company will continue to refine and improve its Predictive Model of evidence based treatment guidelines and disease management for musculoskeletal injuries and illnesses. The quality and cost effective management of these conditions will continue to be a primary focus for the company's medical and network development staff in preparation for additional market introductions.

Item 7. Financial Statements and Exhibits.

(a) Financial statements of businesses acquired

Financial statements of the Company are filed in this amendment to this Report after the signature page.

(b) Pro forma financial information

Pro forma financial information will be furnished with the aforementioned amendment.

(c) Exhibits

Number	Exhibit
2.1	Stock Purchase Agreement February 28, 2004. *

Filed with original 8K on March 16, 2004.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

NANTUCKET INDUSTRIES, INC.

By:/s/ John H. Treglia

John H. Treglia
President

June 21, 2004

COMPREHENSIVE NETWORK SOLUTIONS, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORTS

FOR THE YEAR ENDED DECEMBER 31, 2003
AND
FOR THE PERIOD FROM INCEPTION (MAY 7, 2002)
TO DECEMBER 31, 2002

COMPREHENSIVE NETWORK SOLUTIONS, INC.
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Austin, Texas May 2, 2004

To the Board Members of
Comprehensive Network Solutions, Inc.

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying balance sheets of Comprehensive Network Solutions, Inc. (the Company) as of December 31, 2003 and 2002, and the related statements of operations, stockholders' equity, and cash flows for the year ended December 31, 2003 and the period from May 7, 2002 (inception) through December 31, 2002. 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 U.S. 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 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 of the financial statements 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 the Company as of December 31, 2003 and 2002, and the results of its operations and cash flows for the year ended December 31, 2003, and for the period from May 7, 2002 (inception) through December 31, 2002 in conformity with U.S. generally accepted accounting principles.

Austin, Texas
May 2, 2004

FINANCIAL STATEMENTS

COMPREHENSIVE NETWORK SOLUTIONS, INC.
BALANCE SHEETS
DECEMBER 31, 2003 AND 2002

ASSETS

	2003
CURRENT ASSETS	
Cash and cash equivalents	$ 2,448
Accounts Receivable	470
Total Current Assets	2,918
OTHER ASSETS	1,200
PROPERTY AND EQUIPMENT, NET	8,873
TOTAL ASSETS	$ 12,991

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES	
Accounts payable	$ 8,708
Obligation under capital lease, current portion	2,502
Notes payable	171,645
Total Current Liabilities	182,855
OTHER LIABILITIES	
Obligation under capital lease, net of current portion	3,726
STOCKHOLDERS' EQUITY (DEFICIT)	
Common stock, $1.00 par value, 100,000 shares authorized, 40,000 issued and outstanding, 6,800 issuable at December 31, 2003; 40,000 issuable at December 31, 2002	46,800
Retained earnings (deficit)	(220,390)
Total Stockholders' Equity (Deficit)	(173,590)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 12,991

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

COMPREHENSIVE NETWORK SOLUTIONS, INC.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2003

Revenues	
Sales	$ 43,640
Other income	13,287
Total Revenue	56,927
Expenses	
Salaries and wages	85,094
Commission	7,165
Rent	19,862
Other	74,151
Total Expenses	186,272
Net Loss	$ (129,345)

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

COMPREHENSIVE NETWORK SOLUTIONS, INC.
STATEMENT OF OPERATIONS
FOR THE PERIOD FROM INCEPTION (MAY 7, 2002) TO DECEMBER 31, 2002

Revenues	
Sales	$ 35
Other income	14,315
Total Revenue	14,350

Expenses	
Salaries and wages	31,225
Rent	11,291
Other	62,879
Total Expenses	105,395
Net Loss	$ (91,045)

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

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COMPREHENSIVE NETWORK SOLUTIONS, INC.
STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

FOR THE YEAR ENDED DECEMBER 31, 2003
AND
FOR THE PERIOD FROM MAY 7, 2002 (INCEPTION)
THROUGH DECEMBER 31, 2002

	Member Capital Contributed	Common Stock Shares	Common Stock Amount	Retaine Earning
Balance at May 7, 2002 (inception)	$ -0-	-0-	$ -0-	$
Contributions to L.L.C.	40,000	-0-	-0-	
Issuance of common stock upon conversion to a C-Corporation	(40,000)	40,000	40,000	
Net loss	-0-	-0-	-0-	(91
Balance at December 31, 2002	-0-	40,000	40,000	(91
Issuable common stock	-0-	6,800	6,800	
Net loss	-0-	-0-	-0-	(129
Balance at December 31, 2003	$ -0-	46,800	$ 46,800	$ (220

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

COMPREHENSIVE NETWORK SOLUTIONS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2003

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net Loss	$ (129
Depreciation	2
Adjustments to reconcile net income to net cash provided by operating activities:	
Increase in accounts receivable	
Increase in accounts payable	6
NET CASH USED BY OPERATING ACTIVITIES	(120
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments made on capital lease	(2
Net proceeds from line of credit	110
Issuance of common stock	6
NET CASH PROVIDED BY FINANCING ACTIVITIES	114
NET DECREASE IN CASH	(5
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2
SUPPLEMENTAL INFORMATION	
Interest paid	$

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

COMPREHENSIVE NETWORK SOLUTIONS, INC.
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM INCEPTION (MAY 7, 2002) THROUGH DECEMBER 31, 2002

