FORM 8-K/A

Current report filing [amend]

Filing Date: **1998-01-05** | Period of Report: **1998-01-05**
SEC Accession No. 0001032210-98-000007

FILER

APPLIED VOICE TECHNOLOGY INC /WA/	Mailing Address	Business Address
CIK:**931784**| IRS No.: **911190085** | State of Incorp.:**WA** | Fiscal Year End: **1231**	*11410 NE 122ND WAY*	*11410 NE 122ND WAY*
Type: **8-K/A** | Act: **34** | File No.: **000-25186** | Film No.: **98501146**	*KIRKLAND WA 98034*	*KIRKLAND WA 98034*
SIC: **7372** Prepackaged software		*2068206000*

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 8-K/A No. 1

CURRENT REPORT

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

January 5, 1998

Date of Report
(Date of earliest event reported)

APPLIED VOICE TECHNOLOGY, INC.

(Exact name of registrant as specified in its charter)

Washington	0-25186	91-1190085
(State or other jurisdiction of incorporation)	(Commission File No.)	(IRS Employer Identification No.)

11410 N.E. 122nd Way
Kirkland, Washington 98034

(Address of principal executive offices, including zip code)

(425) 820-6000

(Registrant's telephone number, including area code)

This Amendment No. 1 (this "Amendment") to the Current Report on Form 8-K dated October 23, 1997 (the "Report") of Applied Voice Technology, Inc. (the "Company"), relates to the Company's completion of an acquisition of 100% of the outstanding capital stock of American International Facsimile Products, Inc. ("AIFP"), from Forest City Trading Group, Inc. ("Seller"), pursuant to a Stock Purchase Agreement by and between the Company, Seller and AIFP (the "Purchase Agreement"). AIFP's name was subsequently changed to CommercePath, Inc. ("CommercePath"). Item 7 of the Report stated that the following financial information would be filed not later than 60 days after the date on which the Report was required to be filed: (i) the financial statements of CommercePath required under Item 7(a) of Form 8-K and (ii) the pro-forma financial information required under Item 7(b) of Form 8-K. The purpose of this Amendment is to amend Item 7 to file such financial information.

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

(a) Financial Statements of Business Acquired

COMMERCEPATH

FINANCIAL STATEMENTS
AS OF JANUARY 31, 1997
TOGETHER WITH AUDITORS' REPORT

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of
Applied Voice Technology, Inc.:

We have audited the accompanying balance sheet of American International Facsimile Products, Inc. as of January 31, 1997, and the related statements of income, shareholder'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 American International Facsimile Products, Inc. as of January 31, 1997, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

Seattle, Washington,
December 12, 1997

COMMERCEPATH

BALANCE SHEET

YEAR ENDED JANUARY 31, 1997

<TABLE>

<S>	<C>
ASSETS	
Current assets:	
Accounts receivable, less allowance for doubtful accounts of $144,000	$1,081,250
Inventories	441,685
Deferred income taxes	313,519
Prepaid expenses and other	130,010
Total current assets	1,966,464
Equipment and leasehold improvements, net	401,007
Deferred income taxes	37,568
Total assets	$2,405,039
LIABILITIES AND SHAREHOLDER'S EQUITY	
Current liabilities:	
Bank overdraft	$ 174,550
Accounts payable	208,459
Other current liabilities	104,946
Due to Forest City Trading Group, Inc.	746,557
Deferred revenues	699,020
Total current liabilities	1,933,532
Commitments	

Shareholder's equity:	
Cumulative 8% preferred stock, par value $100 per share, 1,000,000 shares authorized, none outstanding	-
Common stock, no par value, 1,000,000 shares authorized, 100,000 shares outstanding	1,000
Retained earnings	470,507
Total shareholder's equity	471,507
Total liabilities and shareholder's equity	$2,405,039

</TABLE>

The accompanying notes are an integral part of this financial statement.

