ERESOURCE CAPITAL GROUP INC
Form 8-K/A
June 18, 2001

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C.

FORM 8-K/A

(AMENDMENT NO. 2)

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): September 7, 2000

eResource Capital Group, Inc.
(Exact name of registrant as specified in its charter)

Delaware	1-8662	23-2265039
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification Number)

3353 Peachtree Road, N.E., Suite 130 Atlanta, Georgia 30326
(Address of principal executive offices) (Zip Code)

flightserv.com, 3343 Peachtree Rd., N.E., Suite 530, Atlanta, GA 30326
(Former Name or Former Address, if changed since last report)

Registrant's telephone number, including area code: (404) 760-2570

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This Amendment No. 1 amends and supplements Items 7(a) and 7(b) of the Current Report on Forms 8-K and 8-K/A filed on September 22, 2000 and November 12, 2000, respectively, by the registrant (the "Company") with respect to, among other things, the Company's acquisition of DM Marketing, Inc.

Statements in this report about anticipated or expected future revenue or growth or expressions of future goals or objectives are forward-looking statements within the meaning of Section 21E of the Securities Act of 1934, as amended. All forward-looking statements in this release are based upon information available to the Company on the date of this release. Any forward-looking statements involve risks and uncertainties, including those risks described in the Company's filings with the Securities and Exchange Commission, that could cause actual events or results to differ materially from the events or results described in the forward-looking statements, whether as a result of new information, future events or otherwise. Readers are cautioned not to place undue reliance on these forward-looking statements.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(a) Financial Statements of Business Acquired

In accordance with Item 7(a) of Form 8-K, the following financial statements of DM Marketing, Inc. prepared in accordance with regulation S-X are included in this report:

Independent Auditors' Report

Balance Sheets as of June 30, 2000 and 1999

Statements of Operations and Accumulated Deficit for the year ended June 30, 2000 and for the ten month period ended June 30, 1999

Statements of Cash Flows for the year ended June 30, 2000 and for the ten month period ended June 30, 1999

Notes to Financial Statements

(b) Pro Forma Financial Information

In accordance with Item 7(b) of Form 8-K, the following pro forma financial statements of eResource Capital Group, Inc. prepared in accordance with regulation S-X are included in this report:

Unaudited Pro Forma Condensed Consolidated Balance Sheet as of June 30, 2000

Unaudited Pro Forma Condensed Consolidated Statement of Operations for the year ended June 30, 2000

(c) Exhibits

2.1 Stock Purchase Agreement dated as of August 16, 2000 among eResource Capital Group, DM Marketing, Inc., Michael Pruitt and Darek Childress.* Pursuant to Item 601(b)(2), the exhibits to the Stock Purchase Agreement have been omitted and the Company agrees to furnish copies of such exhibits supplemental to the Commission upon request.

2.2 Stock Purchase Agreement dated as of August 11, 2000 between the Company, Internet Aviation Services, Ltd. and Caliente Consulting.* Pursuant to Item 601(b)(2), the exhibits to the Stock Purchase Agreement have been omitted and the Company agrees to furnish copies of such exhibits supplementary to the

Commission upon request.

99.1	Press Release dated September 14, 2000*
99.2	Press Release dated September 8, 2000*
99.3	Press Release dated August 31, 2000*
99.4	Press Release dated August 25, 2000*

*Previously filed.

Independent Auditors' Report

Stockholders and Directors
DM Marketing, Inc.
Pensacola, FL 32534

We have audited the accompanying balance sheets as of June 30, 2000 and 1999, and the related statements of operations and accumulated deficit and the statements of cash flows for the year ended June 30, 2000 and for the ten month period ended June 30, 1999. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 audit provides 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 DM Marketing, Inc., as of June 30, 2000 and 1999, and the results of its operations and cash flows for the year ended June 30, 2000 and for the ten month period ended June 30, 1999 in conformity with accounting principles generally accepted in the United States.

October 31, 2000
Atmore, Alabama

By: /s/ WALLER, CROOK & JONES, P.C.

Waller, Crook & Jones, P.C.

DM Marketing, Inc.
Balance Sheets

ASSETS	June 30 2000	June 30 1999
Cash and cash equivalents	$ 157,466	$ 1,794
Prepaid expenses	--	3,006
Current assets	157,466	4,800
Property and equipment, net	58,069	21,739
Total assets	$ 215,535	$ 26,539
Liabilities and Stockholders' Equity		
Accounts payable and accrued expenses	$ 4,232	$ --
Current liabilities	4,232	--
Commitments and contingent liabilities		
Shareholders' equity:		
Common stock, no par value, 1500 shares authorized, issued and outstanding	--	--
Paid-in capital	218,941	84,117
Accumulated deficit	(7,638)	(57,578)
Total shareholders' equity	211,303	26,539
Total liabilities and shareholders' equity	$ 215,535	$ 26,539

