

PUMATECH INC  
Form S-3/A  
January 02, 2004  
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As filed with the Securities and Exchange Commission on January 2, 2004

Registration No. 333-110201

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

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**AMENDMENT NO. 2**

**TO**

**FORM S-3**

**REGISTRATION STATEMENT**

*UNDER*

*THE SECURITIES ACT OF 1933*

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**PUMATECH, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**77-0349154**  
(I.R.S. Employer  
Identification No.)

**2550 North First Street, San Jose, California 95131**

**(408) 321-7650**

(Address, including zip code, and telephone number, including area  
code, of registrant's principal executive offices)

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**Woodson Hobbs**

**President and Chief Executive Officer**

**Pumatech, Inc.**

**2550 North First Street, San Jose, California 95131 (408) 321-7650**

(Name, address, including zip code, and telephone number,  
including area code, of agent for service)

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***COPIES TO:***

Elias J. Blawie

Thomas H. Tobiason

Heller Ehrman White & McAuliffe LLP

2775 Sand Hill Road

Menlo Park, CA 94025

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**Approximate date of commencement of proposed sale to the public:**

**As soon as practicable after the effective date of this Registration Statement.**

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If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. "

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. " \_\_\_\_\_

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registrations statement number of the earlier effective registration statement for the same offering. " \_\_\_\_\_

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. "

### Calculation of Registration Fee

Title of each class of securities to be registered	Amount to be registered (1)	Proposed maximum offering price per share (2)	Proposed	Amount of registration fee
			maximum aggregate offering price	
Common Stock, par value \$0.001 (3)	1,093,676	\$6.85	\$7,491,681	\$607(4)

- (1) This registration statement shall cover any additional shares of our common stock which become issuable by reason of any stock dividend, stock split, recapitalization or any other similar transaction effected without the receipt of consideration that results in an increase in the number of shares of our outstanding common stock.
- (2) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(c) under the Securities Act of 1933 based upon the average of the high and low prices of the Common Stock as reported on the Nasdaq National Market on October 31, 2003.
- (3) This registration statement also relates to rights to purchase shares of the registrant's Series A Participating Preferred Stock (the "Rights") which are attached to all shares of common stock. Until the occurrence of certain prescribed events, the Rights are not exercisable, are evidenced by the certificates for common stock and will be transferable along with and only with the common stock. The value attributable to the Rights, if any, is reflected in the value of the common stock.

- (4) Previously paid.

**The Company hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Company shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

**EXPLANATORY NOTE**

This registration statement contains a prospectus relating to a public offering of an aggregate of 1,093,676 shares of our common stock that are owned by Spontaneous Technology, Inc., a Nevada corporation ( Spontec ). We issued these shares in connection with our purchase of substantially all of the assets of Spontec which was completed on September 17, 2003. The complete prospectus for this offering follows immediately.

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The information in this prospectus is not complete and may be changed. The selling stockholder may not sell these securities until the registration statement filed with the Securities and Exchange Commission becomes effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, dated January 2, 2004

**PROSPECTUS**

**PUMATECH, INC.**

1,093,676 shares of Common Stock

- THE SELLING STOCKHOLDERS:** The selling stockholder identified on page 16 of this prospectus is selling 1,093,676 shares of our common stock. We are not selling any shares of our common stock under this prospectus and will not receive any of the proceeds from the sale of shares by the selling stockholder.
- OFFERING PRICE:** The selling stockholder may sell the shares of common stock described in this prospectus in a number of different ways and at varying prices. The selling stockholder may be deemed to be an underwriter, as such term is defined in the Securities Act of 1933, as amended. We provide more information about how the selling stockholder may sell its shares in the section titled "Plan of Distribution" on page 17.
- TRADING MARKET:** Our common stock is listed on the Nasdaq National Market under the symbol PUMA. On December 29, 2003, the closing sale price of our common stock, as reported on the Nasdaq National Market, was \$4.23 per share.
- RISKS:** INVESTING IN OUR COMMON STOCK INVOLVES A HIGH DEGREE OF RISK. SEE RISK FACTORS BEGINNING ON PAGE 1.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.**

The date of this prospectus is January 2, 2004.

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**WE HAVE NOT AUTHORIZED ANY DEALER, SALES PERSON OR OTHER PERSON TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS OR ANY PROSPECTUS SUPPLEMENT. YOU MUST NOT RELY ON ANY UNAUTHORIZED INFORMATION. THIS PROSPECTUS IS NOT AN OFFER OF THESE SECURITIES IN ANY STATE WHERE AN OFFER IS NOT PERMITTED. THE INFORMATION IN THIS PROSPECTUS IS CURRENT AS OF JANUARY 2, 2004. YOU SHOULD NOT ASSUME THAT THIS PROSPECTUS IS ACCURATE AS OF ANY OTHER DATE.**

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**PROSPECTUS SUMMARY**

The following is a summary of our business. You should carefully read the section entitled "Risk Factors" in this prospectus and our Annual Report on Form 10-K and Form 10-K/A for the year ended July 31, 2003 for more information on our business and the risks involved in investing in our stock.

In addition to the historical information contained in this prospectus, this prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act of 1934. These statements may be identified by the use of words such as "expects," "anticipates," "intends," "plans" and similar expressions. The outcome of the events described in these forward-looking statements is subject to risks and actual results could differ materially. The sections entitled "Risk Factors" beginning on page 1 of this prospectus, and

"Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" in our Annual Report and Quarterly Reports contain a discussion of some of the factors that could contribute to those differences.

**PUMATECH, INC.**

**Overview**

Pumatech, Inc. develops, markets and supports synchronization, mobile-application development, and mobile-application management/device management software that enables consumers, business professionals and information technology (IT) officers to extend the capabilities of enterprise groupware and vertical applications, handheld organizers/computers, Web-enabled cellular phones, pagers and other wireless or wireline personal communications platforms.