COMMERCEPATH

STATEMENT OF INCOME

YEAR ENDED JANUARY 31, 1997

<TABLE>

<S>	<C>
Net sales	$6,274,279
Cost of sales	1,981,214
Gross profit	4,293,065
Operating expenses:	
General, administrative, research and development	1,571,010
Sales and marketing	1,851,390
Total operating expenses	3,422,400
Operating income	870,665
Other income (expense):	
Interest expense to Forest City Trading Group, Inc.	(143,129)
Other	5,525
Other expense	(137,604)
Income before income tax expense	733,061
Income tax expense	(277,064)
Net income	$ 455,997

</TABLE>

The accompanying notes are an integral part of this financial statement.

COMMERCEPATH

STATEMENT OF SHAREHOLDER'S EQUITY

YEAR ENDED JANUARY 31, 1997

<TABLE>
<CAPTION>

	Common Stock Shares	Common Stock Amount	Retained Earnings	Total Shareholder's Equity
Balance at February 1, 1996	100,000	$1,000	$ 344,060	$ 345,060
Net income	-	-	455,997	455,997
Dividends	-	-	(329,550)	(329,550)
Balance at January 31, 1997	100,000	$1,000	$ 470,507	$ 471,507

</TABLE>

The accompanying notes are an integral part of this financial statement.

COMMERCEPATH

STATEMENT OF CASH FLOWS

YEAR ENDED JANUARY 31, 1997

<TABLE>

Cash flows from operating activities:	
Net income	$ 455,997
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	128,338
Changes in current assets and liabilities-	
Accounts receivable	258,222
Inventories	32,561
Deferred income taxes	13,239
Prepaid expenses	(118,994)
Accounts payable	(19,298)
Other current liabilities	78,660
Deferred revenues	(108,443)
Total adjustments	264,285
Net cash provided by operating activities	720,282
Cash flows from investing activities:	
Purchase of equipment and leasehold	(369,278)
Net proceeds from sale of equipment	5,011
Net cash used in investing activities	(364,267)
Cash flows from financing activities:	

Net proceeds from bank overdraft	81,788
Repayments to Forest City Trading Group, Inc.	(108,253)
Dividends	(329,550)
Net cash used in financing activities	(356,015)
Net change in cash and cash equivalents	-
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	$ -
Supplemental cash flow disclosures:	
Cash paid for interest	$ 143,129
Cash paid to Forest City Trading Group, Inc. for income taxes	462,450

</TABLE>

The accompanying notes are an integral part of this financial statement.

COMMERCEPATH

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JANUARY 31, 1997

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Business

American International Facsimile Products, Inc. (the Company), an Oregon corporation, is a developer of high-performance, high-volume, enterprise-wide solutions for electric commerce communication, including the business critical delivery, receipt, conversion and transformation of fax, e-mail, Internet, EDI and other types of information. These bundled hardware and software solutions are installed in commercial customer sites in many industries, primarily in the United States. As of January 31, 1997, the Company was a wholly owned subsidiary of Forest City Trading Group, Inc. (Parent Company). Effective October 22, 1997, the Company was purchased by Applied Voice Technology, Inc. (See Note 5).

Basis of Presentation

The preparation of the Company's financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Inventories

Inventories consist primarily of computer assemblies, components and related equipment, and are stated at the lower of cost (first-in, first-out) or market (net realizable value). Inventory consists of the following:

Raw materials and service parts	$360,588
Finished goods	81,097
	$441,685

Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost and are depreciated on the straight-line method over the estimated useful lives of the assets, which range from three to seven years. Equipment and leasehold improvements consist of the following:

Computers and software	$ 411,415
Leasehold improvements	27,063
Furniture, fixtures and equipment	228,991
	667,469
Less: Accumulated depreciation and amortization	(266,462)
Equipment and leasehold improvements, net	$ 401,007

Bank Overdraft

The bank overdraft is a result of the Company's cash management program through the parent company, whereby any excess cash is transferred to the parent company's bank accounts, and represents checks issued but not yet presented to the bank for payment.

Revenue Recognition

Revenues from sales to customers are recognized when the products are shipped. When the Company has an installation obligation, revenues are recognized when product installation is complete. Revenues from extended warranty agreements and post-contract customer support are recognized over the lives of the related service contracts on the straight-line method.

Concentration of Credit Risk

The Company achieves broad U.S. market coverage for its products. For the year ended January 31, 1997, no customer represented 10% or greater of the Company's sales. The Company performs ongoing credit evaluations of its customers' financial condition and, generally, no collateral is required.

