PUMATECH INC
Form 8-K/A
September 09, 2003

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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): March 27, 2003

PUMATECH, INC.

(Exact name of registrant as specified in its charter)

0-21709

(Commission File Number)

Delaware	**77-0349154**
(State or other jurisdiction of incorporation)	**(I.R.S. Employer Identification No.)**

2550 North First Street, San Jose, California 95131

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This Form 8-K/A is to amend Pumatech, Inc. (the Company) Form 8-K filed April 11, 2003, which was amended by the Company s Form 8-K/A filed June 10, 2003, by providing updated pro forma financial information through April 30, 2003 in connection with the acquisition by the Company of all of the outstanding shares of capital stock of Starfish Software, Inc., a California corporation (Starfish).

Item 7. Financial Statements and Exhibits.

a) Pro forma financial information.

The required pro forma financial information included in this Amended Current Report on Form 8-K/A, which gives effect to the acquisition of Starfish is as follows:

Pro Forma Financial Information

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UNAUDITED PRO FORMA COMBINED CONDENSED

FINANCIAL INFORMATION

The unaudited pro forma combined statements of operations for the nine months ended April 30, 2003, and for the year ended July 31, 2002, have been prepared to reflect the acquisition of all of the outstanding capital stock of Starfish Software, Inc. by Pumatech, Inc. which occurred on March 27, 2003 as previously reported by Pumatech on Form 8-K filed on April 11, 2003, as amended by Report on Form 8-K/A filed June 10, 2003. The acquisition has been accounted for using the purchase method of accounting.

On March 27, 2003, Pumatech acquired Starfish for cash consideration of approximately $1,679,000. In addition, Pumatech is estimated to incur direct acquisition costs of approximately $152,000. The estimated direct acquisition costs consist primarily of legal and accounting fees, and printing costs to be incurred by Pumatech which are directly related to the acquisition.

The unaudited pro forma combined condensed statement of operations for the nine months ended April 30, 2003 combines the unaudited historical condensed statements of operations of Pumatech for the nine months ended April 30, 2003 and Starfish for the eight months ended February 28, 2003. These statements give effect to the acquisition as if it had occurred on August 1, 2002. Since the acquisition took place on March 27, 2003, one month of Starfish results are included in the consolidated Pumatech results for the nine months ended April 30, 2003. The unaudited pro forma condensed statement of operations for the year ended July 31, 2002 combines the audited historical statement of operations of Pumatech for the year ended July 31, 2002 and the results of operations of Starfish for the twelve months ended June 30, 2002. These statements give effect to the acquisition as if it had occurred on August 1, 2001. The unaudited pro forma combined condensed financial statements do not include the realization of cost savings from operating efficiencies, synergies or other restructurings that may result from the acquisition.

The unaudited pro forma combined condensed financial statements are presented for illustrative purposes only and is not necessarily indicative of the operating results that would have occurred if the acquisition had been consummated at the beginning of the earliest period presented, nor is it necessarily indicative of future operating results. The pro forma adjustments are based upon information and assumptions available at the time of the filing of this document. The preliminary purchase price allocation for Starfish is subject to revision as more detailed analysis is completed and additional information on the fair values of Starfish s assets and liabilities becomes available. Any change in the fair value of the net assets of Starfish will change the amount of the purchase price allocable to goodwill. Final purchase accounting adjustments may differ materially from the pro forma adjustments presented herein.

The pro forma information should be read in conjunction with the accompanying notes thereto, Pumatech s historical consolidated financial statements and related notes thereto included in Pumatech s Annual Report on Form 10-K for the year ended July 31, 2002, and Quarterly Report on Form 10-Q for the quarter ended April 30, 2003, on file with the Securities and Exchange Commission, and Starfish s historical statements and related notes thereto included in this Form 8-K/A.

Pumatech, Inc.

Unaudited Pro Forma Combined Condensed Statement of Operations

For the Nine Months Ended April 30, 2003

(In thousands, except per share data)

	Historical		Pro Forma	
	Pumatech Nine Months Ended April 30, 2003	Starfish Eight Months Ended February 28, 2003 (1)	Adjustments	Combined
Revenue				
License revenue	$ 13,842	$ 662	$	$ 14,504
License revenue related party		1,019		1,019
Service revenue	3,714	836		4,550
Service revenue related party		350		350
Total revenue	17,556	2,867		20,423
Cost and operating expenses				
Cost of revenue	2,802	849		3,651
Cost of revenue related party		960		960
Research and development	5,432	1,694		7,126
Sales and marketing	8,334	1,450		9,784
General and administrative	3,986	2,802		6,788
Amortization of intangibles	475		292(b)	767
In-process research and development	406		(406)(c)	
Restructuring and other charges		2,506		2,506
Total cost and operating expenses	21,435	10,261	(114)	31,582
Operating loss	(3,879)	(7,394)	114	(11,159)
Other income (expense):				
Interest income	645	9	(42)(a)	612
Interest expense	(8)	(9)		(17)
Other, net	(73)			(73)
Other-than-temporary impairment of direct invetsments	(2,394)			(2,394)
Total other expense	(1,830)		(42)	(1,872)
Loss before income taxes	(5,709)	(7,394)	72	(13,031)
Provision for income taxes	(227)			(227)
Net loss	$ (5,936)	$ (7,394)	$ 72	$ (13,258)

