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SOFTECH INC
Form 8-K
March 03, 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: December 19, 2002
(Date of earliest event reported)

SofTech, Inc.

(Exact name of registrant as specified in its charter)

Massachusetts ----- (State or other jurisdiction of Incorporation or organization)	0-10665 ----- (Commission file number)	#04-2453033 ----- (IRS Employer Identification Number)
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2 Highwood Drive, Tewksbury, MA 01876

(Address of principal executive offices) (Zip Code)

(978) 640-6222

(Registrant's telephone number, including area code)

Item 7 is amended in its entirety as follows:

Item 7(b) Pro Forma Financial Information.

INTRODUCTION TO PRO FORMA COMBINED
CONDENSED FINANCIAL INFORMATION (Unaudited)

The Pro Forma Combined Condensed Income Statements for the year ended May 31, 2002 for the six months ended November 30, 2002 present the combined results of the continuing operations of SofTech, Inc. (the "Company") and Workgroup Technology Corporation ("WTC") assuming the acquisition had been consummated as of the beginning of the periods indicated. WTC's operations are combined using its fiscal year ended March 31, 2002 and the six months ended December 31, 2002. The Pro Forma Combined Condensed Balance Sheet as of November 30, 2002 presents the combined financial position of the Company at that date and WTC as of December 31, 2002, assuming the acquisition was consummated on the balance sheet date.

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The pro forma information does not purport to be indicative of the results of operations or the financial position which would have actually been obtained if the acquisition had been consummated on the dates indicated. The pro forma information does not purport to be indicative of the results of operations or financial positions which may result in the future.

The pro forma financial information has been prepared by the Company based upon assumptions deemed appropriate by the Company's management. Certain of the most significant assumptions are set forth under the Notes to Pro Forma Combined Condensed Financial Statements.

The pro forma financial information should be read in conjunction with the Company's historical Consolidated Financial Statements and Notes thereto contained in the 2002 Annual Report on Form 10-K and in its subsequent interim reports on Form 10-Q.

SofTech, Inc.
 Unaudited Pro Forma Combined Condensed Balance Sheet
 As of November 30, 2002
 (in thousands)

	SofTech Historical Unaudited Results As of November 30, 2002	Workgroup Technology Corporation Historical Unaudited Results As of December 31, 2002	Pro Forma Adjustments	Notes	Pro Forma Combined Results
Cash	\$ 3,479	\$ 390	\$ (3,010)	(B)	\$ 859
Accounts receivables, net	1,395	431			1,826
Prepaid expenses and other assets	235 ---	234 ---			469 ---
Current assets	5,109	1,055	(3,010)		3,154
Property, plant and equipment, net	240	62			302
Capitalized software, net	8,601	0			8,601
Goodwill, net	2,197	0	1,509	(A)	3,706
Other intangible assets	0	0	3,500	(A)	3,500

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Marketable securities	183	0	(183)	(C)	0
Other assets	143	300			443
Total assets	\$ 16,473	\$ 1,417	\$ 1,816		\$ 19,706
Accounts payable	\$ 356	\$ 7			\$ 363
Accrued expenses	530	533	\$ 1,056	(D)	2,119
Deferred revenue	1,898	1,322			3,220
Current portion of debt	1,110	0			1,110
Current liabilities	3,894	1,862	1,056		6,812
Other liabilities	466	315			781
Long term debt	13,603	0			13,603
Total liabilities	17,963	2,177	1,056		21,196
Stockholders' deficit	(1,490)	(760)	760	(E)	(1,490)
Total liabilities and stockholders' deficit	\$ 16,473	\$ 1,417	\$ 1,816		\$ 19,706

See accompanying notes to pro forma combined condensed financial statements.

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SofTech, Inc.
 Unaudited Pro Forma Combined Condensed Income Statement
 For the six months ended November 30, 2002
 (in thousands)

	SofTech Historical Unaudited Results Six months ended November 30, 2002	Workgroup Technology Corporation Historical Unaudited Results Six months ended December 31, 2002	Pro Forma Adjustments	Notes	Pro Forma Combined Results
Revenue					
Products	\$ 1,135	\$ 734			\$ 1,869
Services	2,812	2,528			5,340
Total revenue	3,947	3,262			7,209
Cost of products	33	21			54
Cost of services	137	1,033			1,170
Gross margin	3,777	2,208			5,985
Research & development	696	1,378			2,074
Selling, general & administrative	3,250	2,738	438	(F)	6,426
Loss from operations	(169)	(1,908)	(438)		(2,515)
Interest expense (income)	576	(12)	123	(G)	687
Loss before tax	(745)	(1,896)	(561)		(3,202)
Tax provision	0	0	0		0
Net loss	(745)	(1,896)	(561)		(3,202)

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Basic and diluted net loss per common share	\$ (.06)	\$ (1.03)	\$ (.26)
Weighted average common shares outstanding	12,205	1,841	12,205

See accompanying notes to pro forma combined condensed financial statements.