Research and Development Costs

Research and development costs are expensed as incurred. The Company has not capitalized any software development costs, as technological feasibility is not generally established until substantially all development is complete.

2. INCOME TAXES:

The Company has been included in the consolidated federal and state income tax returns filed by its Parent Company. The Parent Company generally allocates the consolidated income tax provision to subsidiaries on a separate return basis. Current federal and state income taxes payable, net of prepayments are included in the amount due to the Parent Company. Amounts due to the Parent Company for income taxes, at January 31, 1997 were approximately $277,000.

Income taxes are provided for in the statements of income using the asset and liability method.

The following is a reconciliation from the U.S. statutory rate to the effective tax rate:

	Amount	Percent
Tax at statutory rate	$256,571	35.0%
Other, net	20,493	2.8%
Income tax expense	$277,064	37.8%

Deferred taxes result from temporary differences relating to bad debt and obsolescence reserves, depreciation and amortization and other accruals that are expensed for financial reporting, but are not currently deductible for income tax purposes.

Income tax expense is as follows:

Current:	
Federal	$248,537
State	15,288
Total current	263,825
Deferred:	
Federal	10,896
State	2,343
Total deferred	13,239
Total income tax expense	$277,064

Significant components of the Company's deferred tax asset as of January 31, 1997 are as follows:

Deferred tax assets:	
Deferred revenue	$280,000
Depreciation and amortization	37,568
Accruals and allowances	31,041
Other	2,478

Net deferred tax assets	$351,087
	========

</TABLE>

3. DUE TO FOREST CITY TRADING GROUP, INC.:

Due to Forest City Trading Group, Inc., the sole shareholder of the Company, represents amounts advanced to the Company for operating purposes including interest, income taxes and administrative expenses from the parent company as well as dividends. During fiscal 1997, approximately $329,550 was included in the payable to parent related to dividends. The balance has no payment terms and a variable interest rate (7.512% at January 31, 1997).

4. COMMITMENTS:

Leases

The Company leases its office space under noncancelable operating leases. Rent expense under the noncancelable leases amounted to $75,589 for the year ended January 31, 1997. Future minimum fiscal year lease payments under noncancelable operating leases are as follows:

<TABLE>

<S>	<C>
1998	$135,298
1999	144,761
2000	155,473
2001	166,186
2002	43,109

	$644,827
	========

</TABLE>

5. SUBSEQUENT EVENT:

On October 22, 1997, the Company was acquired by Applied Voice Technology, Inc. for $10.7 million in cash. Subsequent to the acquisition, the Company changed its name to CommercePath, Inc.

(b) Pro Forma Financial Information

Applied Voice Technology, Inc.
Pro Forma Statement of Income (Unaudited)
As of December 31, 1996

(in thousands, except per share data)

<TABLE>
<CAPTION>

		Pro Forma Adjustments		
	AVT	CommercePath (1)	Other	Pro Forma
<S>	<C>	<C>	<C>	<C>
Net Sales	$44,127	$6,274		$ 50,401
Cost of Sales	16,895	1,981		18,876
Gross Profit	27,232	4,293	--	31,525

Operating Expenses:				
Research and development	4,149	260 (3)		4,409
Selling, general and administrative	14,509	3,162	256 (2)	17,927
Write-off of purchased, in-process research and development	4,140			4,140
Total operating expenses	22,798	3,422	256	26,476
Operating Income	4,434	871	(256)	5,049
Other income (expense)				
Interest, net	909	(143)	(415) (4)	351
Other, net	10	5		15
Other income, net	919	(138)	(415)	366
Income before income tax expense	5,353	733	(671)	5,415
Income tax expense	3,419	277	(92)	3,604
Net income	$ 1,934	$ 456	$ (256)	$1,811
Net income per common share	$ 0.33			$ 0.31
Weighted average common shares outstanding	5,837			5,837

</TABLE>

Explanatory Notes
for
Pro Forma Adjustments

(1) Includes amounts from the CommercePath audited financial statements for the year ended January 31, 1997.