Basic and diluted net loss per share (Note 3)	$ (0.13)			$ (0.29)
Shares used in computing basic and diluted net loss per common share	45,747			45,747

(1) Starfish s results of operations for the eight months ended February 28, 2003 were calculated by deducting the results of operations for the six months ended June 30, 2002 from the results of operations for the twelve months ended December 31, 2002, and adding the results of operations for the two months ended February 28, 2003.

The accompanying notes are integral part of these combined condensed financial statements.

Pumatech, Inc.

Unaudited Pro Forma Combined Condensed Statement of Operations

For the Year Ended July 31, 2002

(In thousands, except per share data)

	Historical		Pro Forma	
	Pumatech Year Ended July 31, 2002	Starfish Year Ended June 30, 2002 (1)	Adjustments	Combined
Revenue				
License revenue	$ 19,167	$ 252	$	$ 19,419
License revenue related party		4,020		4,020
Service revenue	3,773	2,651		6,424
Service revenue related party		2,083		2,083
Total revenue	22,940	9,006		31,946
Cost and operating expenses				
Cost of revenue	6,596	2,882		9,478
Cost of revenue related party		2,392		2,392
Research and development	15,179	5,034		20,213
Sales and marketing	15,160	2,943		18,103
General and administrative	4,904	4,665		9,569
Amortization of intangibles	5,163		411(b)	5,574
Restructuring and other charges	5,595			5,595
Loss on impairment of assets	5,249			5,249
Total cost and operating expenses	57,846	17,916	411	76,173
Operating loss	(34,906)	(8,910)	(411)	(44,227)
Other income (expense):				
Interest income	1,436	168	(85)(a)	1,519
Interest expense	(82)			(82)
Other, net	(214)			(214)
Other-than-temporary impairment of direct investments	(380)			(380)
Total other income	760	168	(85)	843
Loss before income taxes	(34,146)	(8,742)	(496)	(43,384)
Provision for income taxes	(372)			(372)
Net loss	$ (34,518)	$ (8,742)	$ (496)	$ (43,756)
Basic and diluted net loss per share (Note 3)	$ (0.77)			$ (0.98)
Shares used in computing basic and diluted net loss per common share	44,712			44,712

(1) Starfish s results of operations for the twelve months ended June 30, 2002 were calculated by adding the results of operations for the six months ended December 31, 2001 to, and deducting the results of operations for the six months ended December 31, 2002 from, the results of operations for the twelve months ended December 31, 2002.

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

Pumatech, Inc.

Notes to the Unaudited Pro Forma Combined Condensed Statements of Operations

1. Basis of Pro Forma Presentation

On March 27, 2003, Pumatech acquired Starfish for a purchase price of approximately $1.8 million for the Starfish common stock outstanding upon the effective date of the acquisition. Pumatech will account for the acquisition under the purchase method of accounting.

The unaudited pro forma combined condensed statement of operations of Pumatech and Starfish for the nine months ended April 30, 2003 is presented as if the transaction had been consummated on August 1, 2002. The unaudited pro forma combined statement of operations for the nine months ended April 30, 2003 combines the results of operations of Pumatech for the nine months ended April 30, 2003 and Starfish s results of operations for the eight months ended February 28, 2003. Since the acquisition took place on March 27, 2003, one month of Starfish results are included in the consolidated Pumatech results for the nine months ended April 30, 2003. The unaudited pro forma combined condensed statement of operations of Pumatech and Starfish for the year ended July 31, 2002 is presented as if the transaction had been consummated on August 1, 2001. The unaudited pro forma combined statement of operations for the twelve months ended July 31, 2002 combines the results of operations of Pumatech for the twelve months ended July 31, 2002 and Starfish s results of operations for the twelve months ended June 30, 2002. Starfish s results of operations for the twelve months ended June 30, 2002 were calculated by adding the results of operations for the six months ended December 31, 2001, and deducting the results of operations for the six months ended December 31, 2002, to the results of operations for the twelve months ended December 31, 2002

The unaudited pro forma combined condensed financial statements reflect an estimated purchase price of approximately $1.8 million. The cash payment was determined based on the book value of assets acquired and liabilities assumed on the date of the acquisition. The cash payment is subject to adjustment as additional information on the fair values of Starfish s assets and liabilities becomes available. The estimated total purchase price is as follows (in thousands):

Cash	$ 1,679
Estimated direct acquisition costs	152
Total estimated purchase price	$ 1,831

Pumatech, Inc.

