

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K/A

Current report filing [amend]

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FILER

INTERSOLV INC

CIK: **805330** | IRS No.: **520990382** | State of Incorpor.: **DE** | Fiscal Year End: **0430**
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SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549
 FORM 8-K/A

Amendment No. 1

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report: May 1, 1995

INTERSOLV, Inc.

(Exact name of registrant as specified in charter)

Delaware

0-15188

52-0990382

(State/other jurisdiction of incorporation)

(Commission File Number)

(IRS Employer Identification No.)

9420 Key West Avenue, Rockville, Maryland 20850
 (Address of principal executive offices)

Registrant's telephone no., including area code 301/838-5000

3200 Tower Oaks Blvd, Rockville, Maryland 20852
 (Previous Address)

This Amendment No. 1 to the Current Report is filed on Form 8-K/A by INTERSOLV, Inc. (the "Company") and amends the Current Report on Form 8-K filed by the Company on May 11, 1995.

Only those items which are amended are set forth herein.

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

- A. Statement of Operations for the year ended April 30, 1995
 Statement of Cash Flows for the year ended April 30, 1995
 Statement of Stockholder's Equity for the year ended April 30, 1995

Financial Statements of PC Strategies & Solutions, Inc.

Report of Coopers & Lybrand L.L.P., Independent Accountants
 Balance Sheet as of April 30, 1995

B. PRO FORMA FINANCIAL STATEMENTS OF INTERSOLV INC.

Unaudited Pro Forma Condensed Combined Balance Sheet as of April 30, 1995

Unaudited Pro Forma Condensed Combined Statements of Operations for each of the years ended April 30, 1995, 1994 and 1993

C. Exhibits

Exhibit No.	Exhibit
23	Consent of Coopers & Lybrand L.L.P., Independent Accountants

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 thereunto duly authorized.

INTER SOLV, Inc.

Date: July 10, 1995	By	/S/ Kenneth A. Sexton Kenneth A. Sexton Vice President, Finance & Administration (Principal Financial and Accounting Officer)
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ITEM 7.A Financial Statements of PC Strategies & Solutions, Inc.

Attached are the financial statements of PC Strategies & Solutions, Inc., which includes the Balance Sheet as of April 30, 1995, the Statement of Operations for the year ended April 30, 1995, the Statement of

Stockholder's Equity for the year ended April 30, 1995, the Statement of Cash Flows for the year ended April 30, 1995, Notes to Financial Statements and the Report of Coopers & Lybrand L.L.P., Independent Accountants.

REPORT OF INDEPENDENT ACCOUNTANTS

To Board of Directors and Shareholder
PC STRATEGIES & SOLUTIONS, INC.

We have audited the accompanying balance sheet of PC STRATEGIES & SOLUTIONS, Inc. as of April 30, 1995, and the related statements of operations, stockholder's equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 PC STRATEGIES & SOLUTIONS, Inc. as of April 30, 1995, and the results of its operations and its cash flows for the year ended April 30, 1995, in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.

Washington, D.C.
June 9, 1995

PC STRATEGIES & SOLUTIONS INC.
BALANCE SHEET
as of April 30, 1995
(dollar amounts in thousands)

ASSETS

Current assets:	\$39
Accounts receivable, net of allowance for doubtful Cash and cash equivalents	
Accounts Receivable, net of allowance for doubtful accounts of \$18	900
Prepaid expenses and other current assets	16
Total current assets	955
 Furniture and equipment:	
Furniture and equipment, at cost	815
Accumulated depreciation and amortization	(203)
Total furniture and equipment, net	612
Other assets	47
Total assets	\$1,614

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities:	
Accounts payable and accrued expenses	\$342
Accrued compensation and employee benefits	158
Bank debt	56
Current portion of capital lease obligations	161
Income taxes payable	20
Deferred income taxes	115
Deferred revenue	133
Total current liabilities	985
 Long-term portion of capital lease obligations	 270
Total liabilities	1,255
 Commitments and contingencies	
 Stockholder's equity:	
Common stock, no par value; 100 shares authorized; issued and outstanding	 1
Retained earnings	358
Total stockholder's equity	359

Total liabilities and stockholder's equity

\$1,614

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

PC STRATEGIES & SOLUTIONS, INC.
STATEMENT OF OPERATIONS
for the Year Ended April 30, 1995
(amounts in thousands)

Service revenues	\$4,932
Costs and expenses:	
Cost of services	3,965
Marketing	341
General and administrative	581
Non-recurring charges	186
Total costs and expenses	5,073
Operating loss	(141)
Interest expense	(34)
Loss before income taxes	(175)
Income tax benefit	(75)
Net loss	(\$100)