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net Loss	$ (91
Depreciation	1
Adjustments to reconcile net income to net cash provided by operating activities:	
Increase in other assets	(1
Increase in accounts payable	1
NET CASH USED BY OPERATING ACTIVITIES	(88
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments made on capital lease	(1
Net proceeds from line of credit	61
Issuance of common stock	40
NET CASH PROVIDED BY FINANCING ACTIVITIES	100
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(3
NET CASH USED BY INVESTING ACTIVITIES	(3
NET INCREASE IN CASH	8
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 8
SUPPLEMENTAL INFORMATION	
Interest paid	$
NON-CASH TRANSACTION	
Property and equipment acquired under capital lease	$ 9

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

COMPREHENSIVE NETWORK SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

NOTE 1: DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Comprehensive Network Solutions, Inc. (the Company) was formed on May 7, 2002 as a Texas Limited Liability Corporation, for the purpose of offering non-insurance membership cards that enable uninsured or underinsured patients to obtain chiropractic services at a discount. The Company converted to a C-Corporation and acquired the assets of the L.L.C. on September 19, 2002.

Accounts Receivable

It is the Company's policy to record reserves for potential credit losses. Since inception, the Company has experienced minimal losses. The Company considered no reserves to be necessary at December 31, 2003 and 2002.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and highly liquid debt instruments with original maturities of three months or less.

Estimates

The preparation of the financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Actual results could differ from those estimates.

Income Taxes

The Company accounts for income taxes using the liability method pursuant to Statement of Financial Accounting Standards ("SFAS") No. 109. Under this method, deferred income taxes are recorded to reflect the tax consequences on future years of temporary differences between the tax bases of the assets and liabilities and their financial amounts at year-end. The Company provides a valuation allowance to reduce deferred tax assets to their net realizable value. At December 31, 2003, the Company has a potential deferred tax asset of approximately $61,000, which has been fully reserved, arising from net operating losses aggregating approximately $180,000. These net operating losses begin to expire in 2022.

COMPREHENSIVE NETWORK SOLUTIONS, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

DECEMBER 31, 2003 AND 2002

NOTE 1: DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are recorded at cost, net of accumulated depreciation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, which is between 5 to 7 years.

Advertising

The Company expenses all advertising costs as incurred. As of December 31, 2003, advertising expense was $669.

NOTE 2: NOTES PAYABLE

	2003	2002
Line of credit with a financial institution bearing interest at a rate of 4.125%, due on demand and guaranteed by certain stockholders' investments	$ 161,718	$ 61,600
Line of credit to a bank bearing interest at a rate of 8.75 %, due on demand and secured by certain stockholders' investments	9,927	-0
Notes payable	$ 171,645	$ 61,600

Interest expense for the year ended December 31, 2003 and for the period inception (May 7, 2002) through December 31, 2002 was $6,402 and $226, respectively.

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COMPREHENSIVE NETWORK SOLUTIONS, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)
DECEMBER 31, 2003 AND 2002

NOTE 3: PROPERTY & EQUIPMENT

Property and equipment consisted of the following at December 31, 2003 and 2002:

	2003	2002
Furniture and office equipment	$ 12,985	$ 12,985
Less accumulated depreciation	(4,112)	(1,515)
Property and equipment, net	$ 8,873	$ 11,470

Depreciation expense for the year ended December 31, 2003 and for the period inception (May 7, 2002) through December 31, 2002 was $2,597 and $1,515, respectively.

NOTE 4: CAPITAL LEASE OBLIGATIONS

Capital lease payable at December 31, 2003 and 2002 consisted of the following:

	2003	2002
Capital leases for computer equipment due in monthly installments of $226 through 2006. The equipment is included in office equipment at December 31, 2003 at a cost of $9,985 with accumulated amortization of $3,162.	$6,554	$9,266
Less interest	326	637
	6,228	8,629
Less current portion	2,502	2,401
Capital lease obligation, long-term	$3,726	$6,228

Scheduled maturities for capital lease obligations for the years ended December 31, are as follows:

2004	$2,502
2005	2,607
2006	1,119
Total	$6,228

COMPREHENSIVE NETWORK SOLUTIONS, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

DECEMBER 31, 2003 AND 2002

NOTE 5: OPERATING LEASE OBLIGATIONS

The Company leases various facilities and equipment under operating lease agreements having terms expiring at various dates through 2006. Rental expense was $19,862 and $14,504 for the year ended December 31, 2003 and for the period inception (May 7, 2002) through December 31, 2002, respectively.

Future minimum lease payments under operating leases that have initial or remaining noncancelable lease terms in excess of one year at December 31, 2003, were as follows:

2004	$ 5,247
2005	3,328
2006	2,101
Total future minimum lease payments	$10,676

NOTE 6: SUBSEQUENT EVENTS

Subsequent to year end, the Company was acquired and became a wholly-owned subsidiary of Nantucket Industries through a stock exchange arrangement. Effective March 1, 2004, the Company exchanged all of its outstanding common stock for 250,000 shares of the acquirer's stock and $60,000 in working capital. In addition, certain stockholders made cash infusions to pay off the line of credit in exchange for 162,000 shares of stock and 41,200 additional shares of stock were issued as compensation prior to the acquisition.