

PUMATECH INC
Form 8-K/A
June 10, 2003

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): March 27, 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

(408) 321-7650

Item 2. Acquisitions and Dispositions.

As previously reported, on March 27, 2003, Pumatech, Inc. ("Pumatech") completed the acquisition of all of the outstanding shares of capital stock (the "Stock Purchase") of Starfish Software, Inc., a California corporation ("Starfish") and wholly-owned subsidiary of Motorola, Inc., a Delaware corporation ("Motorola"). Pumatech previously reported that it paid Motorola a total of \$1,501,453 as consideration for the Stock Purchase. As a result of adjustments made to the purchase price pursuant to the Stock Purchase Agreement dated as of March 27, 2003 by and between Pumatech and Motorola (previously filed as Exhibit 2.1 to the Current Report on Form 8-K filed on April 11, 2003), Pumatech has paid Motorola approximately \$178,000 as additional consideration for the Stock Purchase. This additional post-closing adjustment amount was paid from Pumatech's working capital. The purchase price is subject to further adjustment based on the finalization of the amount of Starfish's working capital.

The foregoing description of the acquisition does not purport to be complete and is qualified in its entirety by reference to the Stock Purchase Agreement previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Securities Exchange Commission on April 11, 2003. This amendment provides financial statements of Starfish and pro forma information that were not available at the time of the initial filing.

Item 7. Financial Statements and Exhibits.

On April 11, 2003, Pumatech filed a Current Report on Form 8-K to report its acquisition of all of the outstanding stock of Starfish Software, Inc. from Motorola, Inc. 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 April 11, 2003.

a) Financial statements of business acquired.

The required financial information of Starfish 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 Starfish is as follows:

Pro Forma Financial Information

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Unaudited Pro Forma Combined Condensed Statement of Operations for the Year Ended July 31, 2002
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UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS

The unaudited pro forma combined condensed balance sheet as of January 31, 2003, and the unaudited pro forma combined statements of operations for the six months ended January 31, 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. 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.

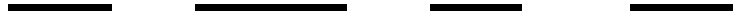
The unaudited pro forma combined condensed balance sheet reflects the combination of the unaudited historical condensed balance sheets of Pumatech and Starfish as of January 31, 2003, and December 31, 2002, respectively, and has been prepared to reflect the acquisition as if the acquisition had been consummated on January 31, 2003. The unaudited pro forma combined condensed statement of operations for the six months ended January 31, 2003 combines the unaudited historical condensed statements of operations of Pumatech and Starfish for the six months ended January 31, 2003 and December 31, 2002, respectively. These statements give effect to the acquisition as if it had occurred on August 1, 2002. 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 or financial position 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 or financial position. 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. Additionally, changes in Starfish's working capital, including the results of operations from January 31, 2003 through the date the transaction is completed, will change the amount of goodwill recorded. 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 fiscal quarter ended January 31, 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 Balance Sheet as of January 31, 2003****(In thousands)**

| | Historical | | Pro Forma | |
|--|------------------|-------------------|---------------|-----------|
| | Pumatech | Starfish | | |
| | January 31, 2003 | December 31, 2002 | Adjustments | Combined |
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 6,058 | \$ 199 | \$ (1,679)(a) | \$ 4,578 |
| Short-term investments | 23,989 | | | 23,989 |
| Accounts receivable, net | 4,487 | 478 | | 4,965 |
| Accounts receivable from related party | | 265 | | 265 |
| Unbilled revenue | | 334 | | 334 |
| Inventories, net | 64 | | | 64 |
| Deferred costs | | 528 | | 528 |
| Other current assets | 1,013 | 68 | | 1,081 |
| Total current assets | 35,611 | 1,872 | (1,679) | 35,804 |
| Property and equipment, net | 1,377 | 180 | | 1,557 |
| Goodwill, net | 2,731 | | 3,301 (b) | 6,032 |
| Other intangible assets, net | 270 | | 1,393 (b) | 1,663 |
| Restricted cash | 352 | | | 352 |
| Other assets | 3,071 | | | 3,071 |
| Total assets | \$ 43,412 | \$ 2,052 | \$ 3,015 | \$ 48,479 |
| Liabilities and Shareholders' Equity | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 1,292 | \$ 218 | \$ | \$ 1,510 |
| Accrued liabilities | 4,320 | 3,393 | 152 (d) | 7,865 |
| Current portion of borrowings | | 1,002 | | 1,002 |
| Deferred revenue | 2,595 | 2,327 | (1,583)(e) | 3,339 |
| Total current liabilities | 8,207 | 6,940 | (1,431) | 13,716 |
| Other liabilities | 1,432 | | | 1,432 |
| Total liabilities | 9,639 | 6,940 | (1,431) | 15,148 |
| Shareholders' equity: | | | | |
| Common stock | 47 | 19,717 | (19,717)(f) | 47 |
| Additional paid-in capital | 149,902 | | | 149,902 |
| Deferred stock compensation | (208) | | | (208) |
| Accumulated deficit | (116,048) | (24,605) | 24,605 (f) | (116,490) |
| | | | (442)(c) | |
| Other comprehensive income | 80 | | | 80 |
| Total shareholders' equity (deficit) | 33,773 | (4,888) | 4,446 | 33,331 |
| Total liabilities and shareholders' equity | \$ 43,412 | \$ 2,052 | \$ 3,015 | \$ 48,479 |



