

Edgar Filing: CONNECTIV CORP - Form 10QSB

CONNECTIV CORP  
Form 10QSB  
August 19, 2002

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-QSB

Quarterly Report Pursuant to Section 13 or 15(d)  
Securities Exchange Act of 1934  
for Quarterly Period Ended June 30, 2002

-OR-

Transition Report Pursuant to Section 13 or 15(d)  
of the Securities And Exchange Act of 1934  
for the transaction period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 333-70663

CONNECTIVCORP  
(formerly known as Spinrocket.com, Inc.)

(Exact name of registrant as specified in its charter)

Delaware

06-1529524

-----  
(State or other jurisdiction of (I.R.S. Employer Identification Number)  
incorporation or organization)

750 Lexington Avenue, 24th Floor, New York, New York 10022

-----  
(Address of principal executive offices, Zip Code)

(212) 750-5858

-----  
(Registrant's telephone number, including area code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

The number of outstanding shares of the registrant's common stock, par value \$.001 as of August 13, 2002 is 10,286,966.

CONNECTIVCORP AND SUBSIDIARIES  
FORM 10-QSB

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SIX ANDTHREE MONTHS ENDED JUNE 30, 2002

## TABLE OF CONTENTS

PART I	- FINANCIAL INFORMATION	Page
Item 1.	Financial Statements (unaudited)	
	Consolidated Balance Sheet	3
	Consolidated Statements of Operations for the six months ended June 30, 2002 and 2001	4
	Consolidated Statements of Operations for the three months ended June 30, 2002 and 2001	5
	Consolidated Statements of Cash Flows	6
	Notes To Consolidated Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	10
PART II	- OTHER INFORMATION	
Item 1.	Legal Proceedings	12
Item 2.	Changes in Securities and Use of Proceeds	12
Item 3.	Defaults Upon Senior Securities	13
Item 4.	Submission of Matters to a Vote of Security Holders	13
Item 5.	Other Information	13
Item 6.	Exhibits and Reports on Form 8-K	14

PART I -- FINANCIAL INFORMATION

ITEM 1 -- FINANCIAL STATEMENTS

ConnectivCorp  
Consolidated Balance Sheet  
(Unaudited)

	June 30, 2002
	-----
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 89,604
Prepaid expenses	3,067
	-----
Total Assets	\$ 92,671
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Accounts payable and accrued expenses	\$ 180,780
	-----
Total Current Liabilities	180,780

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COMMITMENTS AND CONTINGENCIES

STOCKHOLDERS' EQUITY:

Preferred Stock, \$.001 par value		
10,000,000 shares authorized, Series D, none issued		-
Common Stock, \$.001 per value		
40,000,000 shares authorized, 8,261,966 issued and outstanding		10,287
Additional paid in capital		19,543,616
Accumulated deficit		(19,642,01)
		-----
Total Stockholders' Equity		(88,109)
		-----
Total Liabilities and Stockholders' Equity	\$	92,671
		=====

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

ConnectivCorp  
 Consolidated Statements of Operations  
 For the Six Months Ended June 30,  
 (Unaudited)

	2002	2001
	-----	-----
Revenues	\$ 3,500	\$ 2,700
	-----	-----
General and administrative expenses	(574,079)	(1,700)
	-----	-----
Operating loss	(570,579)	(1,700)
Interest income	532	532
	-----	-----
Net loss	\$ (570,047)	\$ (1,700)
	=====	=====
Net loss per common share- basic and diluted	\$ (0.08)	\$ (0.08)
	=====	=====
Weighted average shares outstanding: basic and diluted	7,228,449	2,700,000
	=====	=====

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

### ConnectivCorp Consolidated Statements of Operations For the Three Months Ended June 30, (Unaudited)

	2002	
	-----	-----
Revenues	\$ -	\$ -
General and administrative expenses	(283,421)	(6,000)
	-----	-----
Operating loss	(283,421)	(6,000)
Interest income	379	-
	-----	-----
Net loss	\$ (283,042)	\$ (6,000)
	=====	=====
Net loss per common share- basic and diluted	\$ (0.03)	\$ -
	=====	=====
Weighted average shares outstanding: basic and diluted	10,204,548	2,000,000
	=====	=====

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

### CONNECTIVCORP CONSOLIDATED STATEMENTS OF CASH FLOWS For the Six Months Ended June 30, (Unaudited)

	2002	
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (570,047)	\$ (1,000,000)
Adjustments to reconcile net loss to net cash used in operating activities:		