We are a Delaware corporation. Our principal executive offices are located at 2550 North First Street, Suite 500, San Jose, California 95131.

Our telephone number at that location is (408) 321-7650 and our website is located at [www.pumatech.com](http://www.pumatech.com). Information contained in our website does not constitute part of this prospectus. References in the prospectus to "we," "our," "us," "the Company" and "Pumatech" refer to Pumatech, Inc., a Delaware corporation.

**Acquisition of Assets from Spontaneous Technology.**

On September 17, 2003, we acquired substantially all of the assets of Spontaneous Technology, Inc. ("Spontec"). Spontec was incorporated in Nevada in October 1998 and is engaged in the business of developing software for the secure enablement of enterprise applications to wireless devices.

## RISK FACTORS

*An investment in our common stock involves significant risks. You should carefully consider the risks and uncertainties described below and the other information in or incorporated by reference into this prospectus including our financial statements before deciding whether to buy shares of our common stock. The risks and uncertainties described below are intended to be the ones that are specific to our company or industry and that we deem to be material, but are not the only ones that we face. The trading price of our common stock could decline due to any of these and other risks and uncertainties, and you could lose part or all of your investment.*

***We have historically incurred losses and these losses may continue in the future. We may not be able to sustain consistent future revenue growth on a quarterly or annual basis, or achieve or maintain profitability.***

We have not been profitable since fiscal 1998. Although we have reported sequential revenue growth over the last four quarters, we cannot be certain that this growth will continue at the same rate, or that our revenues will not decline in the future. We have experienced losses of \$7.7 million, \$34.5 million and \$41.8 million for fiscal 2003, 2002 and 2001, respectively. At July 31, 2003, we had an accumulated deficit of \$121.7 million. To become



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profitable and sustain profitability, we will need to generate additional revenues to offset our expenses. We may not achieve or sustain our revenue or profit goals and our losses may continue in the future. Because the synchronization market is new and evolving, we cannot accurately predict either the future growth rate, if any, or the ultimate size of the market for our products and services. For example, while the market for smartphones and other wireless mobile devices has experienced growth recently, the market for traditional personal data assistants (PDA) has declined. This decline in traditional PDA sales had a direct impact on sales of our Intellisync products through the retail and online channels, where sales of our synchronization software typically occur at the same time a PDA is purchased, or shortly thereafter. This decline has had a negative impact on our revenues and we expect that the decline in this market may continue. The increase in demand for smartphones and other such devices may not offset the decline in traditional PDA sales. If we cannot achieve profitability or positive cash flows from operating activities, we may be unable to meet our working capital and other payment obligations, which would have a material adverse effect on our business, financial condition and results of operations and the price of our common stock.

*Our quarterly revenues and operating results are subject to significant fluctuations, and our stock price may decline if we do not meet the expectations of investors and analysts.*

Our quarterly revenues and operating results are difficult to predict and have and may in the future fluctuate significantly from quarter to quarter due to a number of factors, many of which are outside our control. These factors include, but are not limited to:

- a decline in the market for traditional personal data assistants;
- our need to realize our goals with respect to recent and potential future acquisitions;
- our need and ability to generate and manage growth;
- rapid evolution of technology;
- our evolving business model;
- our reliance on international sales and growth
- our ability to penetrate the European market;
- a decline in gross margins;
- the seasonal nature of the market;
- changes in the market for synchronization;
- introduction of new products and services by us or our competitors;

changes in our mix of sources of revenues;

the long-term effect of our reduction in operating expenses;

entrenched and substantial competition; and

continued difficult political and economic conditions.

Additionally, we generally derive our technology licensing revenues from multi-year contracts with customers that frequently include license fees, professional services fees, royalty payments and maintenance. We typically earn both the license fees and the professional services in the initial one or two quarters subsequent to the signing of a

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contract. We periodically have large professional services implementations that individually contribute as much as 5% or more to quarterly revenue. Combined with related license revenues, total revenue from individual customers in the initial quarters of a contract may exceed the revenues we earn during subsequent periods covered by the contract. To the extent that we do not secure additional contracts with the same customer or secure comparably sized commitments from other customers, we may not be able to achieve our revenue forecasts for future quarters.

There can be no assurance that we will generate sufficient revenue to meet expenses or to operate profitably in the future. Our losses today and the risk of future losses present significant risks to our stockholders. If we cannot achieve profitability or positive cash flows from operating activities, we may be unable to meet our working capital and other payment obligations, which would have a material adverse effect on our business, financial condition and results of operations and the price of our common stock.

***Our market changes rapidly due to evolution in technology and industry standards. If we do not adapt to meet the sophisticated needs of our customers, our business and prospects will suffer.***

The market for our products and services is characterized by rapidly changing technology, evolving industry standards and frequent new product and service introductions. The traditional personal data assistant market, appears to be declining and may continue to do so, just as sales in competing markets, such as smartphones and other multi-function mobile phones may be increasing. Our future success will depend to a substantial degree on our ability to offer products and services that adapt to these changing markets, incorporate leading technology, address the increasingly sophisticated and varied needs of our current and prospective customers and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis. Our rapidly evolving market makes it more likely that:

our technology or products may become obsolete upon the introduction of alternative technologies;

we may not have sufficient resources to develop or acquire new technologies or to introduce new products or services capable of competing with future technologies or service offerings; and

we may not be able to respond effectively to the technological requirements of the changing market.

To the extent we determine that new technologies and equipment are required to remain competitive, the development, acquisition and implementation of these technologies and equipment are likely to continue to require significant capital investment by us. Moreover, there can be no assurances that we can develop, market and deliver new products and technology on a timely basis. Sufficient capital may not be available for this purpose in the future, and even if it is available, investments in new technologies may not result in commercially viable technological processes and there may not be commercial applications for such technologies. If we do not develop, acquire and introduce new products and services and achieve market acceptance in a timely manner, our business and prospects may suffer.

