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SYNERGX SYSTEMS INC
Form 8-K
June 05, 2006

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) May 31, 2006

SYNERGX SYSTEMS INC.
(Exact Name of Registrant as Specified in Charter)

Delaware (State or other jurisdiction of incorporation)	0-17580 (Commission File Number)	11-2941299 (IRS Employer Identification No.)
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209 Lafayette Drive, Syosset, New York (Address of principal executive offices)	11791 (Zip code)
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Registrant's telephone number, including area code: (516) 433-4700

Not Applicable
(Former Name or Former Address, If Changed Since Last Report)

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:

- 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 40.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.01 Disposition of Assets.

On May 31, 2006, the Company's subsidiary, General Sound (Texas) Company ("General Sound") that operates in Dallas/Ft. Worth, Texas sold its inventory, property, trade name, business and operations to LCR Sound, a Texas company. Under terms of the Asset Purchase Agreement, General Sound received cash proceeds from the buyer of \$518,000 for its inventory, property and equipment. The buyer assumed responsibility for the remaining term of the lease for its office and warehouse space. General Sound retained cash and all accounts receivable and remains responsible for all existing liabilities. After collecting its accounts receivable and liquidating its liabilities, General Sound expects to generate approximately an additional \$490,000 of proceeds.

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Item 9.01 Financial Statements and Exhibits

(a) Financial statements of businesses acquired.

N/A

(b) Pro forma financial information

Unaudited Pro Forma Condensed Consolidated Balance Sheet as of March 31, 2006

Unaudited Pro Forma Condensed Consolidated Statement of Operations for the six months ended March 31, 2006

Unaudited Pro Forma Condensed Consolidated Statement of Operations for the year ended September 30, 2005

Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

Introduction to Pro Forma Condensed Consolidated Financial Information

On May 31, 2006, the Company's subsidiary General Sound, sold to LCR Sound, a Texas company, its inventory, property, trade name, business and operations for \$518,000. The transaction is more fully described above.

The following unaudited pro forma condensed consolidated financial information gives effect to the above described disposition. The following unaudited pro forma condensed consolidated balance sheet as of March 31, 2006 gives effect to the disposition of assets sold and receipt of proceeds from the sale, as if the disposition occurred on that date. The following unaudited pro forma condensed consolidated statement of operations for the six months ended March 31, 2006 and for the year ended September 30, 2005 reflect the elimination of the sales, expenses, net loss (the six month period), net income (the twelve month period), as if the disposition of assets and business of General Sound had occurred at the beginning of each period presented.

The information presented is for illustrative purposes only and is not necessarily indicative of the results of operations of the consolidated company that would have actually occurred had the disposition been effected as of the beginning of the periods indicated or that may be obtained in the future. This unaudited pro forma financial information should be read in conjunction with the historical financial information of the Company in other reports and documents the Company files with the United States Securities and Exchange Commission.

SYNERGX SYSTEMS INC. AND SUBSIDIARIES

PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET AT MARCH 31, 2006

(Unaudited)

	AS REPORTED (1)	PRO ADJU
	-----	-----
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 371,831	\$ 518

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Accounts receivable, principally trade, less allowance for doubtful accounts of \$323,523	5,603,006	
Inventories, net	2,610,839	(203)
Deferred taxes	301,700	
Prepaid expenses and other current assets	475,158	(14)
	-----	-----
TOTAL CURRENT ASSETS	9,362,534	300
	-----	-----
PROPERTY AND EQUIPMENT -at cost, less accumulated depreciation and amortization of \$1,747,921	811,028	(54)
OTHER ASSETS	633,385	
	-----	-----
TOTAL ASSETS	\$10,806,947	\$ 246
	=====	=====

(1) Based on the Company's interim financial statements filed on Form 10-QSB for the quarter ended March 31, 2006.

SYNERGX SYSTEMS INC. AND SUBSIDIARIES

PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET AT MARCH 31, 2006

(Unaudited)

	AS REPORTED (1)	PRO ADJU
	-----	-----
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes payable - current portion	\$ 35,995	
Accounts payable and accrued expenses	1,881,796	
Deferred revenue	807,718	
	-----	-----
TOTAL CURRENT LIABILITIES	2,725,509	
	-----	-----
Note payable to bank	1,401,566	
Notes payable - less current portion	60,506	
Deferred taxes	90,000	
	-----	-----
TOTAL LIABILITIES	4,277,581	
	-----	-----
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred stock, 2,000,000 shares authorized- none issued and outstanding	-	
Common stock, 10,000,000 shares authorized, \$.001 par value; issued and outstanding 5,210,950 shares	5,211	
Capital in excess of par	6,803,992	
Accumulated deficit	(279,837)	246,
	-----	-----

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TOTAL STOCKHOLDERS' EQUITY	6,529,366	246,
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$10,806,947	\$ 246,
	=====	=====

(1) Based on the Company's interim financial statements filed on Form 10-QSB for the quarter ended March 31, 2006.