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Depreciation and amortization	-	
Stock-based compensation	153,872	
Changes in assets and liabilities:		
Prepaid expenses	(3,067)	
Accounts payable and accrued expenses	121,485	
Net cash used in operating activities	(297,757)	(1,)
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	297,500	-----
Net cash provided by financing activities	297,500	-----
NET CHANGE IN CASH AND CASH EQUIVALENTS	(257)	(1,)
CASH AND CASH EQUIVALENTS, beginning of period	89,861	1
CASH AND CASH EQUIVALENTS, end of period	\$ 89,604	\$
	=====	=====
 NON-CASH INVESTING AND FINANCING ACTIVITIES		
Stock issued in satisfaction of accounts payable	\$ 42,292	\$
	=====	=====

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

### CONNECTIVCORP AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) June 30, 2002

#### Note 1 - Basis of Presentation

As used in these financial statements, the term the "Company" refers to ConnectivCorp and its consolidated subsidiaries.

The accompanying unaudited consolidated financial statements of the Company have been prepared pursuant to the rules of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Form 10-KSB. In the opinion of management, the accompanying consolidated financial statements reflect all adjustments, which are of a normal recurring nature, necessary for a fair presentation of the results for the periods presented.

The results of operations presented for the six months and three months ended June 30, 2002, are not necessarily indicative of the results to be expected for the year ending December 31, 2002.

#### Note 2 - Net Loss Per Common Share

Basic net loss per common share ("Basic EPS") is computed by dividing net

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loss by the weighted average number of common shares outstanding. Diluted net income per common share ("Diluted EPS") is computed by dividing net income by the weighted average number of common shares and dilutive common share equivalents then outstanding.

Basic and Diluted EPS are the same for the six months and three months ended June 30, 2002 and 2001, as Diluted EPS does not include the impact of stock options and warrants then outstanding, as the effect of their inclusion would be antidilutive.

The following table summarizes the equivalent number of common shares assuming the related options and warrants that were outstanding as of June 30, 2002 and 2001 had been converted. These were not included in the calculation of diluted loss per share, as such shares are antidilutive:

	2002	2001
	-----	-----
Stock options	-	29,322
Warrants	146,608	146,608
	-----	-----
Common Stock Equivalents	146,608	175,930
	=====	=====

Options to purchase 10,333 and 479,613 shares of common stock, and warrants to purchase 26,863 and 387,911 shares of common stock for the six months ended June 30, 2002 and 2001, respectively, were not included in the above table because the exercise price of those options and warrants were greater than the average market price of the common shares. The options and warrants were still outstanding at the end of the period.

CONNECTIVCORP AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
 June 30, 2002

Note 3 - Common Stock

During the six months ended June 30, 2002, the Company raised \$297,500 through the issuance of 2,975,000 shares of the Company's Common Stock at \$0.10 per share.

The Company issued 466,250 shares of Common Stock to suppliers, employees and consultants in exchange for any outstanding options and warrants and a release from any future claims against the Company. As a result of the issuance, the Company recognized \$7,971 of non-cash expenses.

On March 18, 2002, 1,205,000 shares of the Company's Common Stock was issued to officers and directors and recognized \$22,475 of compensation expense.

The Company issued 2,960,000 shares of Common Stock to consultants as compensation for services rendered in connection with the letter of intent to acquire Aqua Development Corp. and recognized consulting expense of \$58,922. Atlantis Equities, Inc. ("Atlantis") received 2 million shares of the 2,960,000 shares of Common Stock issued to consultants. Robert Ellin, Chairman of the Company, is a principal of Atlantis. West End Capital Partners, LLC ("WECP") received 760,000 shares of the 2,960,000 shares of Common Stock issued to consultants. Jeffery Kuhr, a director of the Company, is a principal in WECP.

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The Company issued 500,000 shares of Common Stock to satisfy \$42,292 of accounts payable outstanding at December 31, 2002.

On March 12, 2002, the Company effected a one-for-ten reverse split of its common stock. All references in the accompanying consolidated financial statements and notes thereto relating to common stock and additional paid-in capital, stock options and warrants, per share and share data have been retroactively adjusted to reflect the one-for-ten reverse stock split.

### Note 4 - Letter of Intent

On March 21, 2002, the Company executed a letter of intent to acquire Aqua Development Corp., a California corporation ("Aqua"). The Company intends to acquire Aqua in exchange for 78% of the issued and outstanding common stock in the Company, as defined. The acquisition is contingent upon numerous factors, including the raising of additional financing by the parties. Immediately upon the acquisition, the Company will authorize its name to be changed to "d/b/a Aqua Development Corp."