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

DM Marketing, Inc.
Statements of Operations and Accumulated Deficit

	Year Ended June 30, 2000	Ten Month Period Ended June 30, 1999
Revenues	$ 354,854	$ 35,376
Selling, general and administrative expenses	298,354	90,379
Depreciation and amortization	6,560	2,575
Net income (loss)	49,940	(57,578)
Accumulated deficit-beginning of period	(57,578)	--
Accumulated deficit-end of period	$ (7,638)	$ (57,578)

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

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DM Marketing, Inc.
Statements of Cash Flows

	Year Ended June 30, 2000	Ten Month Period End June 30, 1
Cash flows provided by operating activities:		
Net income (loss)	$ 49,940	$ (57,57
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	6,560	2,57
Changes in operating assets and liabilities:		
Prepaid expenses	3,006	(3,00
Accounts payable and accrued expenses	4,232	-
Net cash provided (used) by operating activities	63,738	(58,00
Cash flows from investing activities:		
Purchase of property and equipment	(42,890)	(24,31

Net cash used by investing activities	(42,890)	(24,31
Cash flows from financing activities:		
Proceeds from issuance of common stock	--	84,11
Capital contributions by shareholder	134,824	-
Net cash provided by financing activities	134,824	84,11
Net increase in cash and cash equivalents	155,672	1,79
Cash and cash equivalents at beginning of year	1,794	-
Cash and cash equivalents at end of year	$ 157,466	$ 1,79

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

DM Marketing, Inc.
Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

DM Marketing, Inc. (the "Company"), began operations on October 2, 1998 and provides telemarketing, help desk and other services primarily for Internet related companies located throughout the United States.

Cash Equivalents

The Company considers all highly liquid investments readily convertible into cash or having a maturity of three months or less when purchased to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost less allowance for depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The Company periodically assesses the realizability of its long-lived assets and evaluates such assets for impairment whenever events or change in circumstances indicated the carrying amount of an asset may not be recoverable.

Advertising Cost

The Company conducts nondirect response advertising. The costs are expensed as incurred. Advertising cost totaled $30,108 and $5,479 for the year ended June 30, 2000 and for the ten month period ended June 30, 1999, respectively.

Revenue Recognition

The Company provides services to customers under contracts negotiated on a project basis. Revenue is recognized over the term of each contract ranging from 1 day to 3 months.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could materially differ from those estimates.

2. PROPERTY AND EQUIPMENT

Major classifications of property and equipment and their respective depreciable lives are summarized below:

	2000	1999	Depreciable Lives
Office Equipment	$ 67,204	$ 24,314	5-10 years
Less Accumulated Depreciation	(9,135)	(2,575)	
	$ 58,069	$ 21,739	

DM Marketing, Inc.
Notes to Financial Statements (continued)

3. COMMON STOCK

During the ten month period ended June 30, 1999, the Company issued 1,500 shares of common stock for $84,117 in a private placement transaction. During the year ended June 30, 2000, one of the Company's shareholders made capital contributions aggregating $134,824.

4. INCOME TAXES

The Company accounts for income taxes in accordance with the liability method as provided under Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Accordingly, deferred income taxes are recognized for the tax consequences of differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. The measurement of deferred tax assets is reduced, if necessary, by the amount of any benefits that based on available evidence, are not expected to be realized.

No provision for income taxes was recorded for the ten month period ended June 30, 1999. The Company utilized $49,940 of the available net operating loss carryforward for the year ended June 30, 2000. The remaining loss carryforward balance of $7,638 may be applied against future taxable income through 2019. No other significant deferred income tax assets or liabilities exist.

5. OPERATING LEASE COMMITMENT

The Company entered into a 24 month operating lease agreement for its office space in July 2000. The lease requires a monthly lease payment of $2,687. Future minimum lease payments are as follows as of June 30, 2000:

2001	$32,244
2002	$32,244

Prior to entering into the above agreement the Company leased office space on a month to month basis. Rent expense totaled $22,030 and $12,000 for the year ended June 30, 2000 and the ten month period ended June 30, 1999, respectively.

6. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Company to credit risk consisted of cash. The Company maintains its cash balances in a financial institution located in Atmore, Alabama. The balances are insured by the Federal Deposit Insurance Corporation up to $100,000. At June 30, 2000, the Company's uninsured cash balances totaled $40,566.

7. SUBSEQUENT EVENTS

In August 2000, one of the Company's stockholders made a capital contribution of $300,000.

On September 7, 2000 the Company exchanged shares in connection with a definitive purchase agreement executed on August 16, 2000 related to the sale of DM Marketing, Inc. to flightserv.com (now known as eResource Capital Group, Inc.). The stockholders of the Company sold their 1,500 shares of common stock in exchange for 8,450,000 restricted shares of flightserv.com common stock with a market value of $5,281,250 on August 16, 2000.

