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SCIENCE DYNAMICS CORP
Form 8-K
October 22, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

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 1, 2004

Science Dynamics Corporation

(Exact name of registrant as specified in its charter)

Delaware

000-10690

22-2011859

(State or other jurisdiction of incorporation) (Commission File Number) (IRS Employer Identification No.)

7150 N. Park Drive, Suite 500
Pennsauken, NJ 08109
(Address of principal executive offices and Zip Code)

Registrant's telephone number, including area code: (856) 910-1166

Copies to:
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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement.

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On September 1, 2004, M3 Acquisition Corp., a New Jersey corporation and a majority owned subsidiary of Science Dynamics Corporation (the "Company"), entered into an Asset Purchase Agreement (the "Agreement") with Modern Mass Media Group, Inc., a New Jersey corporation. Pursuant to the Agreement, M3 Acquisition Corp. sold substantially all of its tangible and intangible assets that were used in its audio and visual systems integration business, including: (a) all related intellectual property; (b) all fixed assets; (c) all customer lists; and (d) the goodwill associated therewith; all free and clear of any security interests, mortgages and other encumbrances. The assets sold under the Agreement were valued by the Company at \$812,452, which includes \$250,498 of goodwill. In consideration for the assets sold under the Agreement, Modern Mass Media Group, Inc. assumed liabilities of M3 Acquisition Corp. amounting to \$1,116,749, although M3 Acquisition Corp. did not receive releases from its creditors.

Paul Burgess, Chief Operating Officer of the Company, incorporated Modern Mass Media Group and is an executive officer of Modern Mass Media Group. Mr. Burgess has agreed to remain an officer of Modern Mass Media Group to facilitate the transition in ownership of the assets sold under the Agreement. Mr. Burgess also has the right to purchase shares of common stock of Modern Mass Media Group in an amount and at a price to be determined at such time that Mr. Burgess decides to purchase such shares. The Company's management believes that the terms of the Agreement are at least as favorable to the Company as could have been obtained from an unrelated third party.

In connection with the asset sale, on October 21, 2004, Laurus Master Fund, Ltd. consented to the asset sale according to the terms of the Agreement. Laurus Master Fund, Ltd. also consented to the filing of a UCC-3 to release its security interest in the assets of M3 Acquisition Corp., where applicable, to effect the asset sale.

Item 2.01 Completion of Acquisition or Disposition of Assets.

See Item 1.01 above.

Item 9.01 Financial Statements and Exhibits.

(a) Financial statements of business acquired.

Not applicable.

(b) Pro forma financial information.

Science Dynamics Corp. and Subsidiaries Unaudited combined Pro Forma Balance Sheet as of June 30, 2004, unaudited combined Pro Forma Statement of Operations for the Six months ended June 30, 2004; Unaudited combined Pro Forma statement of Operations for the year ended December 31, 2003.

(c) Exhibits.

Exhibit Number	Description
2.1	Asset Purchase Agreement effective September 1, 2004 between Modern Mass Media Group, Inc. and M3 Acquisition Corp., a subsidiary of Science Dynamics Corporation.

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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.

Science Dynamics Corporation

Date: October 22, 2004

/s/ Alan C. Bashforth

Alan Bashforth
President and Chief
Executive Officer

UNAUDITED COMBINED PRO FORMA FINANCIAL STATEMENTS

The following unaudited pro forma combined balance sheet of Science Dynamics Corp. as of June 30, 2004 gives effect to the Pro Forma events described below as if such events occurred at June 30, 2004. The unaudited pro forma consolidated statements of operations for the six months ended June 30, 2004 and the year ended December 31, 2003 give effect to the pro forma events as if such events occurred on January 1, 2003. The unaudited pro forma consolidated financial statements are based upon the historical financial statements of Science Dynamics Corp. and MMM for each period presented. In the opinion of Science Dynamics and Modern Mass Media management, all adjustments and/or disclosures necessary for a fair presentation of the pro forma data have been made in accordance with Article 11 of SEC Regulation S-X.

The pro forma event is Science Dynamics sale of \$812,452 in assets, which includes \$250,498 of goodwill and the assumption of M3 liabilities amounting to \$1,116,749 of its majority owned subsidiary M3 Acquisition Corp.

SCIENCE DYNAMICS

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Science Dynamics Corporation & Subsidiaries
 Unaudited Pro Forma Consolidated Condensed Statement of Operations
 Year ended December 31, 2003

	Science Dynamics Historical -----	Modern Mass Media Historical(1) -----	Pro Forma Adjustments -----	Scienc Dynam Pro Fo -----
Net Sales	\$ 4,108,510 -----	\$ 2,617,676 -----	-----	\$ 1,490 -----
Operating costs and expenses:				
Cost of sales	1,940,959	1,516,974		423
Research and development	382,764	-		382
Selling, general and administrative	2,952,218 -----	1,521,396 -----	-----	1,430 -----
	5,275,941 -----	3,038,370 -----	-----	2,237 -----
Operating income (loss)	(1,167,431)	(420,694)		(746)
Other income (expenses):				
NJ NOL	217,021	-		217
Sale of Intangible Asset	1,350,000			1,350
Write Down of Assets	(105,603)	(105,603)		
Other Income	-	-		
Interest expense	(199,713)	(768)		(198)
Finance Expense	(125,942) -----	- -----	-----	(125) -----
Net Loss before cumulative effect of accounting change	(31,668)	(421,462)		389
Cumulative effect of accounting Change	(250,499) -----	-----	(2) 250,499 -----	-----