Capital of \$2 million shall be necessary in connection with the transaction financing, of which \$1 million shall be raised by Aqua and \$1 million by the Company. Through August 19, 2002, the Company has raised approximately \$350,000 of additional financing. At the signing of the Purchase Agreement, the Company shall advance \$250,000 to Aqua in the form of a secured bridge loan to be evidenced by a note bearing interest at 12% per annum. In the event the transaction closes, the \$250,000 shall be credited to the Company as part of its \$1 million capital contribution discussed above. The Company shall be obligated to make another \$100,000 available to Aqua prior to closing on the same terms. In the event the transaction is not consummated, the loan shall mature 90 days after the closing date, as defined. The parties anticipate the closing shall occur during the third quarter of 2002.

CONNECTIVCORP AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED AND UNREVIEWED)  
June 30, 2002

### Note 5 - Commitments

#### Sublease

On January 1, 2002, the Company entered into a sublease for office space located at 750 Lexington Avenue, New York, New York. The lease term is for the period from January 1, 2002 through December 31, 2002, with a monthly rent of \$2,500. The office space is being leased from an entity in which the father of Robert Ellin, Chairman of the Company, is a partner.

#### Employment Agreements

The Company entered into an employment contract, on March 18, 2002 with Elliot Goldman for an initial term of one year. Mr. Goldman serves as President, Chief Executive Officer and as a Director of the Company at an annual salary of \$150,000. However, the compensation shall accrue and no more than \$200 per week shall be paid to Mr. Goldman until such time as the Company has received at least \$1 million in proceeds from new debt and/or equity investment subsequent the date of the agreement.

The Company entered into an employment contract, on March 18, 2002 with Robert Ellin for an initial term of one year. Mr. Ellin serves as Chairman of the Company at an annual salary of \$150,000. However, the compensation shall accrue and no more than \$200 per week shall be paid to Mr. Ellin until such time as the Company has received at least \$1 million in proceeds from new debt and/or

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equity investment subsequent the date of the agreement.

### Consulting Agreement

The Company retained the services of Atlantis Equities, Inc. ("Atlantis"), a private merchant banking and advisory firm that primarily assists emerging growth companies, to act as its financial advisor pursuant to an Engagement letter dated March 21, 2002 for a term of one year from March 18, 2002 and ending on March 18, 2003. Robert Ellin, the current Chairman of the Company, is a principal in Atlantis. In consideration for the services to be provided by Atlantis, upon the consummation of the transactions contemplated by the letter of intent, dated as of March 21, 2002, by and between the Company and Aqua Development Corporation, the Company will issue shares of its common stock so that Atlantis will own that number of shares which constitutes up to 4.0% of the common stock then outstanding. In addition, Atlantis is to receive cash compensation of \$250,000.

## ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Company's Financial Statements and the notes thereto appearing elsewhere in this report. This report contains statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The Company cautions that forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from the statements that constitute forward-looking statements as a result of various factors.

The Company was incorporated in Delaware on May 8, 1998 under the name "SMD Group, Inc." In January 1999, the Company changed its name to "CDbeat.com, Inc." On April 19, 2000, the Company's name was changed to "Spinrocket.com, Inc." On September 11, 2000, the Company changed its name from Spinrocket.com, Inc. to "ConnectivCorp" because this new name better described the Company's then strategic direction. The Company's business model was to facilitate the online connection between targeted, profiled consumers and marketers desiring to reach those consumers. As its initial focus, the Company formed a new wholly-owned subsidiary, ConnectivHealth, in order to facilitate its connectivity model in the healthcare field.

### Uncertainty

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has a limited operating history, and since its inception in 1998 has incurred substantial losses. The Company's accumulated deficit as of June 30, 2002 is approximately \$19.6 million. To date, the Company has not generated any significant revenue from its proposed business model, which contemplated selling pharmaceutical and other healthcare companies access to the Company's aggregated users. The Company incurred a net loss of approximately \$570,000 and \$1.7 million for the six months ended June 30, 2002 and 2001, respectively, while cash and cash equivalents at June 30, 2002 totaled approximately \$90,000. These matters raise substantial doubt about the Company's ability to continue as a going concern. The Company's continued existence is dependent upon several factors including the Company's ability to raise additional equity or execute its business strategy.



