

CLST Holdings, Inc.  
Form 8-K  
April 18, 2007

## UNITED STATES

## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## 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 event reported): April 12, 2007

## CLST HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Commission File Number: 0-22972

**Delaware**

(State or other jurisdiction of incorporation)

**75-2479727**

(I.R.S. Employer Identification No.)

**601 S. Royal Lane, Coppell, Texas 75019**

(Address of principal executive offices) (Zip Code)

**(972) 462-3500**

(Registrant's telephone number, including area code)

**Not Applicable**

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 2.01 Completion of Acquisition or Disposition of Assets.**

On April 12, 2007, CLST Holdings, Inc., formerly known as CellStar Corporation (the Company), completed the sale (the Mexico Sale) of its operations in Mexico to Soluciones Inalámbricas, S.A. de C.V. (Soluciones) and Prestadora de Servicios en Administración y Recursos Humanos, S.A. de C.V. (Prestadora) for \$20.0 million in cash. In addition, the Company is entitled to its share of the 2007 operating profits of the operations up to the date of closing. The amount of the 2007 operating performance will be determined and paid within 150 days from closing. Soluciones is a Mexican corporation and its affiliates are retail distributors of wireless devices in Mexico with distribution centers located throughout Mexico. In April 2005, the Company's subsidiary in Mexico, Celular Express, invested in Comunicación Inalámbrica Inteligente, S.A. de C.V. (CII), a joint venture with Soluciones and its individual partners. Prior to the closing of the Mexico Sale, Celular Express owned 51% of CII and the remaining 49% was owned by the individual partners of Soluciones. In connection with the Mexico Sale, the buyers purchased all of the outstanding shares of stock in the Company's Mexican subsidiaries, together with the Company's interest in CII. Prestadora, a Mexican corporation and a wholly owned subsidiary of Soluciones, is an entity with no significant activity.

**Item 9.01 Financial Statements and Exhibits.**

(b) Pro forma financial information.

Set forth below are pro forma statements of operations for the fiscal year ended November 30, 2006, and the quarter ended February 28, 2007, and a balance sheet as of February 28, 2007, reflecting the Mexico Sale. In addition, on April 5, 2007, the Company filed a Current Report on Form 8-K for the completion of the sale of its U.S. and Miami-based Latin American operations to wholly owned subsidiaries of Brightpoint, Inc. (the U.S. Sale). As a result of the Mexico Sale and the U.S. Sale, the Company has sold substantially all of its operations. Further, the Company's stockholders approved a plan of dissolution on March 28, 2007, that will result in the liquidation of the Company's assets. The plan of dissolution is more fully described in the Company's proxy statement filed with the Securities and Exchange Commission on February 20, 2007. The Company intends to file an amendment to this Current Report on Form 8-K to show the pro forma effects of the Mexico Sale and the U.S. Sale on a combined basis.

**CLST Holdings, Inc.**  
**Unaudited Pro Forma Consolidated Statement of Operations**  
**For the year ended November 30, 2006**  
**(in thousands, except per share data)**

|   | CellStar<br>Historical | Mexico<br>Operations<br>Historical(a) | Pro Forma<br>Adjustments(f) | Total<br>Adjustments | Pro Forma<br>Results |
|---|------------------------|---------------------------------------|-----------------------------|----------------------|----------------------|
| Revenues  | \$ 943,140             | (290,710 )                            |                             | (290,710 )           | 652,430              |
| Cost of sales                                       | 877,754                | (271,821 )                            |                             | (271,821 )           | 605,933              |
| Gross profit  | 65,386                 | (18,889 )                             |                             | (18,889 )            | 46,497               |
| Operating expenses                                  |                        |                                       |                             |                      |                      |
| Selling, general & administrative                   | 50,485                 | (12,297 )                             |                             | (12,297 )            | 38,188               |
| Operating income (loss)                             | 14,901                 | (6,592 )                              |                             | (6,592 )             | 8,309                |
| Other income (expense):                             |                        |                                       |                             |                      |                      |
| Interest expense                                    | (3,916 )               |                                       | 89 (b)                      | 89                   | (3,827 )             |
| Loss on sale of accounts receivable                 | (2,578 )               | 1,201                                 |                             | 1,201                | (1,377 )             |
| Intercompany interest                               |                        | 1,720                                 | (1,720 )(c)                 |                      |                      |
| Gain on retirement of 12% Senior subordinated notes | 566                    |                                       |                             |                      | 566                  |
| Minority interest                                   | (2,390 )               | 2,390                                 |                             | 2,390                |                      |
| Gain (loss) on sale of assets                       | 240                    |                                       |                             |                      | 240                  |
| Corporate allocation                                |                        | 2,299                                 | (2,299 )(d)                 |                      |                      |
| Other, net  | 214                    | (193 )                                |                             | (193 )               | 21                   |
| Total other income (expense)                        | (7,864 )               | 7,417                                 | (3,930 )                    | 3,487                | (4,377 )             |
| Income (loss) before income taxes                   | 7,037                  | 825                                   | (3,930 )                    | (3,105 )             | 3,932                |
| Provision (benefit) for income taxes                | 2,786                  | (1,499 )                              | (1,155 )(e)                 | (2,654 )             | 132                  |
| Income (loss) from continuing operations            | \$ 4,251               | 2,324                                 | (2,775 )                    | (451 )               | 3,800                |
| Income (loss) per share from continuing operations: |                        |                                       |                             |                      |                      |
| Basic   | \$ 0.21                |                                       |                             |                      | 0.19                 |
| Diluted   | \$ 0.20                |                                       |                             |                      | 0.18                 |
| Weighted average number of shares:                  |                        |                                       |                             |                      |                      |
| Basic   | 20,415                 |                                       |                             |                      | 20,415               |
| Diluted   | 21,110                 |                                       |                             |                      | 21,110               |