SofTech, Inc.
 Unaudited Pro Forma Combined Condensed Income Statement
 For the fiscal year ended May 31, 2002
 (in thousands)

	SofTech Historical Audited Results Twelve months ended May 31, 2002	Workgroup Technology Corporation Historical Audited Results Twelve months ended March 31, 2002	Pro Forma Adjustments	Notes	Pro Forma Combined Results
Revenue					
Products	\$ 2,300	\$ 1,338			\$ 3,638
Services	6,484	6,060			12,544
Total revenue	8,784	7,398			16,182
Cost of products	58	250			308
Cost of services	366	3,182			3,548
Gross margin	8,360	3,966			12,326

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Research & development	1,572	3,439			5,011
Selling, general & administrative	8,180	4,095	\$ 875	(F)	13,150
Loss from operations	(1,392)	(3,568)	(875)		(5,835)
Interest expense (income)	1,277	(129)	245	(G)	1,393
Loss before tax	(2,669)	(3,439)	(1,120)		(7,228)
Tax provision	11	0	0		11
Net loss	(2,680)	(3,439)	\$ (1,120)		(7,239)
Basic and diluted net loss per common share	\$ (.24)	\$ (1.87)			\$ (.66)
Weighted average common shares outstanding	10,986	1,842			10,986

See accompanying notes to pro forma combined condensed financial statements.

SOFTECH, INC. AND SUBSIDIARIES
NOTES TO PRO FORMA COMBINED CONDENSED
FINANCIAL STATEMENTS (Unaudited)

The Pro Forma Combined Condensed Statement of Income for the year ended May 31, 2002 is derived from the historical audited financial statements of the Company included in its 2002 Annual Report on Form 10-KSB and the historical audited financial statements of WTC included in its 2002 Annual Report on Form 10-K for the year ended March 31, 2002. The Pro Forma Combined Condensed Balance Sheet as of November 30, 2002 and Statement of Income for the Six Months Ended November 30, 2002 were derived from the historical unaudited financial statements of the Company included in its November 30, 2002 Interim Report on Form 10-QSB and the historical unaudited financial statements of WTC included in its December 31, 2002 Interim Report on Form 10-Q. The pro forma financial information includes adjustments to reflect the purchase of WTC by SofTech on December 19, 2002

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including the consideration paid and the resulting intangible assets. The allocation of the intangible asset between Goodwill and Other Intangible Assets is based on preliminary estimates by management. The final allocation will be determined upon completion of the valuation report by a third party appraiser.

The Pro Forma Combined Condensed Financial Statements should be read in conjunction with the Company's historical Consolidated Financial Statements and Notes thereto contained in the 2002 Annual Report on Form 10-KSB. The Pro Forma Combined Condensed Financial Statements do not purport to be indicative of financial position or results of operations if the acquisitions had been consummated on the dates indicated or which may be obtained in the future.

Notes to pro forma financial statements (in thousands):

(A) To record the estimated intangible asset generated from the acquisition of WTC. This allocation of the intangible asset between Goodwill and Other Intangible Assets as well as the estimated 4 year life is based on preliminary estimates by management. Such final allocation will be determined by the yet to be completed Valuation Report by a third party appraiser. The purchase price is as follows:

Cash paid at closing of the Offer	\$ 3,010
Shares purchased prior to commencement of Offer	183
Amounts due minority shareholders and option holders	461
Other costs associated with transaction	595

Subtotal	4,249
Net liabilities assumed	760

Total Purchase Price	\$ 5,009

Preliminary estimate of Purchase Price allocation:	
Other intangible assets (estimated 4 year life)	\$ 3,500
Goodwill	1,509

Total intangible assets	\$ 5,009

(B) To record the cash paid to acquire 1,505 shares of WTC at the closing of the tender offer.

(C) To eliminate the \$183 the Company paid to acquire 129.5 WTC shares prior to commencement of the tender offer.

(D) To record the estimated liability for costs associated with the transaction.

(E) To eliminate WTC's stockholders' deficit.

(F) To record the estimated amortization of Other Intangible Assets totaling \$3.5 million at the acquisition date with an estimated life of 4 years.

(G) To record the interest expense related to the Company's borrowing of approximately \$3.5 million at a rate of 7% to complete the tender offer.

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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.

SOFTECH, INC.

Date: March 3, 2003

By: /S/ Joseph P. Mullaney

Name: Joseph P. Mullaney
Title: President and Chief Operating Officer
(Principal Financial and
Accounting Officer)