***Our recent and planned future acquisitions could require significant management attention and prove difficult to integrate with our business, which could distract our management, disrupt our business, dilute stockholder value and adversely affect our operating results.***

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As part of our strategy, we intend to continue to make investments in complementary companies, products or technologies. We recently acquired Starfish Software, Inc. (in March 2003), Synchrologic, Inc. (in December 2003) and substantially all of the assets of Loudfire, Inc. (in July 2003) and Spontaneous Technology, Inc. (in September 2003). We may not realize benefits from any of these acquisitions, or from any acquisition we may have in the future. If we fail to integrate successfully our past and future acquisitions, or the technologies associated with such acquisitions, into our company, the revenue and operating results of the combined company could decline. Any integration process will require significant time and resources, and we may not be able to manage the process successfully. If our customers are uncertain about our ability to operate on a combined basis, they could delay or cancel orders for our products. We may not successfully be able to evaluate or utilize the acquired technology and accurately forecast the financial impact of an acquisition transaction, including

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accounting charges. Acquisitions involve a number of difficulties and risks to our business, including, but not limited to, the following:

potential adverse effects on our operating results;

failure to integrate acquired technologies with our existing products and technologies;

failure to integrate management information systems, personnel, research and development and marketing, sales and support operations;

potential loss of key employees from the acquired company;

diversion of management's attention from other business concerns;

disruption of our ongoing business;

potential loss of the acquired company's customers;

failure to realize the potential financial or strategic benefits of the acquisition;

failure to develop further the acquired company's technology successfully, resulting in the impairment of amounts capitalized as intangible assets;

unanticipated costs and liabilities;

incur amortization expenses related to intangible assets (other than goodwill); and

incur impairment charges under Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets and SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets.

Further, we have issued common stock and paid cash for recent acquisitions and may have to pay cash, incur debt or issue equity securities to pay for any future acquisition, each of which could affect the market price of our common stock. The sale of additional equity or convertible debt could result in dilution to our stockholders. The incurrence of indebtedness would result in increased fixed obligations and could also include covenants or other restrictions that would impede our ability to manage our operations.

*If we are unable to make additional future acquisitions of mobile computing-related technology companies, we may be unable to compete successfully in the enterprise synchronization market.*

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Our business strategy is dependent upon making additional acquisitions of mobile computing-related technology companies. Future acquisition candidates may be few in number and may attract offers from companies with greater financial resources than us. We can provide no assurance that we will be able to locate suitable acquisition targets or that we will be able to complete future acquisitions. If we are unable to make additional future acquisitions of mobile computing-related technology companies or build similar technologies in-house, we may be unable to implement our business plan and our ability to compete in the enterprise synchronization market may be adversely affected.

*Our investment in goodwill and other intangibles resulting from our acquisitions could become impaired.*

As of October 31, 2003, our goodwill and other intangibles amounted to \$9,762,000, net of accumulated amortization and reflective of newly acquired intangibles from Spontaneous Technology. We ceased to amortize our existing goodwill upon our adoption of SFAS No. 142 in the beginning of fiscal 2003. We will amortize approximately \$867,000, \$1,133,000, \$1,059,000, \$941,000 and \$49,000 of other intangibles in the remainder of fiscal 2004, fiscal 2005, 2006, 2007 and 2008, respectively, based on the acquisitions completed as of October 31, 2003. We expect, however, that amortization expense will increase significantly as a result of the acquisition of various intangibles from

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Synchrologic in December 2003. To the extent we do not generate sufficient cash flows to recover the net amount of any investment in goodwill and other intangibles recorded, the investment could be considered impaired and subject to earlier write-off. These impairments of goodwill or other intangible assets could have a negative impact on our results of operations in any given period.

***Our business was harmed by the recent slowdown in the economy generally and in the information technology sector in particular. As a result, we have reduced our total operating expenses to a lower level in fiscal 2003 compared with those in fiscal 2002. Continued or worsened conditions may directly harm our business and could result in additional actions to reduce operating expenses, which could harm our business and future prospects further.***

Our revenue declined sequentially in the six quarters before the first quarter of fiscal 2003, largely as a result of recent unfavorable economic conditions that caused our customers to delay, decrease or cancel corporate information technology spending. The sales of our products and services is largely dependent on the state of the general economy and upon the condition of the mobile computing-synchronization markets. We may be unable to offset the harm caused by continued or increasing weakness in demand with additional reductions in operating expenses without significantly harming our business.

***Our success and ability to compete depends upon our ability to secure and protect patents, trademarks and other proprietary rights.***

Our success depends on our ability to protect our proprietary rights to the technologies used in our products and services. In the event that a third party breaches the confidentiality provisions or other obligations in one or more of our agreements or misappropriates or infringes on our intellectual property or the intellectual property licensed to us by third parties, our business would be seriously harmed. To protect our proprietary rights, we rely on a combination of trade secrets, confidentiality and other contractual provisions and agreements, and patent, copyright and trademark laws, which afford us only limited protection. Third parties may independently discover or invent competing technologies or reverse engineer our trade secrets, software or other technology. Furthermore, laws in some countries may not protect our proprietary rights to the same extent as the laws of the United States. Therefore, the measures we take to protect our proprietary rights may not be adequate.

Despite our efforts to protect our proprietary rights and technologies, unauthorized parties may attempt to copy aspects of our products or to obtain and use trade secrets or other information that we regard as proprietary. Policing unauthorized use of our products is difficult, and while we are unable to determine the extent to which piracy of our software products exists, software piracy can be expected to be a persistent problem. Embedded software products, like those we offer, can be especially susceptible to software piracy.

***We are and may in the future be subject to litigation that could result in significant costs to us.***

Litigation has been and may in the future be necessary to enforce our proprietary rights or to protect our trade secrets or trademarks. These legal proceedings may also divert our management's attention from growing our business. Failure to enforce and protect our intellectual property successfully would substantially harm our business.