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The Company has made a decision to restructure its operations. Management has issued restricted common stock to satisfy existing trade payables and the Company is seeking appropriate merger or acquisition partners in the medical information or other unrelated fields. Management has agreed to provide or arrange for short term financing of \$250,000 in connection with this effort and has effected a one for ten reverse stock split of the Company's common stock as of March 12, 2002.

The Company's ability to operate as a going concern is dependent on its ability to execute its restructuring and/or raise additional equity. There can be no level of assurance that the Company will be able to achieve or sustain any level of profitability in the future. Future operating results will depend upon a number of factors, including the ability to raise additional capital, the execution of the Management's restructuring plans and prevailing economic conditions. While the Company has reduced its operating expenses, no assurance can be given that the Company can sustain these operating levels. Moreover, the Company has not yet generated any meaningful revenues, and no assurance can be given that it will do so in the future. There can be no assurance that the Company will generate sufficient revenues to ever achieve profitability or otherwise sustain its profitability in the future. While the Company is exploring appropriate merger or acquisition partners in the medical information or other unrelated fields, there can be no assurance that a transaction will be consummated.

### Letter of Intent

On March 21, 2002, the Company executed a letter of intent to acquire Aqua Development Corp., a California corporation ("Aqua"). The Company intends to acquire Aqua in exchange for 78% of the issued and outstanding common stock in the Company, as defined. The acquisition is contingent upon numerous factors,

including the raising of additional financing by the parties. Immediately upon the acquisition, the Company will authorize its name to be changed to "d/b/a Aqua Development Corp."

Capital of \$2 million shall be necessary in connection with the transaction financing, of which \$1 million shall be raised by Aqua and \$1 million by the Company. Through May 20, 2002, the Company has raised approximately \$350,000 of additional financing. At the signing of the Purchase Agreement, the Company shall advance \$250,000 to Aqua in the form of a secured bridge loan to be evidenced by a note bearing interest at 12% per annum. In the event the transaction closes, the \$250,000 shall be credited to the Company as part of its \$1 million capital contribution discussed above. The Company shall be obligated to make another \$100,000 available to Aqua prior to closing on the same terms. In the event the transaction is not consummated, the loan shall mature 90 days after the closing date, as defined. The parties anticipate the closing shall occur during the third quarter of 2002.

The following discussion and analysis compares the results of the Company's continuing operations for the Six and Three Months ended June 30, 2002 and June 30, 2001.

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### Accounting Policies

The following accounting policies are important to an understanding of the operating results and financial condition of the Company and should be considered as an integral part of the financial review. For additional accounting policies, see note 1 to the consolidated financial statements, "Significant Accounting Policies."

### Estimates and Assumptions

In preparing the financial information, the Company used some estimates and assumptions that may affect reported amounts and disclosures. Estimates are used when accounting for depreciation, amortization, impairment of assets and asset valuation allowances. We are also subject to risks and uncertainties that may cause actual results to differ from estimated results, such as legislation, regulation and the ability to obtain financing. Certain of these risks and uncertainties are discussed elsewhere in Management's Discussion and Analysis.

### Six Months ended June 30, 2002

The Company generated \$3,500 in revenues from operations during the six months ended June 30, 2002. The Company did not generate revenues from operations during the six months ended June 30, 2001.

For the six months ended June 30, 2002 and 2001, the Company reported the following:

Net loss	\$	(570,047)	\$	(1,718,846)
		=====		=====
Net loss per common share-basic and diluted	\$	(0.08)	\$	(0.80)
		=====		=====

For the six months ended June 30, 2002, the Company reported a net loss of \$570,047. General and administrative expenses include expenses of approximately \$81,500 for professional fees; \$150,000 for salary and related expenses, \$109,000 for consultants, \$41,000 of insurance, \$15,000 for rent and \$64,000 for compensation costs recognized in connection with stock options.

For the six months ended June 30, 2001, the Company reported a loss from continuing operations of \$1,718,846. General and administrative expenses include expenses of which approximately \$144,000 for professional fees; \$240,000 for salary-related expenses, \$425,000 for consultants, \$501,000 for amortization of acquired software, magazines and goodwill, and \$90,000 for compensation costs recognized in connection with stock options issued.

### Three Months ended June 30, 2002

The Company did not generate revenues from operations during the three months ended June 30, 2002 and 2001.

