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GP STRATEGIES CORP
Form 8-K/A
December 19, 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: December 19, 2003
Date of earliest event reported: October 8, 2003

GP Strategies Corporation
(Exact name of registrant as specified in its charter)

| | | |
|---|------------------------------------|------------------|
| Delaware | 1-7234 | 13-1926739 |
| ----- | ----- | ----- |
| (State or other Jurisdiction of Incorporation File Number) | (Commission Identification No.) | (I.R.S. Employer |

| | |
|--|------------|
| 777 Westchester Avenue, White Plains, NY | 10604 |
| ----- | ----- |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: (914) 249-9700

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

Item 2. Acquisition or Disposition of Assets.

This Form 8-K/A amends the current report on Form 8-K dated October 8, 2003 (filed October 13, 2003) to amend the Item in which initial information was reported from Item 5 to Item 2 and to include Item 7(b) Pro Forma Combined Statements of Operations for the year ended December 31, 2002 and the nine months ended September 30, 2003, as well as the Pro Forma Combined Balance Sheet as of September 30, 2003.

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On October 8, 2003, GP Strategies Corporation (the "Company") converted \$500,000 principal amount of the \$3,500,000 Senior Unsecured 8% Note due September 30, 2004 of Five Star Products, Inc. ("Five Star") into 2,000,000 shares of Five Star common stock (the "Five Star Acquisition"). In consideration for the Company agreeing to convert at a conversion price of \$0.25 per share, Five Star agreed to terminate the voting agreement between the Company and Five Star. The voting agreement, which by its terms would in any event have terminated on June 30, 2004, provided that the Company (i) would vote its Five Star common stock so that not more than 50% of the members of the Five Star board of directors would be officers or directors of the Company and (ii) would vote on matters other than the election of directors in the same proportion as the other Five Star stockholders.

The Five Star Acquisition, which was approved by a Special Committee of the Five Star board of directors comprised of an independent non-management director who is unaffiliated with the Company, increased the Company's ownership in Five Star from approximately 48% to approximately 54% of the outstanding Five Star common stock and resulted in the Company obtaining control of Five Star. In addition, the Company continues to own the remaining \$3 million principal amount of Five Star's Senior Unsecured 8% Note due September 30, 2004.

Item 7. Financial Statements and Exhibits.

(a) Financial Statements of the Business Acquired

The historical consolidated financial statements of Five Star Products, Inc., including Five Star Products, Inc. consolidated balance sheets as of December 31, 2001 and December 31, 2002, and the consolidated statements of operations, changes in stockholders' equity and cash flows for each of the three fiscal years in the periods ending December 31, 2002 are included in Five Star Products, Inc Form 10-K for its fiscal year ended December 31, 2002 and incorporated by reference.

The historical consolidated financial statements of Five Star Products, Inc., including Five Star Products, Inc. consolidated condensed balance sheet as of December 31, 2002 and September 30, 2003, and the consolidated condensed statements of operations, comprehensive income and cash flows for the nine months ended September 30, 2002 and September 30, 2003 are included in Five Star Products, Inc Form 10-Q for its fiscal quarter ended September 30, 2003 and incorporated by reference.

(b) Unaudited Pro Forma Financial Information

Unaudited Pro Forma Combined Statements of Operations for the year ended December 31, 2002 and the nine months ended September 30, 2003, and the Unaudited Pro Forma Combined Balance Sheet as of September 30, 2003:

The Unaudited Pro Forma Combined Balance Sheet as of September 30, 2003 is prepared as if the Five Star Acquisition had occurred on such date and the Unaudited Pro Forma Combined Statements of Operations for the year ended

December 31, 2002 and the nine months ended September 30, 2003 are prepared as if the Five Star Acquisition had occurred as of the beginning of such periods. The acquisition is being accounted for as a purchase business combination. Accordingly, the Company has recorded the estimated fair value of the assets and liabilities acquired.

The unaudited pro forma adjustments are based on management's preliminary estimates of the value of the tangible and intangible assets and liabilities acquired. As a result, the actual adjustments may differ materially

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from those presented in these Unaudited Pro Forma Combined Financial Statements. A change in the Unaudited Pro Forma Combined Balance Sheet adjustments of the purchase price for an acquisition would primarily result in a reallocation affecting the value assigned to tangible and intangible assets. The income statement effect of these changes will depend on the nature and amount of the assets or liabilities adjusted.

The Unaudited Pro Forma Combined Financial Statements are presented for informational purposes only and are not necessarily indicative of the financial position or results of operations of the Company that would have occurred had the purchase been consummated as of the dates indicated above. In addition, the Pro Forma Combined Financial Statements are not necessarily indicative of the future financial conditions or operating results of the Company.