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Net Income (Loss)	\$	(282,167)	\$	(421,462)	\$	250,499	\$	389
Net Income (Loss) per common share								
Basic		(0.01)						
Diluted		(0.01)						
Weighted average shares outstanding								
Basic		41,418,655						41,418
Diluted		41,418,655						69,495

The accompanying notes are integral part of this unaudited Pro Forma Statement of Operation

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Science Dynamics Corporation & Subsidiaries
Unaudited Pro Forma Consolidated Statement of Balance Sheet
June 30, 2004

	Science Dynamics Historical -----	Modern Mass Media Historical(1) -----	Pro Forma Adjustments -----	Scienc Dynam Pro Fo -----
Current assets:				
Cash and cash equivalents	\$ 78,483	\$ (8,838)		\$ 69,
Accounts receivable - trade	531,553	(262,237)		269,
Inventories 133,345	(72,047)			61,
Other current assets	2,842	(30)		2,
Total current assets	746,223	(343,152)		403,
Property and equipment, net	140,063	(47,193)		92,
Deferred Asset	21,955	-		21,
Other assets	2,812			2,
Goodwill	-			
Total assets	\$ 911,053	(390,345)		\$ 520,
	=====	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Short term payable	\$ 261,860	\$ (80,000)		\$ 181,
Current portion of convertible note	-	-		
Customer deposits	191,290	(61,290)		130,

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Deferred Income	44,377	(44,377)		
Revolving Credit Line	227,998			227,
SBA Loan	50,000			50,
Loan payable stockholders	163,192	-		163,
Accounts payable	1,328,520	(472,646)		855,
Accrued expenses	550,908	(63,660)		487,
Convertible Debenture	1,198,360	-		1,198,
	-----	-----	-----	-----
Total current liabilities	4,016,505	(721,973)		3,294,
	-----	-----	-----	-----
Long term liabilities:				
Long term Debt	332,963	(240,000)		92,
Non current portion of bank note	-	-		
	-----	-----	-----	-----
Total liabilities	\$ 4,349,468	\$ (961,973)		\$3,387,
Shareholders' equity -				
Common stock - .01 par value, 200,000,000 shares authorized, 43,844,455 issued 43,718,655 outstanding in 2004 .	458,505			458,
Preferred stock, .01 par value, no shares issued and outstanding	-	-		
Additional paid-in capital	15,944,517	-		15,944,
(Deficit)	(19,443,604)	571,627		(18,871,
	-----	-----	-----	-----
	(3,040,582)	571,627		(2,468,
Common stock held in treasury, at cost	(397,833)	-		(397,
	-----	-----	-----	-----
Total shareholders' equity	(3,438,415)	571,627		(2,866,
	-----	-----	-----	-----
Total liabilities and shareholders' equity	\$ 911,053	\$ (390,345)		\$ 520,
	=====	=====	=====	=====

The accompanying notes are integral part of this unaudited Pro Forma Balance Sheet

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Science Dynamics Corporation & Subsidiaries
Unaudited Pro Forma Combined Statement of Operations
June 30, 2004

Science Dynamics Historical	Modern Mass Media Historical(1)	Pro Forma Adjustments	Scienc Dynam Pro Fo
-----	-----	-----	-----

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Net Sales	\$ 2,581,451	\$ (1,442,245)		\$1,139,
Total Cost of Sales	984,697	(795,177)		189,
	-----	-----	-----	-----
Gross Profit	1,596,754	(647,068)		949,
	-----	-----	-----	-----
Operating costs and expenses:				
Research and development	153,423	-		153,
Selling, general and Administrative	1,450,687	(823,279)		627,
	-----	-----	-----	-----
Total Operation Expenses	1,604,110	(823,279)		780,
Write-off of Goodwill	250,498		(2) (250,498)	
	-----	-----	-----	-----
Total Operating income (loss)	(257,854)	176,212	250,498	168,
Other income (expenses):				
Sale of Intangible Asset	60,000			60,
Write Down of Assets				
Other Income	(4,809)	(4,809)		
Interest expense	(75,407)	-		(75,
Finance Expense	(44,891)	-		(44,
	-----	-----	-----	-----
	(55,489)	4,809		(60,
Net Income (Loss)	\$ (313,343)	\$ 181,021	\$ 250,498	\$ 118,
	=====	=====	=====	=====
Net (Loss) per common share Basic	(0.01)			0
Net (Loss) per common share Diluted	(0.00)			0
Weighted average shares outstanding Basic	45,612,134			45,612,
Weighted average shares outstanding Diluted	45,612,134			66,679,

The accompanying notes are integral part of this unaudited Pro Forma Balance Sheet

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Notes to Science Dynamics Unaudited Pro Forma
Consolidated Financial Information

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1. Elimination of the historical information from Modern Mass Media

2. In accordance with SFAS 142, Goodwill and Other Intangible Assets, Science Dynamics tests goodwill and other intangible assets for impairment during the fourth quarter of each year and on an interim date should factors or indicators become apparent that would require an interim test. For pro forma purposes no impairment adjustments would be necessary.

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