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

PC STRATEGIES & SOLUTIONS, INC.
STATEMENT OF CASH FLOWS
for the Year Ended April 30, 1995
(amounts in thousands)

Cash inflows (outflows)

Operating activities:	
Net loss	(\$100)
Non-cash items:	
Depreciation	131
Deferred income taxes	(151)
Changes in assets and liabilities	
Accounts receivable	(144)
Prepaid expenses and other current assets	(15)
Accounts payable and accrued expenses	363

Deferred revenue	133
Taxes payable	(68)
Other assets	(7)
Net cash provided by operating activities	142
Investing activities:	
Additions to property and equipment	(108)
Net cash used in investing activities	(108)
Financing activities:	
Principal payments on capital lease obligations	(80)
Principal payments on bank debt	(19)
Proceeds from bank debt	75
Principal payments on shareholder loan	(40)
Net cash used by financing activities	(64)
Net decrease in cash and cash equivalents	(30)
Cash and cash equivalents, beginning of year	69
Cash and cash equivalents, end of year	\$39
Supplemental disclosure of cash flow information:	
Cash paid for:	
Interest	\$34
Income taxes	\$144
Non-cash activity:	
Equipment acquired under capital leases	\$394

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

PC STRATEGIES & SOLUTIONS, INC.
STATEMENT OF CHANGES IN
STOCKHOLDER'S EQUITY
for the Year Ended April 30, 1995

(dollar amounts in thousands)

	Shares Amount	Common Stock	Retained Earnings	Total
Balance, April 30, 1994	100	\$1	\$458	\$ 459
Net Loss	-----	-----	(100)	(100)
Balance, April 30, 1995	100	\$1	\$358	\$ 359

The accompanying notes are an integral part of the financial statements

PC STRATEGIES & SOLUTIONS, INC.
NOTES TO FINANCIAL STATEMENTS

(1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

PC STRATEGIES & SOLUTIONS, Inc. (the "Company" or "PCS"), is engaged in providing consulting and training services to assist companies in the analysis, design and development of client/server applications.

Revenue Recognition

The Company's service revenues consist primarily of consulting and training fees. These fees are recognized upon the delivery of the services.

Cash and Cash Equivalents

Cash and cash equivalents consists of time and demand deposits and highly liquid investments purchased with a maturity of three months or less. The Company maintains its time and demand deposits in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Concentrations of Credit Risk

Financial instruments which potentially expose the Company to concentrations of credit risk, as defined by Statement of Financial Accounting Standards No. 105, consist primarily of trade accounts receivable. The Company's customer base is primarily Fortune 1000 companies or branches thereof. The Company does not require collateral upon delivery of its services or products.

Furniture and Equipment

Furniture and equipment are stated at cost and depreciated on a double declining basis over their estimated useful lives. Furniture and equipment are generally depreciated over terms of 5 to 7 years.

Income Taxes

The Company's fiscal year for income tax reporting purposes is September 30. The Company files its income tax return on the cash basis. On October 1, 1993, the Company, with the consent of its sole shareholder, revoked its Subchapter S election. The Company has adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("FAS 109").

(2) BANK DEBT

Line of Credit

The Company has a revolving line of credit with a bank, which expires January 31, 1996. The line of credit is collateralized by all assets of the Company and is guaranteed by the sole shareholder. Interest is due monthly at a variable interest rate equal to 1/2% over prime. The Company may borrow up to \$500,000 under this agreement. The line of credit contains various restrictive covenants related to working capital, tangible net worth and liabilities to net worth, which the Company was in violation of as of April 30, 1995. At April 30, 1995, there were no borrowings outstanding under this line of credit. Subsequent to April 30, 1995, the line of credit was terminated by the Company.

Term Loan Payable

The Company has a term loan with a bank which was used to purchase furniture and equipment. The loan is payable in quarterly installments of \$6,250. The loan bears interest at prime rate plus 3/4%. The loan is collateralized by accounts receivable and equipment and is subject to the same terms and conditions as the line of credit, as noted above. At April 30, 1995, the balance on the loan is \$56,250, all which has been classified as a current liability because of the covenant violation. This loan was paid in full in June 1995.

(3) COMMITMENTS AND CONTINGENCIES

Leases

The Company leases office space, office equipment and automobiles under noncancelable operating leases expiring through 1999. In addition, the Company leases office equipment on a month-to-month basis, which can be terminated at any time at the Company's option. None of the agreements contain unusual renewal or purchase options. Total rent expense in fiscal 1995 was \$211,000.