For instance, on April 19, 2002, we filed a patent infringement suit against Extended Systems, Inc. in the United States District Court for the Northern District of California. In this suit, we allege that Extended System's server and desktop products infringe on eight of our synchronization-related patents. We are seeking an injunction against future sales of infringing server and desktop products, as well as monetary damages for past sales of the infringing products, of Extended Systems. Extended Systems has denied our charges, raised a number of affirmative defenses to our claims, and requested a declaration from the Court that our eight patents are invalid and not infringed. Litigation is inherently uncertain, and we may not prevail in our claims or defenses. In addition, our litigation against Extended Systems is expensive and time-consuming, and management has been and may in the future be required to spend significant time in the defense of the suit. We incurred approximately \$1,200,000 of legal costs relating to all litigation including against Extended Systems during fiscal 2003 and believe that we will continue to incur significant amount of legal costs during fiscal 2004 as a result of any on-going litigation. Extended Systems has no claims or counterclaims against us in this case. However, if we do not prevail in our claims, we might



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be forced to accept an unfavorable settlement or judgment which could require us to pay a substantial amount of Extended Systems' legal fees in settlement or upon the determination of these claims. An unfavorable settlement or judgment could also materially harm our ability to use existing intellectual property and severely harm our business as a result.

On December 5, 2002, we filed a patent infringement suit against Synchrologic, Inc. in the United States District Court for the Northern District of California, alleging that Synchrologic's server and desktop products infringe six of our synchronization-related patents. On September 14, 2003, we entered into a definitive agreement to acquire Synchrologic. Upon the execution of the definitive agreement, we and Synchrologic agreed to dismiss the litigation with prejudice as of September 17, 2003, thereby permanently ending this specific suit.

In order to protect our proprietary rights in the future, we may decide to sue additional parties. Any litigation, whether brought by or against us, could cause us to incur significant expenses and could divert a large amount of management time and effort. A claim by us against a third party could, in turn, cause a counterclaim by the third party against us, which could impair our intellectual property rights and harm our business.

If we are forced to defend against third-party infringement claims, whether they are with or without merit or are determined in our favor, we could face expensive and time-consuming litigation, which could distract technical and management personnel, or result in product shipment delays. If an infringement claim is determined against us, we may be required to pay monetary damages or ongoing royalties. Further, as a result of infringement claims either against us or against those who license technology to or from us, we may be required to develop non-infringing intellectual property or enter into costly royalty or licensing agreements. Such royalty or licensing agreements, if required, may be unavailable on terms that are acceptable to us, or at all. If a third party successfully asserts an infringement claim against us and we are required to pay monetary damages or royalties or we are unable to develop suitable non-infringing alternatives or license the infringed or similar intellectual property on reasonable terms on a timely basis, it could significantly harm our business.

*If our intellectual property were to be found to be infringing or otherwise invalid, our business would be harmed.*

Our business is heavily dependent on our intellectual property. Our patents are an especially important part of our intellectual property and our business. Third parties may assert infringement or unfair competition claims against us. In the past, we have received notices from third parties alleging that our product offerings infringe proprietary rights held by them. We have also received a notice from a customer to which we may have indemnification obligations under some circumstances, informing us that it had received a notice from a third party alleging that the customer's product infringes the third party's proprietary rights. We or our customers may receive other similar notices from third parties in the future. We cannot predict whether third parties will assert claims of infringement against us, or whether any past, present or future claims will prevent us from offering products or operating our business as planned.

Due to the inherently uncertain nature of intellectual property protection and the extremely competitive area in which we operate our business, it is possible that some or all of our intellectual property could be found to be infringing on the intellectual property of others or that our patents could be determined to be invalid in the future, despite our efforts to ensure otherwise. Should some or all of our intellectual property be found to be infringing on the intellectual property of others, our business would be severely harmed because we would not be able to sell our products and we may incur fees, expenses or be forced to pay damage awards. In addition, our business would be harmed if our patents were determined to be invalid.

*We face fierce competition in the market for mobile computing synchronization products and services, which could reduce our market share and revenues.*

Our market contains few substantial barriers to entry. We believe we will face additional competition from existing competitors and new market entrants in the future. We currently face direct competition with respect to our Intellisync, Enterprise Intellisync, Synchrologic Mobile Suite, Intellisync goAnywhere, Satellite Forms, Intellisync: Phone Edition, TrueSync and Spontaneous Technology's secure Virtual Private Network (sVPN) products. Intellisync retail and enterprise products face competition from Sybase Inc.'s iAnywhere, Chapura, Inc.'s Pocket

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Mirror, Common Time's Cadenza mNotes, Extended Systems, Inc.'s OneBridge Mobile Groupware, IBM Corporation's Lotus Software EasySync Pro, Microsoft, Inc.'s ActiveSync, Palm Desktop from Palm and others. Satellite Forms faces competition from Adobe Systems, Inc., Aligo, Inc., AppForge, Inc., Covigo, Inc., iConverse, Inc., Metrowerks Code Warrior, mPortal, Inc., Pencil Corporation, Pendragon Software Corporation, Penright Corporation's MobileBuilder and others. Our server-based Mobile Suite software faces competition from Aether Systems, CommonTime, Extended Systems, FusionOne, Inc., InfoSpace, Inc., Infowave Software, JP Mobile, Inc., Microsoft, Openwave, Inc., Sybase, Inc., Wireless Knowledge, Inc., XcelleNet, Inc. and others. Intellisync goAnywhere technology competes with offerings from Symantec Corporation (pcAnywhere) and Expertcity, Inc. (GoToMyPC) and others. Our Intellisync: Phone Edition faces competition from FutureDial, Inc.'s SnapSync and Susteen, Inc.'s DataPilot and others. In addition to direct competitors like these, we face indirect competition from existing and potential customers that may provide internally developed solutions to each of our technology licensing components. TrueSync and sVPN face competition from Visto Corporation, Seven Networks, Inc. and others.