SYNERGX SYSTEMS INC. AND SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS ENDED MARCH 31, 2006

(Unaudited)

	AS REPORTED (1)	PRO FORMA ADJUSTMENTS
	-----	-----
Product sales	\$ 5,839,159	\$ (1,172,757) (F)
Subcontract sales	303,285	
Service revenue	2,469,635	
	-----	-----
Total revenues	8,612,079	(1,172,757)
	-----	-----
Cost of product sales	4,325,129	(836,690) (F)
Cost of subcontract sales	240,640	
Cost of service revenue	1,350,795	
Selling, general and administrative	3,041,624	(451,582) (F)
Interest expense	53,579	6,538 (F)
Depreciation and amortization	86,243	(19,339) (F)
Loss on equity investment	42,000	
	-----	-----
	9,140,010	(1,301,073)
	-----	-----
(Loss) before (benefit) from income taxes	(527,931)	128,316 (F)
	-----	-----
(Benefit) from income taxes:		
Current	(183,000)	39,000 (F)
Deferred	(24,000)	0
	-----	-----
	(207,000)	39,000 (F)
	-----	-----
Net (Loss)	(\$ 320,931)	\$ 89,316 (F)
	=====	=====
(Loss) Per Common Share:		
Basic (Loss) Per Share	\$ (0.06)	
	=====	
Diluted (Loss) Per Share	\$ (0.06)	
	=====	
Weighted average number of common shares outstanding	5,201,639	
Weighted average number of common and dilutive		

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common share equivalents outstanding

5,201,639

(1) Based on the Company's interim financial statements filed on Form 10-QSB for the quarter ended March 31, 2006.

SYNERGX SYSTEMS INC. AND SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

(Unaudited)

	AS REPORTED (1)	PRO FORMA ADJUSTMENTS
	-----	-----
Product sales	\$15,514,539	\$ (3,156,761) (G)
Subcontract sales	474,883	
Service revenue	4,797,918	
	-----	-----
Total revenues	20,787,340	(3,156,761)
	-----	-----
Cost of product sales	10,691,023	(2,013,639) (G)
Cost of subcontract sales	384,403	
Cost of service revenue	3,121,998	
Selling, general and administrative	6,000,223	(986,563) (G)
Interest expense	84,226	
Depreciation and amortization	189,343	(28,410) (G)
Loss on equity investment	76,000	
	-----	-----
	20,547,216	(3,028,612)
	-----	-----
Income before provision for income taxes	240,124	(128,149) (G)
	-----	-----
Provison for income taxes:		
Current	103,000	(49,000) (G)
Deferred	7,000	
	-----	-----
	110,000	(49,000) (G)
Net income	130,124	(79,149) (G)
	=====	=====
Earnings Per Common Share:		
Basic Earnings Per Share		\$ 0.03
		=====
Diluted Earnings Per Share		\$ 0.03
		=====
Weighted average number of common shares outstanding	5,171,721	
Weighted average number of common and dilutive common share equivalents outstanding	5,193,276	

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(1) Based on the Company's audited financial statements filed on Form 10-KSB for the year ended September 30, 2006.

Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

Description of Pro Forma Adjustments for all periods presented.

- (A) To record proceeds of sale of assets
- (B) To record transfer of inventory to buyer
- (C) To record expensing of prepaid items.
- (D) To record transfer property and equipment to buyer
- (E) To record net increase in assets resulting from sale of business.
- (F) To eliminate the sales, expenses, and net loss for the business of the subsidiary that was sold.
- (G) To eliminate the sales, expenses, and net income for the business of the subsidiary that was sold.

(c) Shell company transactions.

N/A

(d) Exhibits

10.1 Asset Purchase Agreement dated May 31, 2006

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 5, 2006

SYNERGX SYSTEMS INC.

By: /s/ JOHN A. POSERINA

Name: John A. Poserina

Title: Chief Financial Officer