Notes to the Unaudited Pro Forma Combined Condensed Statements of Operations *(Continued)*

The final purchase price is dependent on the actual assets acquired, liabilities assumed and actual direct acquisition costs. Under the purchase method of accounting, the total estimated purchase price is allocated to Starfish s net tangible and intangible assets based upon their estimated fair value as of the date of completion of the acquisition. Based upon the estimated purchase price and the preliminary valuation, the purchase price allocation, which is subject to change based on Pumatech s final analysis, is as follows (in thousands):

Tangible assets acquired		$ 2,052
Amortizable intangible assets:		
Developed technology	735	
Patents	220	
Trademarks	57	
Customer base	303	
Customer contracts	78	
In-process research and development (expensed)	442	
Total amortizable intangible assets		1,835
Total assets acquired		3,887
Liabilities assumed		(5,357)
Goodwill		3,301
Net assets acquired		$ 1,831

Approximately $1.4 million of the estimated purchase price was allocated to amortizable intangible assets. It is estimated that the developed technology, patents, and customer base will be amortized on a straight-line basis over 4 years; the trademarks will be amortized on a straight-line basis over 3 years; and the customer contracts will be amortized on a straight-line basis over 9 months.

The in-process research and development of $0.4 million is charged to operations on the acquisition date. The in-process research and development charge has not been included in the accompanying unaudited pro forma condensed combined statement of operations as it represents a non-recurring charge directly related to the acquisition. The in-process research and development consisted of technology that had not yet reached technological feasibility and had no alternative future use as of the date of acquisition. The value assigned to the acquired in-process research and development was determined by estimating the projects percentage of completion and future cash flows or revenue contribution. Starfish s project for Mercury platform technology was identified as in-process research and development and deemed to be 70% complete on the date of acquisition. Its net cash flows were discounted utilizing a weighted average cost of capital of 30%, which, among other related assumptions, was believed to be reasonable. This discount rate takes into consideration the inherent uncertainties surrounding the successful development of the in-process research and development, the expected profitability levels of such technology, and the uncertainty of technological advances that could potentially impact the estimates described above.

Pumatech, Inc.

Notes to the Unaudited Pro Forma Combined Condensed Statements of Operations *(Continued)*

A preliminary estimate of $3.3 million has been allocated to goodwill. Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired. In accordance with Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets , goodwill will not be amortized and will be tested for impairment at least annually. The preliminary purchase price allocation for Starfish is subject to revision as more detailed analysis is completed and additional information on the fair values of Starfish s assets and liabilities becomes available. Any change in the fair value of the net assets of Starfish will change the amount of the purchase price allocable to goodwill. Final purchase accounting adjustments may therefore differ materially from the pro forma adjustments presented here.

2. Pro Forma Adjustments

Certain reclassifications have been made to conform Starfish s historical amounts to Pumatech s financial statement presentation.

The accompanying unaudited pro forma combined condensed financial statements reflect the following pro forma adjustments:

(a) To reflect the decrease in interest income related to the cash payment for the acquisition of $1.7 million.

(b) To reflect amortization of the amortizable intangible assets resulting from the acquisition. The weighted average life of amortizable intangible assets approximates 4 years.

(c) To reflect the elimination of in-process research and development.

3. Pro Forma Combined Net Loss Per Share

Shares used to calculate unaudited pro forma combined net loss per basic and diluted share were computed using Pumatech s weighted average shares outstanding during the respective periods.

4. Subsequent Event

In March 2003, in full settlement of its $4.5 million line of credit borrowings, the Company assigned without recourse an account receivable to Motorola, Inc. in the amount of approximately $750,000 and granted Motorola a royalty-free right to use the Company s software.

(c) Exhibits.

The following exhibits are filed with this Amended Current Report on Form 8-K/A:

Exhibit Number	Exhibit Description
23.1*	Consent of Independent Accountants
99.1*	Starfish Software, Inc. audited financial statements at December 31, 2002

* Previously filed as an exhibit to the Current Report on Form 8-K/A, filed with the Securities and Exchange Commission on June 10, 2003, and incorporated herein by reference.

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.

Date: September 8, 2003

PUMATECH, INC.

By: /s/ J. KEITH KITCHEN

J. Keith Kitchen

Vice President of Finance and Administration

and Chief Accounting Officer

(Principal Financial and Accounting Officer)