- (a) Reflects historical financial information of the Mexico operations in the consolidated financial statements.
- (b) Reflects the allocation of interest expense related to the Term Loan.
- (c) Reflects adjustment for intercompany interest on intercompany loans. The related intercompany loans will not be repaid.
- (d) Reflects corporate allocation, including royalty fee, which would no longer be charged.
- (e) The taxes in Mexico relate to the CII joint venture and various withholding taxes associated with the Mexico operations.
- (f) Does not reflect any charge associated with the reduction in deferred tax assets that have been supported by taxable income in Mexico.

**CLST Holdings, Inc.**  
**Unaudited Pro Forma Consolidated Statement of Operations**  
**For the quarter ended February 28, 2007**

(in thousands, except share data)

|   | CellStar<br>Historical | Mexico<br>Operations<br>Historical (a) | Pro Forma<br>Adjustments (f) | Total<br>Adjustments | Pro Forma<br>Results |
|---|------------------------|--|------------------------------|----------------------|----------------------|
| Revenues  | \$ 196,071             | (50,962 )                              |                              | (50,962 )            | 145,109              |
| Cost of sales   | 181,636                | (45,450 )                              |                              | (45,450 )            | 136,186              |
| Gross profit  | 14,435                 | (5,512 )                               |                              | (5,512 )             | 8,923                |
| <b>Operating expenses</b>   |                        |  |                              |                      |                      |
| Selling, general & administrative                                     | 12,470                 | (2,978 )                               |                              | (2,978 )             | 9,492                |
| Operating income (loss)   | 1,965                  | (2,534 )                               |                              | (2,534 )             | (569 )               |
| <b>Other income (expense):</b>  |                        |  |                              |                      |                      |
| Interest expense  | (961 )                 |  | 75                           | (b) 75               | (886 )               |
| Loss on sale of accounts receivable                                   | (527 )                 | 49                                     |                              | 49                   | (478 )               |
| Intercompany interest   |                        | 427                                    | (427 )                       | (c)                  |                      |
| Loss on settlement of note receivable related to sale of Asia-Pacific | (494 )                 |  |                              |                      | (494 )               |
| Minority interest   | (1,719 )               | 1,719                                  |                              | 1,719                |                      |
| Corporate allocation  |                        | 838                                    | (838 )                       | (d)                  |                      |
| Other, net  | 128                    | (101 )                                 |                              | (101 )               | 27                   |
| Total other income (expense)  | (3,573 )               | 2,932                                  | (1,190 )                     | 1,742                | (1,831 )             |
| Income (loss) before income taxes                                     | (1,608 )               | 398                                    | (1,190 )                     | (792 )               | (2,400 )             |
| Provision (benefit) for income taxes                                  | 1,358                  | (1,332 )                               | 40                           | (e) (1,292 )         | 66                   |
| Net income (loss)   | \$ (2,966 )            | 1,730                                  | (1,230 )                     | 500                  | (2,466 )             |
| <b>Net income (loss) per share</b>                                    |                        |  |                              |                      |                      |
| Basic and diluted   | \$ (0.14 )             |  |                              |                      | (0.12 )              |
| <b>Weighted average number of shares:</b>                             |                        |  |                              |                      |                      |
| Basic and diluted   | 20,482                 |  |                              |                      | 20,482               |

(a) Reflects historical financial information of the Mexico operations in the consolidated financials.

(b) Reflects the allocation of interest expense related to the Term Loan.

(c) Reflects adjustment for intercompany interest on intercompany loans. The related intercompany loans will not be repaid.

(d) Reflects corporate allocation, including royalty fee, which would no longer be charged.

(e) The taxes in Mexico relate to the CII joint venture and various withholding taxes associated with the Mexico operations.