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Item 7. Continued

(b) Pro Forma Financial Information

On September 7, 2000, eResource Capital Group, Inc. (the "Company") (formerly flightserv.com) exchanged shares in connection with a definitive purchase agreement executed on August 16, 2000 (the "DM Agreement") related to the acquisition of DM Marketing, Inc., a Delaware corporation ("DM"). The DM Agreement was among the Company, DM, Michael Pruitt and Darek Childress (together with Mr. Pruitt, the "DM Stockholders"). Pursuant to the DM Agreement, the Company acquired all of the issued and outstanding capital stock of DM from the DM Stockholders in exchange for 8,450,000 shares of the Company's common stock with a market value of $5,281,250 on August 16, 2000. The DM acquisition will be accounted for under the purchase method of accounting.

As a result of the DM Acquisition, DM became a wholly-owned subsidiary of the Company. DM, based in Pensacola, Florida, operates a call center providing telemarketing, help desk and other services for Internet related companies.

The following unaudited pro forma condensed consolidated balance sheet and statement of operations of eResource Capital Group, Inc ("RCG" or the "Company") and DM Marketing, Inc. ("DM") are derived from, and should be read in conjunction with, the audited financial statements of DM included in item 7(a) herein and the audited consolidated financial statements of RCG as previously filed on Form 10-KSB for the year ended June 30, 2000. The unaudited pro forma consolidated financial statements do not purport to be indicative of the results of operations or financial position which would have actually been reported had the acquisition been consummated on the dates indicated, or which may be reported in the future.

The following unaudited pro forma consolidated balance sheet and the unaudited pro forma consolidated statement of operations reflect adjustments as if the acquisition had been consummated on July 1, 1999.

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eResource Capital Group, Inc. and Subsidiaries
Pro Forma Condensed Consolidated Balance Sheet (Unaudited)

ASSETS

	eResource Capital Group, Inc. June 30, 2000 Actual	DM Marketing, Inc. June 30, 2000 Actual
Cash and cash equivalents	$ 526,657	$ 157,466
Accounts and notes receivable	55,995	--
Prepaid expenses - compensation	4,615,862	--
Prepaid expenses - other	119,912	--
Total current assets	5,318,426	157,466
Deferred costs and other assets	924,743	--
Predevelopment costs	1,164,043	--
Property and equipment, net	9,561,842	58,069
Goodwill	--	--

Total assets	$ 16,969,054	$ 215,535
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LIABILITIES AND STOCKHOLDERS' EQUITY

Notes payable - current portion	$ 128,683	$ --
Accounts payable and accrued expenses	839,146	4,232
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Total current liabilities	967,829	4,232
Net liabilities of discontinued operations	5,852	--
Notes payable	7,582,707	--
Accrued interest payable	848,424	--
Commitments and contingent liabilities		
Shareholders' equity:		
Common stock, $.04 par value, 60,000,000 shares authorized, 33,554,584 and 42,004,584 issued and outstanding, respectively	1,342,183	--
Additional paid-in capital	78,147,672	218,941
Accumulated deficit	(71,788,106)	(7,638)
Treasury stock - at cost (435,930 shares)	(137,507)	--
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Total shareholders' equity	7,564,242	211,303
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Total liabilities and shareholders' equity	$ 16,969,054	$ 215,535
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The accompanying notes are an integral part of these consolidated financial statements.

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eResource Capital Group, Inc. and Subsidiaries
Pro Forma Condensed Consolidated Statements of Operations (Unaudited)

	eResource Capital Group, Inc. Year Ended June 30, 2000 Actual	DM Marketing, Inc. Year Ended June 30, 2000 Actual	Pr Adjus
Revenues:			
Sales - private aviation	$ 10,040	$ --	$
Sales-call center	--	354,854	

Lease income - commercial real estate	1,108,438	--	
	1,118,478	354,854	
Cost of sales - private aviation	93,561	--	
Gross profit	1,024,917	354,854	
Selling general and administrative expenses	7,023,055	298,354	
Compensation expense related to issuance of stock options and warrants	48,996,238	--	
Depreciation and amortization	466,482	6,560	1,1
Interest expense, net	862,975	--	
Loss on investments	1,011,716	--	
Loss before discontinued operations	$(57,335,549)	$ 49,940	$ (1,1
Basic and diluted loss per share before discontinued operations	$ (1.81)		
Weighted average shares outstanding used in computing basic and diluted loss per share	31,596,541		

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

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(1) The 8,450,000 shares of common stock issued by RCG for the DM acquisition had a fair market value of $5,281,250 on August 16, 2000. Including direct acquisition costs the aggregate purchase price for DM was $6,210,897. The excess value of the purchase price over the historical cost of DM's net assets on the acquisition date has been allocated to goodwill which will be amortized over five years. At June 30, 2000 the pro forma goodwill amount is $5,999,594 and pro forma goodwill amortization aggregated $1,199,918 for the year ended June 30, 2000. Also, the pro forma adjustments reflect common stock issued at par value ($338,000), the paid in capital in excess of par value ($5,627,344) and the accrued direct acquisition costs ($34,250).

SIGNATURE

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

eResource Capital Group, Inc.

Date: May 17, 2001

By: /s/WILLIAM L. WORTMAN

William L. Wortman
Vice President and
Chief Financial Officer