(2) Assumes goodwill from the acquisition in the amount of $1,793 was recorded on January 1, 1996 and is being amortized to expense on a straight-line basis over seven years.

(3) Excludes the one-time write-off of purchased, incomplete research and development in connection with the acquisition.

(4) Foregone interest income on net cash used in the acquisition.

Applied Voice Technology, Inc.
Pro Forma Balance Sheet (Unaudited)
As of Septemer 30, 1997

(in thousands, except per share data)

<TABLE>
<CAPTION>

ASSETS	AVT	AIFP	Other	Pro Forma
<S>	<C>	<C>	<C>	<C>
Current Assets				
Cash & cash equivalents	9,902	--	(10,373)(2)	(471)
Short-term investments	18,614	--		18,614
Accounts receivable, net	6,940	1,768		8,708
Inventories	4,530	488		5,018
Deferred income taxes	2,605			2,605

Prepaid expenses & other assets	855	127		982
Total current assets	43,446	2,383	(10,373)	35,456
Equipment & leasehold improvements, net	2,027	439		2,466
Intangibles, net	6,021	--	1,793 (3)	7,814
Deferred income taxes				--
	$51,494	$2,822	$(8,580)	$45,736
LIABILITIES & SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	2,067	244	--	2,311
Other current liabilities	3,347	1,125		4,472
Note payable - current portion	464	1,074	(1,074)(4)	464
Income taxes payable	1,893	--		1,893
Total current liabilities	7,771	2,443	(1,074)	9,140
Note payable	--	--		--
Shareholder's equity				
Preferred stock	--	--		--
Common stock	57	1	(1)	57
Additional paid-in capital	30,418	--	--	30,418
Retained earnings	13,248	378	(7,505)(5)	6,121
Deferred compensation	--			--
Total shareholders' equity	43,723	379	(7,506)	36,596
	$51,494	$2,822	$(8,580)	$45,736

</TABLE>

Applied Voice Technology, Inc.
Pro Forma Statement of Income (Unaudited)
For the Nine Months Ended September 30, 1997

(in thousands, except per share data)

<TABLE>
<CAPTION>

		Pro Forma Adjustments		
	AVT	CommercePath (1)	Other	Pro Forma
<S>	<C>	<C>	<C>	<C>
Net Sales	$40,503	$5,377		$ 45,880
Cost of Sales	15,023	1,699		16,722
Gross Profit	25,480	3,678	--	29,158
Operating Expenses:				
Research and development	4,747	270 (6)		5,017
Selling, general and administrative	13,422	3,234	192 (3)	16,848
Write-off of purchased, in-process research and development	3,898			3,898
Total operating expenses	22,067	3,504	192	25,763
Operating Income	3,413	174	(192)	3,395

Other income (expense)				
Interest, net	634	(85)	(311)	238
Other, net	149	(12)		137
Other income, net	783	(97)	(311)	375
Income before income tax expense	4,196	77	(503)	3,770
Income tax expense	1,510	28	(69)	1,469
Net income	$ 2,686	$ 49	$ (434)	$2,301
Net income per common share	$ 0.44			$ 0.37
Weighted average common shares outstanding	6,160			6,160
Fully diluted net income per common share	0.42			0.36
Weighted average common shares outstanding	6,391			6,391

</TABLE>

Explanatory Notes
for
Pro Forma Adjustments

(1) Includes amounts from the unaudited AIFP income statement for the period from February 1, 1997 to October 22, 1997 and unaudited AIFP balance sheet as of October 22, 1997.

(2) Cash consideration given in acquisition.

(3) Assumes goodwill from the acquisition in the amount of $1,793 was recorded on January 1, 1997 and is being amortized to expense on a straight-line basis over seven years.

(4) Liabilities paid out in acquisition.

(5) Assumes the write-off of purchased, incomplete research and development of $7,127 has been charged to retained earnings.

(6) Excludes the one-time write-off of purchased, incomplete research and development in connection with the acquisition.

(7) Foregone interest income on net cash used in the acquisition.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

APPLIED VOICE TECHNOLOGY, INC.

Dated: January 5, 1998

By /s/ ROGER FUKAI

Roger Fukai, Chief Financial Officer