In addition to direct competition noted above, we face indirect competition from existing and potential customers that may provide internally developed solutions for each of our technology licensing components. As a result, we must educate prospective customers as to the advantage of our products compared to internally developed solutions. We currently face limited direct competition from major applications and operating systems software vendors who may in the future choose to incorporate data synchronization functionality into their operating systems software, thereby potentially reducing the need for original equipment manufacturers to include our products in their notebook and desktop personal computers. For example, Microsoft's inclusion of certain features permitting data synchronization between computers utilizing the Windows 98, Windows 2000, Windows Me, Windows NT or Windows XP operating system may have the effect of reducing revenue from our software if users of these operating systems perceive that their data synchronization needs are adequately met by Microsoft.

Many of our competitors have substantially greater financial, technical and marketing resources, larger customer bases, longer operating histories, greater name recognition and more established relationships in the industry than we do. Our larger competitors may be able to provide customers with additional benefits in connection with their products and costs, including reduced communications costs. As a result, these companies may be able to price their products and services more competitively than we can and respond more quickly to new or emerging technologies and changes in customer requirements. If we are unable to compete successfully against our current or future competitors, we may lose market share, and our business and prospects would suffer.

***Our business and prospects depend on, to a significant degree, demand for wireless and other mobile computing devices.***

The use of wireless and other mobile computing devices for retrieving, sharing and transferring information among businesses, consumers, suppliers and partners has begun to develop only in recent years. Our success will depend in large part on continued growth in the use of wireless and other mobile computing devices including personal data assistants, handheld computers, smart phones, pagers and other mobile devices. In addition, our markets face critical unresolved issues concerning the commercial use of wireless and other mobile computing devices, including security, reliability, cost, ease of access and use, quality of service, regulatory initiatives and necessary increases in bandwidth availability. Demand for, and market acceptance of, wireless and other mobile computing devices which require our products and services are subject to a high level of uncertainty and are dependent on a number of factors, including:

the growth in access to, and market acceptance of, new interactive technologies;

growth in sales of handheld devices, smart phones and other mobile computing devices, supported by our software and growth in wireless network capabilities to match end-user demand and requirements;

emergence of a viable and sustainable market for wireless and mobile computing services;

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our product and service differentiation and quality;

the development of technologies that facilitate interactive communication between organizations;

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increases in bandwidth for data transmission;

our distribution and pricing strategies as compared with those of our competitors;

the effectiveness of our marketing strategy and efforts;

our industry reputation; and

general industry and economic conditions such as slowdowns in the computer or software markets or the economy in general.

If the market for wireless and other mobile computing devices as a commercial or business medium does not develop, or develops more slowly than expected, our business, results of operations and financial condition will be seriously harmed.

Even if the wireless and mobile computing services market does develop, our products and services may not achieve widespread market acceptance. If our target customers do not adopt, purchase and successfully deploy our other current and planned products and services, our revenue will not grow significantly and our business, results of operations and financial condition will be seriously harmed.

***If we fail to maintain our existing relationships or enter into new relationships with original equipment manufacturers, business development organizations and sales distribution channels, our brand awareness, the sales of our products and use of our services would suffer.***

Our product and service offerings depend, in large part, on our ability to develop and maintain relationships with original equipment manufacturers and business development organizations that help distribute our products and promote our services. We depend on these relationships to:

distribute our products to purchasers of mobile devices;

increase the use of our technology licensing components;

build brand awareness through product marketing; and

market our products and services cooperatively.

If the products that these equipment manufacturers or business development organizations sell, or the operating systems upon which these products are based, were to lose popularity, or if any of these companies cease to use our product and service offerings in significant volumes, our product sales would decline and our business would suffer.

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We have developed with sales distribution channels and other resellers that allow us to offer our products and services to a much larger customer base than we would otherwise be able to reach through our own direct sales and marketing efforts. Ingram Micro US is our largest distributor and accounted for 10%, 17% and 14% of our total revenue during fiscal 2003, 2002 and 2001, respectively. There are also a significant number of our customers that purchase our products and services through other resellers, and we anticipate they will continue to do so as we expand our product offerings. Because we often sell indirectly through these sales distribution channels and resellers, we cannot control our relationships with end customers. This may diminish our ability to sell our products and services directly to our customers. Our sales, therefore, could also be negatively affected by disruptions in our relationships with resellers or disruptions in the relationships between our resellers and customers. Resellers may also choose not to emphasize our products to their customers. Any of these occurrences could diminish the effectiveness of our distribution channel and lead to decreased sales.

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*We are dependent on our international operations for a significant portion of our revenues.*

International revenue, primarily from customers based in Japan and Europe, accounted for 36%, 31% and 26% of our revenue in fiscal 2003, 2002 and 2001, respectively. The increase in our international annual revenues from fiscal 2002 to fiscal 2003 accounted for 92% of our total annual revenue increase for fiscal 2003. In the future, we may further expand our international presence. As we continue to expand internationally, we are increasingly subject to risks of doing business internationally, including:

longer payment cycles and problems in collecting accounts receivable;

seasonal reductions in business activity during the summer months in Europe and certain other parts of the world;

unexpected changes in regulatory requirements and tariffs;

export controls relating to encryption technology and other export restrictions;

reduced protection for intellectual property rights in some countries;

political and economic instability, including continuing military conflicts in the Middle East and potential health epidemics;

difficulties in staffing and managing international operations;

fluctuations in currency exchange rates, which we do not hedge against;

potentially adverse tax consequences;

nonrefundable withholding taxes on royalty income from customers in certain countries, such as Japan and Taiwan;  
an adverse effect on our provision for income taxes based on the amount and mix of income from international customers; and

exposure to risk of non-payment by customers in other countries with highly inflationary economies.