For the three months ended June 30, 2002 and 2001, the Company reported the following:

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Net loss	\$	(283,042)	\$	(644,506)
		=====		=====
Net loss per common share- basic and diluted	\$	(0.03)	\$	(0.30)
		=====		=====

For the three months ended June 30, 2002, the Company reported a loss from continuing operations of \$283,042. General and administrative expenses include expenses of which approximately \$73,000 for professional fees, \$89,500 for salary-related expenses and \$15,000 for consultants.

For the three months ended June 30, 2001, the Company reported a loss of \$644,506. General and administrative expenses include expenses of which approximately \$86,000 for professional fees, \$112,000 for salary-related expenses, \$151,000 for consultants, and \$251,000 for amortization of acquired software, magazines and goodwill.

Liquidity and Capital Resources

In the six months ended June 30, 2002, \$297,757 of cash was used in operating activities. Funds were used to pay the Company's operating expenses. \$297,500 of cash was generated through the issuance of 2,975,000 shares of common stock.

PART II -- OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

None

ITEM 2 - CHANGES IN SECURITIES

The issuance of the shares of Common Stock during the six months ended June 30, 2002 did not involve a public offering and was based on Section 4(2) of the Securities Act of 1933, as amended.

During the six months ended June 30, 2002, the Company raised \$297,500 through the issuance of 2,975,000 shares of the Company's Common Stock at \$0.10 per share to four existing shareholders and consultants.

The Company issued 466,250 shares of Common Stock to suppliers, employees and consultants in exchange for any outstanding options and warrants and a release from any future claims against the Company. As a result of the issuance, the Company recognized \$7,971 of non-cash expenses.

On March 18, 2002, 1,205,000 shares of the Company's Common Stock was issued to officers and directors and recognized \$22,475 of compensation expense.

The Company issued 2,960,000 shares of Common Stock to consultants as compensation for services rendered in connection with the letter of intent to acquire Aqua Development Corp. and recognized consulting expense of \$58,922. Atlantis Equities, Inc. ("Atlantis") received 2 million shares of

the 2,960,000 shares of Common Stock issued to consultants. Robert Ellin, Chairman of the Company, is a principal of Atlantis. West End Capital Partners, LLC ("WECP") received 760,000 shares of the 2,960,000 shares of Common Stock issued to consultants. Jeffery Kuhr, a director of the

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Company, is a principal in WECP.

The Company issued 500,000 shares of Common Stock to satisfy \$42,292 of accounts payable outstanding at December 31, 2002.

On March 12, 2002, the Company effected a one-for-ten reverse split of its common stock. All references in the accompanying consolidated financial statements and notes thereto relating to common stock and additional paid-in capital, stock options and warrants, per share and share data have been retroactively adjusted to reflect the one-for-ten reverse stock split.

### ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None

### ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable

### ITEM 5 - OTHER INFORMATION

#### Sublease

On January 1, 2002, the Company entered into a sublease for office space located at 750 Lexington Avenue, New York, New York. The lease term is for the period from January 1, 2002 through December 31, 2002, with a monthly rent of \$2,500. The office space is being leased from an entity in which the father of Robert Ellin, chairman of the Company, is a partner.

#### Employment Agreements

The Company entered into an employment contract, on March 18, 2002 with Elliot Goldman for an initial term of one year. Mr. Goldman serves as President, Chief Executive Officer and as a Director of the Company at an annual salary of \$150,000. However, the compensation shall accrue and no more than \$200 per week shall be paid to Mr. Ellin until such time as the Company has received at least \$1 million in proceeds from new debt and/or equity investment subsequent the date of the agreement.

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constitutes up to 4.0% of the common stock then outstanding, and in addition, cash compensation of \$250,000.

### ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

- (a) Not applicable
  
- (b) Reports on Form 8-K

During the quarter ended June 30, 2002, the Company filed a Current Report on Form 8K/A, dated April 15, 2002 reporting a change in accountants. Patrusky Mintz & Semel ("Patrusky") was engaged as the Company's new independent accountants replacing Arthur Andersen LLP.

### CERTIFICATION AND SIGNATURE

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 thereunto duly authorized.

We, the undersigned chief executive officer and chief financial officer of the registrant, hereby certify that this report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this periodic report fairly presents, in all material respects, the financial condition and results of operations of the issuer.

### CONNECTIVCORP

Dated: August 19, 2002      by: /s/ Elliot Goldman  
Elliot Goldman  
President and Chief Executive Officer  
(Principal Financial Officer)

Dated: August 19, 2002      by: /s/ Robert Ellin  
Robert Ellin  
Chairman of the Board  
(Principal Executive Officer)