(f) Does not reflect any charge associated with the reduction in deferred tax assets that have been supported by taxable income in Mexico or the net loss on the sale transaction.

**CLST Holdings, Inc.**  
**Unaudited Pro Forma Consolidated Balance Sheet**  
**February 28, 2007**

(in thousands)

|   | CellStar<br>Historical | Mexico<br>Operations<br>Historical (a) | Pro Forma<br>Adjustments | Total<br>Adjustments | Pro Forma<br>Results |
|---|------------------------|--|--------------------------|----------------------|----------------------|
| <b>Assets</b>                               |                        |  |                          |                      |                      |
| Cash and cash equivalents                   | \$ 14,199              | (6,299 )                               | 19,244                   | (b) 12,945           | 27,144               |
| Accounts receivable, net                    | 79,086                 | (15,230 )                              |                          | (15,230 )            | 63,856               |
| Accounts receivable, intercompany           |                        | (1,103 )                               | 1,103                    | (c)                  |                      |
| Inventories, net                            | 58,296                 | (12,705 )                              |                          | (12,705 )            | 45,591               |
| Deferred income taxes                       | 917                    | (638 )                                 | (294 )                   | (d) (932 )           | (15 )                |
| Prepaid expenses and other current assets   | 5,070                  | (3,867 )                               |                          | (3,867 )             | 1,203                |
| Total current assets                        | 157,568                | (39,842 )                              | 20,053                   | (19,789 )            | 137,779              |
| Property, plant & equipment                 | 2,226                  | (662 )                                 |                          | (662 )               | 1,564                |
| Goodwill, net                               |                        |  |                          |                      |                      |
| Deferred income tax assets                  | 6,655                  |  | (1,869 )                 | (d) (1,869 )         | 4,786                |
| Other assets                                | 9,171                  | (5,462 )                               |                          | (5,462 )             | 3,709                |
| Total assets                                | \$ 175,620             | (45,966 )                              | 18,184                   | (27,782 )            | 147,838              |
| <b>Liabilities and stockholders' equity</b> |                        |  |                          |                      |                      |
| Notes payable                               | \$ 6,175               |  |                          |                      | 6,175                |
| Current portion - Term Loan                 | 1,000                  |  |                          |                      | 1,000                |
| Accounts payable                            | 129,488                | (19,986 )                              |                          | (19,986 )            | 109,502              |
| Accounts payable - intercompany             |                        | (23,406 )                              | 23,406                   | (c)                  |                      |
| Deferred revenue                            | 1,667                  |  |                          |                      | 1,667                |
| Accrued expenses                            | 10,448                 | (1,074 )                               |                          | (1,074 )             | 9,374                |
| Income taxes payable                        | 1,140                  | (3,617 )                               |                          | (3,617 )             | (2,477 )             |
| Minority interest                           | 1,012                  | (1,012 )                               |                          | (1,012 )             |                      |
| Total current liabilities                   | 150,930                | (49,095 )                              | 23,406                   | (25,689 )            | 125,241              |
| Term Loan                                   | 10,800                 |  |                          |                      | 10,800               |
| Total liabilities                           | 161,730                | (49,095 )                              | 23,406                   | (25,689 )            | 136,041              |
| Common stock                                | 212                    | (6 )                                   | 6                        | (e)                  | 212                  |
| Additional paid in capital                  | 124,548                | (10,297 )                              | 10,297                   | (e)                  | 124,548              |
| Treasury stock                              | (94 )                  |  |                          |                      | (94 )                |
| Cumulative translation adjustment           | (8,719 )               | 9,332                                  |                          | 9,332                | 613                  |
| Retained earnings                           | (102,057 )             | 4,100                                  | (15,525 )                | (f) (11,425 )        | (113,482 )           |
|   | 13,890                 | 3,129                                  | (5,222 )                 | (2,093 )             | 11,797               |
| Total liabilities and stockholders' equity  | \$ 175,620             | (45,966 )                              | 18,184                   | (27,782 )            | 147,838              |

Notes:

- (a) Reflects historical financial information of the Mexico Operations in the consolidated financials.
- (b) Reflects net proceeds from the transaction.
- (c) Reflects elimination of intercompany balances.
- (d) Reflects reduction in deferred tax asset attributable to income from Mexico.
- (e) Reflects elimination of consolidated entity's investment in the Mexico operations.

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- (f) Reflects the net loss on the transaction of \$11.4 million and the add back of the historical retained deficit of \$4.1 million. The loss primarily reflects the elimination of the cumulative translation adjustment.

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**Signature(s)**

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.

**CLST HOLDINGS, INC.**

Date: April 18, 2007

By: /s/ Sherrian Gunn  
Sherrian Gunn  
President and Chief Executive Officer

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