The Unaudited Pro Forma Combined Financial Statements have been prepared by the management of the Company. The statements should be read in conjunction with the Company's historical financial statements and notes thereto for the fiscal year ended December 31, 2002 and the nine months ended September 30, 2003, which are included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, as amended, and its Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2003, as amended. The statements should also be read in conjunction with Five Star's historical financial statements, and the notes thereto for its fiscal year ended December 31, 2002 and the nine months ended September 30, 2003, which are included in Five Star's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 and its Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2003, each of which are incorporated herein by reference.

GP STRATEGIES CORPORATION
 UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003
 (in thousands, except per share data)

| | GP Strategies Corporation (1) | Five Star Products, Inc. (2) | Pro Adjust |
|--|-------------------------------------|------------------------------------|---------------|
| | ----- | ----- | ----- |
| Sales | \$106,352 | \$75,053 | |
| Cost of sales | 93,598 | 61,818 | |
| <hr style="border-top: 1px dashed black;"/> | | | |
| Gross margin | 12,754 | 13,235 | |
| Selling, general and administrative | (17,566) | (11,518) | 8 |
| Interest expense | (2,659) | (781) | 25 |
| Investment and other income (loss), net | 100 | | (25) |
| | | | (18) |
| Valuation adjustment of liability for warrants | 1,162 | | |
| Gain on sales of marketable securities | 398 | | |
| Minority interest | | | (25) |

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| | | | |
|---|------------|-------|---------|
| Income (loss) before income taxes | (5,811) | 936 | (35) |
| Income tax (expense) benefit | (605) | (393) | |
| Net income(loss) | \$ (6,416) | \$543 | \$ (35) |
| Per Share Data: | | | |
| Basic and diluted loss per share | \$ (.38) | | |
| Weighted average shares used to calculate earnings per common share amounts | 17,028 | | |

- (1) Represents historical statement of operations of the Company for the nine months ended September 30, 2003, derived from the unaudited consolidated financial statements of the Company included in the Quarterly Report on Form 10-Q.
- (2) Represents historical statement of operations of Five Star for the nine months ended September 30, 2003, derived from the unaudited consolidated financial statements of that company included in the Quarterly Report on Form 10-Q.
- (3) The Pro Forma adjustments give effect to the acquisition of Five Star as if it were consummated on January 1, 2003.

See accompanying notes to the Unaudited Pro Forma Financial Statements

GP STRATEGIES CORPORATION
 UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
 FOR THE YEAR ENDED DECEMBER 31, 2002
 (in thousands, except per share data)

| | GP Strategies Corporation (1) | Five Star Products, Inc. (2) | P Adju |
|---|-------------------------------------|------------------------------------|-----------|
| Sales | \$152,233 | \$94,074 | |
| Cost of sales | 134,768 | 77,461 | |
| Gross margin | 17,465 | 16,613 | |
| Selling, general and administrative | (21,042) | (14,763) | |
| Interest expense | (2,770) | (1,131) | |
| Investment and other income (loss), net | (1,967) | | |

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| | | |
|---|------------|-------|
| Gain on sales of marketable securities | 2,267 | |
| Minority interest | | |
| ----- | | |
| Income (loss) before income taxes | (6,047) | 719 |
| Income tax (expense) benefit | 819 | (328) |
| ----- | | |
| Net income (loss) | \$ (5,228) | \$391 |
| ----- | | |
| Per Share Data: | | |
| Basic and diluted loss per share | \$ (.34) | |
| | ===== | |
| Weighted average shares used to calculate earnings per common share amounts | 15,370 | |
| | ===== | |

- (1) Represents historical statement of operations of the Company for the year ended December 31, 2002, derived from the audited consolidated financial statements of the Company included in the Annual Report on Form 10-K.
- (2) Represents historical statement of operations of Five Star for the year ended December 31, 2002, derived from the audited consolidated financial statements of that company included in the Annual Report on Form 10-K.
- (3) The Pro Forma adjustments give effect to the acquisition of Five Star as if it were consummated on January 1, 2002.