Future minimum lease payments under the noncancelable operating lease agreements as of April 30, 1995, are as follows (\$000's):

Years Ending April 30,

1996	1997	1998	1999	2000	Thereafter	Total
\$324	\$337	\$337	\$336	\$351	\$326	\$2,011

Letter of Credit

The Company has issued a letter of credit for approximately \$46,000 to the lessor of its office space, which serves as a security deposit under the office lease.

(4) CAPITAL LEASE OBLIGATIONS

The Company leases various computer equipment under capital leases. This equipment is classified as part of furniture and equipment with a total gross cost of \$509,000 and accumulated depreciation of \$88,000. Future minimum payments under these leases are as follows (000's):

	Year ending	
	April 30,:	
	1996	\$202
	1997	184
	1998	113
Total payments		499
Less: amount representing interest		(68)
Present value of minimum payments		\$431
Long-term portion of capital lease obligations		\$270

(5) EMPLOYEE BENEFIT PLAN

401(k) Plan

The Company has a savings and investment plan (the "Plan") which covers employees of the Company and that qualifies under section 401(k) of the Internal Revenue Code. The Company may make discretionary contributions. The Company contributed \$26,390 during the year ended April 30, 1995.

(6) INCOME TAXES

The benefit for income taxes consists of the following (000's):

Current provision:		
U.S. federal		\$60
State		16
Total Current Provision		76
Deferred benefit:		
U.S. federal	(119)	
State	(32)	
Total Deferred Benefit	(151)	
Total Tax Benefit		\$ (75)

The effective tax rate of 43% is the sum of the U.S. Federal statutory rate of 34% and the state statutory rate of 9%.

The tax effects of the components of the deferred tax assets and liabilities are as follows:

Deferred tax assets:

Accrued expenses	\$ (215)
Deferred revenue	(57)

Deferred tax liability:

Accounts receivable, net	387
Net deferred tax liability	\$115

(7) Related Party Transaction

During the year ended April 30, 1995, the Company repaid a \$40,000 loan to the sole shareholder.

(8) Subsequent Event

Effective May 1, 1995, the sole stockholder sold 100% of the outstanding common stock to INTERSOLV, Inc., an unrelated publicly traded software company. As of April 30, 1995, the Company incurred various non-recurring charges in connection with the stock sale, consisting primarily of various legal, accounting and advisory fees, which are reflected in the accompanying statement of operations.

ITEM 7.B Pro Forma Financial Statements of INTERSOLV Inc.

The following unaudited pro forma combined financial information sets forth the combined financial position and the combined results of operations of INTERSOLV Inc. ("INTERSOLV") and PC Strategies and Solutions, Inc. ("PCS") based upon accounting for the acquisition as a pooling-of-interests and that the acquisition was consummated (a) on April 30, 1995 for the Balance Sheet and; (b) as of the beginning of each period presented in the Statements of Operations.

The unaudited pro forma combined financial information combines the historical Balance Sheets of INTERSOLV and PCS as of April 30, 1995 and the historical Statements of Operations on INTERSOLV and PCS for each of the years ended April 30 1995, 1994 and 1993.

For the periods presented in the pro forma condensed combined Statements of Operations, pro forma shares used in computing earnings per share give effect to the exchange of 6,750 shares of INTERSOLV common stock for each share of PCS common stock.

Costs to be incurred by INTERSOLV for non-recurring costs such as severance, consolidation of facilities, certain transaction costs and other one-time integration costs have not been reflected in the pro forma combined financial statements. The following pro forma data is not necessarily indicative of the financial position or results of operations which would have actually been reported had the acquisition been in effect during those periods or which may be reported in the future.

INTERSOLV, INC. AND PC STRATEGIES AND SOLUTIONS, INC.
 PRO FORMA CONDENSED COMBINED BALANCE SHEETS (UNAUDITED)
 As of April 30, 1995
 (amounts in thousands)