Our international sales growth will be limited if we, in the future, are unable to expand international sales channel management and support, customize products for local markets, and develop relationships with international service providers, distributors and device manufacturers. Even if we are able to expand international operations successfully, we cannot be certain that we will succeed in maintaining or expanding international market demand for our products.

*Geographical expansion and growth, including the establishment of new sales or engineering operations, may negatively affect our engineering operations and cause us to incur significant additional costs and expenses.*

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We recently established an engineering facility in Sofia, Bulgaria and in the future we may further expand our engineering or sales operations to other geographical areas within the United States and internationally. Our expansion may cause us to incur various costs and expenses, and may place a significant strain upon our operating and financial systems and resources that could materially adversely affect our financial results following such an expansion. We also face significant business risks related to the difficulty in assimilating new operations and the diversion of management's attention from other business. Additionally, if we fail to align employee skills and populations with revenue and market requirements, it may have a material adverse impact on our business and operating results. Moreover, these newly established operations may not contribute significantly to our sales or earnings.

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*We may become dependent upon engineers and other development partners located in other countries.*

We established a global software development program to assist us in the implementation of custom software and other technology applications. We have shifted the composition of our engineering team to include several international software development partners, the largest of which is Romania-based SoftVision, Inc. Our future engineering development efforts may depend on our ability to maintain strategic relationships with these international partners. Our business relationships often consist of cooperative engineering programs, joint business seminars and cooperation in product development. Many of these relationships may not be contractual and may depend on the continued voluntary cooperation. Divergence in strategy or change in focus by any of our partners may interfere with our ability to develop and support our products, which in turn could harm our business. Further, if our partners enter into strategic alliances with other companies, they could reduce their support of our products. We may jeopardize our existing relationships if we enter into alliances with competitors of our strategic partners. One or more of our partners may use the information they gain from their relationship with us to develop competing products. In addition, our operations could be adversely affected if any of these international partners is affected by volatile economic, political or military conditions in its country or by various restrictions imposed by its country regarding the transfer of technology, the mobile computing industry and business in general.

*We are exposed to the risk of product returns and rotations from our distributors and value-added resellers, which are estimated and recorded by us as a reduction in sales.*

Although we attempt to monitor and manage the volume of our sales to distributors and resellers, overstocking by our distributors and resellers or changes in their inventory level policies or practices may require us to accept returns above historical levels. In addition, the risk of product returns may increase if the demand for new products we introduce is lower than what we anticipate at the time of introduction. Although we believe that we provide an adequate allowance for sales returns, actual sales returns could exceed our estimated recorded allowance. Any product returns in excess of recorded allowances could result in a material adverse effect on net revenues and operating results. As we introduce more products, timing of sales to end users and returns to us of unsold products by distributors and resellers become more difficult to predict and could result in material fluctuations in quarterly operating results.

*If we are unable to provide satisfactory and high quality services through our professional services group, customer satisfaction and demand for our products will suffer.*

Many of our customers have been successful in implementing our various technology initiatives without further provision of technical service. However, we believe that building strong relationships with our customers, as well as future growth in our product sales, depends on our ability to provide our customers with professional services, including customer support, training, consulting and initial implementation and deployment of our products when necessary. We have an in-house professional services group and use international software development partners with a workforce that can perform these tasks and that also educates third-party systems integrators in the use of our products so that these systems integrators can provide these services to our customers. If we are unable to develop sufficient relationships with third-party systems integrators and other customers, unable to complete product implementations in a timely manner, or unable to provide customers with satisfactory and quality support, consulting, maintenance and other services, we could face customer dissatisfaction, damage to our reputation, decreased overall demand for our products and loss of revenue.

*Future sales of our common stock, including the shares we issued in connection with our acquisition of Synchrologic, may depress our stock price.*

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If our current stockholders sell substantial amounts of common stock in the public market, the market price of our common stock could fall. In addition, these sales of common stock could impede our ability to raise funds at an advantageous price, or at all, through the sale of securities. We have recently issued shares of our common stock in connection with our acquisitions of the assets of Loudfire and Spontaneous Technology, and merger with Synchrologic.

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As of December 29, 2003, we had approximately 64,664,017 shares of common stock outstanding. Assuming that the maximum number of shares and options are issued and registered by us in connection with all of our recent acquisitions, including our recently completed acquisition of Synchronologic, and assuming that all options to purchase common stock issuable under our stock plans are issued, an aggregate of approximately 26,619,000 additional shares of our common stock will become issued or issuable and freely tradeable within approximately 12 months following the closing of our recently completed acquisition of Synchronologic (December 2003), and an aggregate of 702,000 additional shares of our common stock will become issued or issuable and freely tradeable by the end of the 18 month period following such closing. Based on these assumptions, the following is an approximate list of the shares that could become freely tradeable and sold in the public market as a result of option exercises or stock issuances in connection with acquisitions during the first 12 months following the closing of our recently completed acquisition of Synchronologic:

3,643,000 shares immediately upon exercise of outstanding option grants;

1,120,693 additional shares on or about the effective date of the registration statements for the shares issuable in connection with the Spontaneous Technology and Loudfire transactions;

4,333,000 additional shares on or about the closing of the recently completed Synchronologic acquisition;

1,326,000 additional shares in each of the first 8 months following the closing of the recently completed Synchronologic acquisition, such that an aggregate of approximately 10,608,000 additional shares would become freely tradeable in the 8 month period following such acquisition; and

4,134,000 additional shares at the end of the 12th month following the recently completed Synchronologic acquisition.

***We may incur significant stock-based compensation charges related to certain stock options and restricted stock in future periods.***

Based on certain accounting standards involving stock compensation, we have incurred and will continue to incur noncash accounting charges related to stock options, including those associated with our cancellation/regrant programs and certain unvested, restricted shares exercised with a full recourse note. Those standards require us to remeasure compensation costs for such options each reporting period based on changes in the market value of the underlying common stock. Depending upon movements in the market value of our common stock, the variable accounting treatment of those stock options may result in significant additional non-cash compensation costs in future periods.

