

PUMATECH INC
Form 8-K/A
October 28, 2003
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UNITED STATES
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 (Date of earliest event reported): September 17, 2003

PUMATECH, INC.

(Exact name of registrant as specified in its charter)

0-21709

(Commission File Number)

Delaware
(State or other

jurisdiction of incorporation)

77-0349154
(I.R.S. Employer

Identification No.)

2550 North First Street, San Jose, California 95131

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Item 2. Acquisition or Disposition of Assets.

As previously reported, on September 17, 2003, Pumatech, Inc., a Delaware corporation ("Pumatech" or the "Company") acquired substantially all of the assets (the "Asset Purchase") of Spontaneous Technology, Inc., a Nevada corporation ("Spontec"). The Asset Purchase was made pursuant to an Asset Purchase Agreement dated as of July 30, 2003 by and between Pumatech and Spontec, as amended pursuant to Amendment No. 1 to Asset Purchase Agreement dated September 17, 2003 (together, the "Asset Purchase Agreement"). As consideration for the Asset Purchase, at the closing of the transaction, Pumatech issued Spontec a total of 1,094,000 shares of Pumatech Common Stock as described in Section 2.2 of the Asset Purchase Agreement, and assumed certain liabilities of Spontec in the aggregate amount of \$1,344,000 (together, the "Initial Purchase Payment"). Additionally, as described in Section 2.10 of the Asset Purchase Agreement, depending upon Pumatech revenues associated with sales of Pumatech products including certain Spontec technology during the period ending September 30, 2004, Pumatech may be required to pay Spontec additional consideration of up to \$7,000,000 in shares of Pumatech Common Stock (such payment the "Earnout Payment," and together with the Initial Purchase Payment, the "Asset Purchase Consideration").

The Asset Purchase Consideration paid by Pumatech to Spontec was determined through arms length negotiations between Pumatech and Spontec. Liabilities assumed as part of the Initial Purchase Payment will be repaid from Pumatech's working capital. The shares of Pumatech Common Stock used as part of the Initial Purchase Payment were newly issued shares of Pumatech Common Stock. The assets acquired in the Asset Purchase were used by Spontec in the development of certain software technology. Pumatech intends to continue using the assets for such use.

The foregoing description of the Asset Purchase does not purport to be complete and is qualified in its entirety by reference to the Asset Purchase Agreement previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Securities Exchange Commission on October 2, 2003. This amendment provides financial statements of Spontec and pro forma information that were not available at the time of the initial filing.

This document contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that involve risks and uncertainties regarding the ability to leverage the acquired intellectual property, benefits from the product offerings and customer relationships, the ability to address complex synchronization challenges, the timing or ability to reach profitability, and the benefits of new business partnerships and products, are based on current expectations and beliefs and are subject to numerous risks and uncertainties that could cause actual results to differ materially. Factors that could cause actual results to differ materially include risks associated with the successful integration of the Spontaneous Technology business and technologies, including management distraction during such integration, and the impact that the failure to successfully integrate could have on the realization of the anticipated benefits of the acquisition, the added complexities associated with integrating technologies acquired in multiple transactions, uncertainties related to the effect of continued weakness of general economic factors on the overall demand for our products and services, the timing of market adoption and movement toward data synchronization and integration solutions, market acceptance of wireless data services, margin erosion, market shrinkage, economic uncertainty related to terrorism and conflict in the Middle East and elsewhere in the world, market acceptance of the acquisition, the ability to leverage the acquisition to address synchronization challenges, timely introduction, availability and acceptance of new products, the impact of competitive products and pricing, consummation of binding agreements with prospective business partners, as well as additional risk factors, as discussed in the "Risk Factors" section of Pumatech's Annual Report on Form 10-K for the year ended July 31, 2003, and Pumatech's quarterly reports filed from time to time with the U.S. Securities and Exchange Commission.

Item 7. Financial Statements and Exhibits.

On October 2, 2003, Pumatech filed a Current Report on Form 8-K to report its acquisition of substantially all of the assets of Spontaneous Technology, Inc ("Spontec"). As permitted under Items 7(a)(4) and (b)(2) of Form 8-K, Pumatech indicated that it would file the financial statements and pro forma financial information required under Item 7 as soon as practicable. This Amendment No. 1 of Current Report on Form 8-K provides the required financial information, and amends Item 7 of the Current Report on Form 8-K filed by Pumatech on October 2, 2003.

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- a) Financial statements of business acquired.

The required financial information of Spontec has been included hereto in Exhibit 99.1.

- b) 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 Spontec is as follows:

Pro Forma Financial Information

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UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS

The following unaudited pro forma combined condensed financial statements have been prepared to give effect to Pumatech's acquisition of substantially all of the assets of Spontaneous Technology, Inc. on September 17, 2003 using the purchase method of accounting and the assumptions and adjustments described in the accompanying notes to the unaudited pro forma combined condensed financial statements. These pro forma statements were prepared as if the Spontaneous Technology acquisition had been completed as of August 1, 2002 for statement of operations purposes and as of July 31, 2003 for balance sheet purposes. Pumatech's acquisition of Starfish Software, Inc. on March 27, 2003 is also treated as having occurred on August 1, 2002.