	INTERSOLV	PCS	ADJUSTMENTS	COMBINED
ASSETS				
Current assets:				
Cash and cash equivalents	\$24,574	\$39	\$0	\$24,613
Accounts receivable, net	37,248	900	0	38,148
Refundable income taxes	389	0	0	389
Prepaid expenses and other current assets	4,071	16	0	4,087
Total current assets	66,282	955	0	67,237
Software, net	20,187	0	0	20,187
Property and equipment, net	5,744	612	0	6,356
Notes receivable and other assets	1,207	47	0	1,254
Total assets	\$93,420	\$1,614	\$0	\$95,034
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable and accrued expense	\$25,814	\$852	\$0	\$26,666
Deferred revenue	14,365	133	0	14,498
Total current liabilities	40,179	985	0	41,164
Long-term liabilities	0	270	0	270
Total liabilities	40,179	1,255	0	41,434
Stockholders' equity				
Common stock	82,052	1	0	82,053
Retained earnings (deficit)	(28,028)	358	0	(27,670)
Cumulative translation adjustment	(783)	0	0	(783)

Total stockholders' equity	53,241	359	0	53,600
Total liabilities and stockholders' equity	\$93,420	\$1,614	\$0	\$95,034

INTERSOLV, INC. AND PC STRATEGIES AND SOLUTIONS, INC.
 PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS (UNAUDITED)
 Fiscal year ended April 30, 1995
 (amounts in thousands, except per share data)

	INTER SOLV	PCS	ADJUSTMENTS	COMBINED
Revenues	\$115,463	\$4,932		\$120,395
Costs and expenses:				
Cost of sales	10,624	0	0	10,624
Cost of services	16,770	3,965		20,735
Sales and marketing	48,356	341		48,697
Research and development	12,109	0		12,109
General and administrative	9,174	767	0	9,941
Total costs and expenses	97,033	5,073	0	102,106
Operating income (loss)	18,430	(141)	0	18,289
Other income, net	789	(34)		755
Income (loss) before income taxes	19,219	(175)	0	19,044
Provision for income taxes	5,758	(75)	0	5,683
Net income (loss)	\$13,461	(\$100)	\$0	\$13,361
Net income per share	\$0.83	(\$0.15)		\$0.79
Shares used in computing net income per share	16,215	675		16,890

INTERSOLV, INC. AND PC STRATEGIES AND SOLUTIONS, INC.
 PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS (UNAUDITED)
 Fiscal year ended April 30, 1994
 (amounts in thousands, except per share data)

INTER SOLV	PCS	ADJUSTMENTS	COMBINED
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Revenues	\$85,393	\$3,125		\$88,518
Costs and expenses:				
Cost of sales	7,111	0	0	7,111
Cost of services	11,158	2,063		13,221
Sales and marketing	40,019	134		40,153
Research and development	9,023	0		9,023
General and administrative	6,999	377		7,376
Non-recurring charges	40,660	0	0	40,660
Total costs and expenses	114,970	2,574	0	117,544
Operating income (loss)	(29,577)	551	0	(29,026)
Other income (expense), net	207	(7)		200
Income (loss) before income taxes	(29,370)	544	0	(28,826)
Provision for income taxes	0	261	0	261
Net income (loss)	(\$29,370)	\$283	\$0	(\$29,087)
Net income per share	(\$2.42)	\$0.42		(\$2.27)
Shares used in computing net income per share	12,122	675		12,797

INTERSOLV, INC. AND PC STRATEGIES AND SOLUTIONS, INC.
 PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
 (UNAUDITED)
 Fiscal year ended April 30, 1993
 (amounts in thousands, except per share data)

	INTERSOLV	PCS	ADJUSTMENTS	COMBINED
Revenues	\$80,410	\$1,450		\$81,860
Costs and expenses:				
Cost of sales	5,632		0	5,632
Cost of services	7,357	929		8,286
Sales and marketing	43,401	37		43,438
Research and development	10,752	0		10,752
General and administrative	8,770	197	0	8,967
Non-recurring charges	16,573			16,573
Total costs and expenses	92,485	1,163	0	93,648
Operating income (loss)	(12,075)	287	0	(11,788)

Other income, net	52	0	52
Income(loss) before income taxes	(12,023)	287	(11,736)
Provision(benefit) for income taxes	(128)	98	(30)
Net income(loss)	(\$11,895)	\$189	(\$11,706)
Net income(loss) per share	(\$1.00)	\$0.28	(\$0.93)
Shares used in computing net income (loss) per share	11,861	675	12,536

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of Intersolv, Inc. on Form S-8, Registration Nos. 33-56220, 33-83794, 33-56166, and 33-86590, and on Form S-3, Registration No. 33-83796, of our report dated June 9, 1995, on our audit of the financial statements of PC Strategies and Solutions, Inc. as of April 30, 1995 and for the year then ended, which report is included in this Form 8-K/A.

Coopers & Lybrand L.L.P.

Washington, D.C.
July 7, 1995