In addition, there has been increasing public debate about the proper accounting treatment for employee stock options. Although we are not currently required to record any compensation expense in connection with option grants that have an exercise price at or above fair market value, it is likely that future laws or regulations will require us to treat stock options as a compensation expense. Any such change in accounting treatment could result in our reporting increased operating expenses, which would decrease any reported net income or increase any reported net loss.

***Geopolitical, economic and military conditions, including terrorist attacks and other acts of war, may materially and adversely affect the markets on which our common stock trades, the markets in which we operate, our operations and our profitability.***

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Terrorist attacks and other acts of war, and any response to them, may lead to armed hostilities and such developments would likely cause instability in financial markets. Armed hostilities and terrorism may directly impact our facilities, personnel and operations which are located in the United States and other countries, as well as those of our clients. Furthermore, severe terrorist attacks or acts of war may result in temporary halts of commercial activity in the affected regions, may harm our reseller relationships and may result in reduced demand for our products. These developments could have a material adverse effect on our business and the trading price of our common stock.

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*There are risks associated with our long-term investments that may adversely affect our results of operations.*

Historically, we have made direct and indirect investments in privately held companies. We may continue to make strategic investments in the future. There can be no assurance that our investments will bring us a return on investment. In addition, because the strategic investments tend to be in small, start-up technology companies that are at risk for financial failure especially during an economic slowdown, there is a greater risk that the investments might be impaired. In fiscal 2003, for instance, we sold our limited partnership interest in a venture capital fund company at a loss. The sale of the interest allowed us to avoid commitments for further investments in equity instruments of various privately-held companies made through the venture capital fund, many of which had not generated adequate returns.

*Our stock price has historically been and may continue to be volatile, which may cause you to lose money and could lead to costly litigation against us that could divert our resources.*

Stock markets have recently experienced dramatic price and volume fluctuations, particularly for shares of technology companies. These fluctuations can be unrelated to the operating performance of these companies. Broad market fluctuations may reduce the market price of our common stock and cause you to lose some or all of your investment. These fluctuations may be exaggerated if the trading volume of our common stock is low. In addition, due to the technology-intensive nature and growth rate of our business and the mobile computing synchronization market, the market price of our common stock has in the past and may in the future rise and fall in response to:

quarterly variations in operating results;

seasonal fluctuations on product sales;

announcements of technological innovations;

announcements of new software or services by us or our competitors;

acquisitions or strategic alliances by us or by our competitors;

changes in financial estimates by securities analysts; and

other events beyond our control, including general market conditions.

The stock market has experienced significant price and volume fluctuations that have particularly affected the trading prices of equity securities of many high technology companies. These fluctuations have often been unrelated or disproportionate to the operating performance of these companies. Furthermore, our operating results and prospects from time to time may be below the expectations of public market analysts and investors. Any negative change in the public's perception of companies in the wireless communications market could depress our stock price regardless of our operating results.

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Recently, companies experiencing high volatility or significant drops in their stock prices have faced securities class action lawsuits when the market price of a stock has been volatile. Holders of that stock have often instituted securities class action litigation against the company that issued the stock when such stock declines. If any of our stockholders brought such a lawsuit against us, we could incur substantial costs defending the lawsuit. The lawsuit could also divert the time and attention of our management. Further, any settlement of such a lawsuit could adversely affect us.

*We depend on key employees in a competitive market for skilled personnel.*

The success of our business will continue to depend upon certain key technical and senior management personnel, including our president and chief executive officer, Woodson Hobbs; senior vice president of sales and marketing, Clyde Foster; chief technology officer, John Stossel; vice president of finance and administration and chief accounting officer, J. Keith Kitchen; and senior vice president of products and services, Mehdi Maghsoodnia, many of whom would be extremely difficult to replace. In connection with our recently completed acquisition of Synchronologic,

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Said Mohammadioun also became a key employee of Pumatech. Competition for such personnel is intense, and there can be no assurance that we will be able to retain our existing key managerial, technical, or sales and marketing personnel. The loss of these officers and other or key employees in the future might adversely affect our business and impede the achievement of our business objectives.

We believe our ability to achieve increased revenues and to develop successful new products and product enhancements will depend in part upon our ability to attract and retain highly skilled sales and marketing and qualified product development personnel. In addition, competition for employees in our industry and geographic location could be intense. We may not be able to continue to attract and retain skilled and experienced personnel on acceptable terms. Our ability to hire and retain such personnel will depend upon our ability to raise capital or achieve increased revenue levels to fund the costs associated with such personnel. Failure to attract and retain key personnel will adversely affect our business.

***Increasing government regulation could cause demand for our products and services to grow more slowly or to decline.***

We are subject not only to regulations applicable to businesses generally, but also to laws and regulations directly applicable to wireless and other mobile computing devices. One or more states or the federal government could enact regulations aimed at companies like us, which provide software that facilitates e-commerce and wireless communications. The likelihood of the enactment of regulation in these areas will increase as wireless and other mobile devices become more pervasive. Any legislation, regulation or taxation of electronic commerce could dampen the growth of wireless and other mobile computing devices. If a reduction in growth occurs as a result of these events, demand for our services, technologies and other products could decline significantly. The adoption of new laws or the application of existing laws may expose us to significant liabilities and additional operational requirements, which could decrease the demand for our services and increase our cost of doing business.

***We are dependent on non-exclusive licenses for certain technology included in our products. We may be unable to license such technology or it may be subject to infringement claims by third parties.***

We depend on development tools provided by a limited number of third-party vendors. Together with application developers, we rely primarily upon software development tools provided by companies in the PC and mobile computing device industries. If any of these companies fails to support or maintain these development tools, we will have to support the tools ourselves or transition to another vendor. Such maintenance or support of the tools or transition could be time consuming, could delay the product release and upgrade schedule and could delay the development and availability of third-party applications used in our products. If we fail to procure the needed software development tools or there is any delay in availability of third-party applications our ability to release, support and promote adoption of our products would be harmed.