See accompanying notes to the Unaudited Pro Forma Financial Statements

GP STRATEGIES CORPORATION
 UNAUDITED PRO FORMA COMBINED BALANCE SHEET
 AS OF SEPTEMBER 30, 2003
 (in thousands)

| | GP | Five Star |
|--|-------------------------------|-----------------------|
| | Strategies Corporation (1) | Products, Inc. (2) |
| | ----- | ----- |
| ----- | | |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$2,863 | \$ 7 |
| Accounts and other receivables, net | 23,878 | 13,268 |
| Inventories | 1,803 | 20,222 |
| Costs and estimated earnings in excess of billings | 11,217 | |
| Prepaid expenses and other current assets | 4,503 | 427 |
| ----- | | |

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| | | |
|---|-----------|----------|
| Total current assets | 44,264 | 33,924 |
| Investments, marketable securities and note receivable | 11,916 | |
| Property, plant and equipment, net | 8,150 | 787 |
| Goodwill | 57,554 | |
| Deferred tax asset | 10,754 | 229 |
| Other assets | 6,083 | 78 |
| Total assets | \$138,721 | \$35,018 |
| Liabilities and stockholders' equity | | |
| Current liabilities | | |
| Short-term borrowing and current maturities of long-term debt | \$13,389 | 17,616 |
| Accounts payable and accrued expenses | 18,550 | 10,063 |
| Billings in excess of costs and estimated earnings on uncompleted contracts | 4,955 | |
| Total current liabilities | 36,894 | 27,679 |
| Long-term debt less current maturities | 7,974 | 3,500 |
| Other non-current liabilities | 1,134 | |
| Minority interest | | |
| Stockholders' equity | | |
| Common stock | 163 | 153 |
| Class B common stock | 12 | |
| Capital in excess of par value | 195,143 | 8,071 |
| Retained earnings (deficit) | (99,583) | (4,363) |
| Accumulated other comprehensive income (loss) | 456 | 21 |
| Note receivable from stockholder | (3,258) | |
| Treasury stock, at cost | (214) | (43) |
| Total stockholders' equity | 92,719 | 3,839 |
| Total liabilities and stockholders' equity | \$138,721 | \$35,018 |

- (1) Represents historical balance sheet of the Company as of September 30, 2003, derived from the unaudited consolidated financial statements of the Company included in the Quarterly Report on Form 10-Q.
- (2) Represents historical balance sheet of Five Star as of September 30, 2003, derived from the unaudited consolidated financial statements of that company included in the Quarterly Report on Form 10-Q.
- (3) The Pro Forma adjustments give effect to the acquisition of Five Star as if it were consummated on September 30, 2003.

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See accompanying notes to the Unaudited Pro Forma Financial Statements

GP STRATEGIES CORPORATION Notes to Unaudited Pro Forma Combined Financial Statements

- (A) To reduce property, plant and equipment and related depreciation expense to reflect the allocation of negative goodwill arising in purchase accounting.
- (B) To eliminate loans and balances due the Company from Five Star and the related interest.
- (C) To eliminate the Company's equity in earnings of Five Star and record earnings of minority interest as a result of the acquisition of Five Star.
- (D) To eliminate the Company's equity investment in Five Star and record minority interest as a result of the acquisition of Five Star.
- (E) The Five Star Acquisition has been included in the Unaudited Pro Forma Balance Sheet as if the acquisition were consummated at September 30, 2003. The excess of the related net assets over the purchase price is determined as follows:

(in thousands)

| | |
|--|---------|
| Five Star net assets as of September 30, 2003 | \$3,839 |
| Additional net assets arising from the Five Star Acquisition | 500 |
| The Company's investment in Five Star as of September 30, 2003 | (1,532) |
| Minority interest | (1,996) |
| ----- | |
| Net assets acquired | 811 |
| ----- | |
| Purchase price: | |
| Additional investment arising from the Five Star Acquisition | 500 |
| ----- | |
| Excess of net assets acquired over the purchase price prior to the deferred tax asset adjustment | 311 |
| ----- | |
| Deferred tax asset adjustment - Note (G) | (124) |
| ----- | |
| Excess of net assets acquired over the purchase price, net of tax effect of \$120 | \$187 |
| ----- | |

- (F) To record the tax effect of the negative goodwill arising in purchase accounting which reduced property, plant and equipment.

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(G) To eliminate the portion of Five Star's deferred tax asset that is allocable to the Company.

EXHIBITS.

23.1 Consent of Eisner LLP as Independent Auditors to Five Star Products, Inc.

99.1 GP Strategies Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2002, filed on April 15, 2003 and amended on April 29, 2003.*

99.2 GP Strategies Corporation Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2003, filed on November 19, 2003 and amended on November 20, 2003.*

99.3 Five Star Products, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2002, filed on April 15, 2003. *

99.4 Five Star Products, Inc Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2003, filed on November 14, 2003.*

* Previously filed

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.

GP Strategies Corporation

Date: December 19, 2003

By: Scott N. Greenberg, President and
Chief Financial Officer