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

Pumatech, Inc.**Unaudited Pro Forma Combined Condensed Statement of Operations****For the Six Months Ended January 31, 2003****(In thousands, except per share data)**

| | Historical | | Pro Forma | |
|---|-----------------------------|---|--------------------|-------------------|
| | Pumatech | Starfish | | |
| | Six Months Ended | Six Months Ended | | |
| | January 31, 2003 | December 31, 2002 ⁽¹⁾ | Adjustments | Combined |
| Revenue | | | | |
| License revenue | \$ 9,014 | \$ 95 | \$ | \$ 9,109 |
| License revenue related party | | 964 | | 964 |
| Service revenue | 1,817 | 431 | | 2,248 |
| Service revenue related party | | 327 | | 327 |
| Total revenue | 10,831 | 1,817 | | 12,648 |
| Cost and operating expenses | | | | |
| Cost of revenue | 1,646 | 177 | | 1,823 |
| Cost of revenue related party | | 903 | | 903 |
| Research and development | 3,490 | 1,629 | | 5,119 |
| Sales and marketing | 5,338 | 1,311 | | 6,649 |
| General and administrative | 2,399 | 2,525 | | 4,924 |
| Amortization of intangibles | 295 | | 219 (g) | 514 |
| Restructuring and other charges | | 2,506 | | 2,506 |
| Total cost and operating expenses | 13,168 | 9,051 | 219 | 22,438 |
| Operating loss | (2,337) | (7,234) | (219) | (9,790) |
| Other income (expense): | | | | |
| Interest income | 477 | 9 | (42) (a) | 444 |
| Interest expense | (8) | | | (8) |
| Other, net | (73) | | | (73) |
| Total other income | 396 | 9 | (42) | 363 |
| Loss before income taxes | (1,941) | (7,225) | (261) | (9,427) |
| Provision for income taxes | (182) | | | (182) |
| Net loss | \$ (2,123) | \$ (7,225) | \$ (261) | \$ (9,609) |
| Basic and diluted net loss per share (Note 3) | \$ (0.05) | | | \$ (0.21) |
| Shares used in computing basic and diluted net loss per common share | 45,573 | | | 45,573 |

- ⁽¹⁾ Starfish's results of operations for the six months ended December 31, 2002 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.

The accompanying notes are an 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 | 3,051 | | 6,824 |
| Service revenue related party | | 2,083 | | 2,083 |
| Total revenue | 22,940 | 9,406 | | 32,346 |
| Cost and operating expenses | | | | |
| Cost of revenue | 6,596 | 3,046 | | 9,642 |
| 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 (g) | 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 | 18,080 | 411 | 76,337 |
| Operating loss | (34,906) | (8,674) | (411) | (43,991) |
| 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) | (8,506) | (496) | (43,148) |
| Provision for income taxes | (372) | | | (372) |
| Net loss | \$ (34,518) | \$ (8,506) | \$ (496) | \$ (43,520) |
| Basic and diluted net loss per share (Note 3) | \$ (0.77) | | | \$ (0.97) |
| 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 Financial Statements

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 condensed combined balance sheet at January 31, 2003 is presented to give effect to the acquisition as if the transaction had been consummated on that date. The unaudited pro forma combined balance sheet at January 31, 2003 combines the balance sheet of Pumatech as of January 31, 2003 and Starfish's balance sheet as of December 31, 2002. The unaudited pro forma combined condensed statement of operations of Pumatech and Starfish for the six months ended January 31, 2003 is presented as if the transaction had been consummated on August 1, 2002. The unaudited pro forma combined statement of operations for the six months ended January 31, 2003 combines the results of operations of Pumatech for the six months ended January 31, 2003 and Starfish's results of operations for the six months ended December 31, 2002. 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 |
| | <hr/> |
| Total estimated purchase price | \$ 1,831 |
| | <hr/> |

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

Pumatech, Inc.**Notes to the Unaudited Pro Forma Combined Condensed Financial Statements***(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 |
| | <u> </u> |
| Total amortizable intangible assets | 1,835 |
| | <u> </u> |
| Total assets acquired | 3,887 |
| Liabilities assumed | (5,357) |
| Goodwill | 3,301 |
| | <u> </u> |
| Net assets acquired | \$ 1,831 |
| | <u> </u> |

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.

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

Pumatech, Inc.

Notes to the Unaudited Pro Forma Combined Condensed Financial Statements

(Continued)

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 estimated cash payment for the acquisition of \$1.7 million for the outstanding Starfish shares and resulting decrease in interest income.
- (b) To establish amortizable intangibles and non-amortizable goodwill resulting from the acquisition
- (c) To reflect the charge for in-process research and development.
- (d) To record direct acquisition costs of approximately \$0.1 million. Actual amounts could differ significantly upon adjustment.
- (e) To adjust Starfish deferred revenue to estimated fair value.
- (f) To eliminate the historical stockholders' equity of Starfish.
- (g) To reflect amortization of the amortizable intangible assets resulting from the acquisition. The weighted average life of amortizable intangible assets approximates 4 years.

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.

(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 |

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: June 10, 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)