Pumatech's fiscal year end is July 31, whereas Spontaneous Technology's fiscal year end is December 31. The following pro forma combined condensed statement of operations data for the year ended July 31, 2003 combines the results of operations of Pumatech for the twelve months ended July 31, 2003 and Spontaneous Technology's results of operations for the twelve months ended June 30, 2003. Spontaneous Technology's results of operations for the twelve months ended June 30, 2003 were calculated by adding the results of operations for the twelve months ended December 31, 2002 to the results of operations for the six months ended June 30, 2003, and deducting the results of operations for the six months ended June 30, 2002. In addition, the following pro forma combined condensed statement of operations data for the year ended July 31, 2003 includes the results of operations of Starfish Software for the eight months ended February 28, 2003. Since the acquisition of Starfish Software took place on March 27, 2003, four months of Starfish Software results are included in the consolidated Pumatech results for the year ended July 31, 2003. Starfish Software'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 unaudited pro forma combined condensed financial statements are presented for illustrative purposes only and are not necessarily indicative of the financial position or results of operations that would have actually been reported had the merger and the acquisition noted above occurred on August 1, 2002 for statement of operations purposes and as of July 31, 2003 for balance sheet purposes, nor are they necessarily indicative of the future financial position or results of operations.

The unaudited pro forma combined condensed financial statements include adjustments to reflect the allocation of the purchase price to the acquired assets and assumed liabilities of Spontaneous Technology. The final allocation of the purchase price will be determined as more detailed analysis is completed and additional information on the fair values of Spontaneous Technology's assets and liabilities becomes available and any contingent consideration associated with the acquisition is resolved. Any change in the fair value of the net assets of Spontaneous Technology, as well as any changes to the total purchase price paid by Pumatech, will change the amount of the purchase price allocable to goodwill. Due to the uncertainty associated with the final purchase consideration, final purchase accounting adjustments may differ materially from the pro forma adjustments presented here.

In addition, the unaudited pro forma combined condensed statement of operations also includes the results of Starfish Software, a business that Pumatech acquired in March 2003, for the eight months ended February 28, 2003.

These unaudited pro forma combined condensed financial statements are based upon the respective historical consolidated financial statements of Pumatech, Spontaneous Technology and Starfish Software and should be read in conjunction with the historical consolidated financial statements of Pumatech, Spontaneous Technology and Starfish Software and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included in Pumatech's annual reports, quarterly reports and other information on file with the SEC.

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(In thousands)

	Historical		Pro Forma	
	Pumatech	Spontec	Adjustments	Combined
	as of July 31, 2003	as of June 30, 2003		
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 7,842	\$ 341	\$	\$ 8,183
Short-term investments in marketable securities	19,317			19,317
Accounts receivable, net	5,469	8		5,477
Inventories	113			113
Prepaid expenses and other current assets	882	5		887
Total current assets	33,623	354		33,977
Restricted investments	296			296
Property and equipment, net	1,153	18		1,171
Goodwill	2,731	1,830	1,121(a)	5,682
Intangible assets, net	2,734		1,556(a)	4,290
Other assets	630	252	(252)(a)	630
Total assets	\$ 41,167	\$ 2,454	\$ 2,425	\$ 46,046
LIABILITIES, MANDATORILY REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Borrowings	\$	\$ 2,250	\$ (2,250)(c)	\$
Accounts payable	2,619	618		3,237
Accrued expenses and other current liabilities	3,816	377	300(b)	4,493
Deferred revenue	2,015	1,802	(1,300)(d)	2,517
Total current liabilities	8,450	5,047	(3,250)	10,247
Long-term debt				
Other long-term liabilities	921			921
Mandatorily redeemable convertible preferred stock:		38,643	(38,643)(e)(c)	
Stockholders' equity:				
Common stock	48	28	(27)(e)	49
Additional paid-in capital	153,986	14,283	(10,733)(e)	157,536
Treasury stock				
Receivable from stockholder	(112)			(112)
Accumulated deficit	(121,661)	(55,547)	55,078(e)	(122,130)
Deferred compensation, net	(459)			(459)
Accumulated other comprehensive income	(6)			(6)
Total stockholders' equity	31,796	(41,236)	44,318	34,878
Total liabilities, mandatorily redeemable preferred stock and stockholders' equity	\$ 41,167	\$ 2,454	\$ 2,425	\$ 46,046

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

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	Historical			Pro Forma	
	Pumatech	Starfish Eight	Spontec	Adjustments	Combined
	Year ended	Months Ended	Year ended		
	July 31, 2003	February 28, 2003(1)	June 30, 2003(2)		
Revenues					
License revenue	\$ 19,169	\$ 662	\$ 149	\$	\$ 19,980
License revenue - related party		1,019			1,019
Service revenue	5,691	836	387		6,914
Service revenue - related party		350			350
Total revenues	24,860	2,867	536		28,263
Costs and expenses:					
Cost of revenue	4,094	849	399		5,342
Cost of revenue - related party		960			960
Sales and marketing	11,468	1,450	495		13,413
General and administrative	5,793	2,802	3,565		12,160
Research and development	7,389	1,694	1,258		10,341
In-process research and development	406			(406)(h)	
Amortization of intangibles	709			681(f)(g)	1,390
Restructuring and other charges	795	2,506			3,301
Total operating expenses	30,654	10,261	5,717	275	46,907
Loss from operations	(5,794)	(7,394)	(5,181)		