Our commercial success will also depend in part on not infringing upon the proprietary rights of others and not breaching technology licenses that cover technology used in our products. It is uncertain whether any third-party patents will require us to develop alternative technologies or to alter our products or processes, obtain licenses or cease activities that infringe on a third-party's intellectual property rights. If any such licenses are required, we may not be able to obtain such licenses on commercially favorable terms, if at all. Our failure to obtain a license to any technology that we may require to commercialize our products and services could cause our business and prospects to suffer. Litigation may also be necessary to enforce any patents issued or licensed to us or to determine the scope and validity of third-party proprietary rights.

***Our restructurings could result in customer and employee uncertainty and management distractions.***

We have undergone a number of restructurings in fiscal 2003, 2002, and 2001 involving, among other things, a substantial reduction in our worldwide workforce. Such reductions could result in customers or prospective customers deciding to delay or cancel their purchases of our products and services due to perceived uncertainty caused by the restructurings. There can be no assurance that we will not reduce or otherwise adjust our workforce again in the future or that the related transition issues associated with such reductions will not adversely affect our operations or customer perceptions in the future. This uncertainty could result in a lack of focus and reduced



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productivity by our remaining employees, including those directly responsible for revenue generation, which in turn may affect our revenue in the future. In addition, employees directly affected by the reductions may seek future employment with our business partners, customers, or even our competitors. Although all employees are required to sign a confidentiality agreement with us at the time of hire, there can be no assurances that the confidential nature of our proprietary information will be maintained in the course of such future employment.

### ***Our products may contain product errors that could subject us to product liability claims.***

Our products may contain undetected errors or failures when first introduced or as new versions are released, which can result in loss of or delay in market acceptance and could adversely impact future operating results. We do not currently maintain product liability insurance. Although our license agreements contain provisions limiting our liability in the case of damages resulting from use of the software, in the event of such damages, we may be found liable, and in such event, such damages could materially affect our business, operating results and financial condition.

### ***We may need to raise additional capital in the future resulting in dilution to our stockholders.***

We may need to raise additional funds for our business operations and to execute our business strategy. We may seek to sell additional equity or debt securities or to obtain an additional credit facility. The sale of additional equity or convertible debt securities could result in additional dilution to our stockholders. If additional funds are raised through the issuance of debt securities, these securities could have rights that are senior to holders of common stock and could contain covenants that would restrict our operations. Any additional financing may not be available in amounts or on terms acceptable to us, if at all.

### ***Foreign exchange fluctuations could decrease our revenues or cause us to lose money, especially since we do not hedge against currency fluctuations.***

To date, the majority of our customers have paid for our products and services in United States dollars. For fiscal years 2003, 2002 and 2001, costs denominated in foreign currencies were nominal and we had minimal foreign currency losses during those periods. However, we believe that in the future an increasing portion of our costs will be denominated in foreign currencies as we increase operations in Europe and open offices in other countries. We currently do not engage in foreign exchange hedging activities and, although we have not yet experienced any material losses due to foreign currency fluctuation, a small portion of our international revenues are currently subject to the risks of foreign currency fluctuations, and these risks will increase as our international revenues increase.

### ***System failures or accidental or intentional security breaches could disrupt our operations, cause us to incur significant expenses, expose us to liability and harm our reputation.***

Our operations depend upon our ability to maintain and protect our computer systems and core business applications, which are located at our offices, as well as hosted by third-party vendors. Although we are taking various precautions to maintain and protect our systems, they could still be vulnerable to damage from break-ins, unauthorized access, vandalism, fire, floods, earthquakes, power loss, telecommunications failures and similar events. We also maintain insurance against break-in, unauthorized access, vandalism, fires, floods, earthquakes and general business interruptions. The amount of coverage, however, may not be adequate in any particular case, and will not likely compensate us for all the damages caused by these or similar events. In addition, while we put various security measures in place to detect any unauthorized access to our

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computers and computer networks, we may be unable to prevent computer programmers or hackers from penetrating our network security or creating viruses to sabotage or otherwise attack our computer networks from time to time. A breach of our security could seriously damage our reputation, which would harm our business. In addition, because a hacker who penetrates our network security could misappropriate proprietary information or cause interruptions in our services, we might be required to expend significant resources to protect against, or to alleviate, problems caused by hackers. We might also face liability to persons harmed by misappropriation of secure information if it is determined that we did not exercise sufficient care to protect our systems.

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*Future changes in accounting standards or our interpretation of current standards, particularly changes affecting revenue recognition, could cause unexpected revenue fluctuations.*

Future changes in accounting standards or our interpretation of current standards, particularly those affecting revenue recognition, could require us to change our accounting policies. These changes could cause deferral of revenue recognized in current periods to subsequent periods or accelerate recognition of deferred revenue to current periods.

*Corporate governance scandals and new legislation could increase the cost of our operations.*

As a result of recent corporate governance scandals and the legislative and litigation environment resulting from those scandals, the costs of being a public company in general are expected to increase in the near future. New legislation, such as the recently enacted Sarbanes-Oxley Act of 2002, will have the effect of increasing the burdens and potential liabilities of being a public reporting company. This and other proposed legislation may increase the fees of our professional advisors and our insurance premiums.

*Our certificate of incorporation, our bylaws, Delaware law and our stockholder rights plan contain provisions that could discourage a takeover.*

Provisions of our certificate of incorporation, our bylaws, Delaware law and our stockholder rights plan contain provisions that may discourage, delay or prevent a merger or acquisition or other change of control that a stockholder may consider favorable.

**Table of Contents****USE OF PROCEEDS**

The proceeds from the sale of the shares of common stock offered pursuant to this prospectus are solely for the account of the selling stockholder. We will not receive any of the proceeds from the sale of these shares. See Selling Stockholder.

**SELLING STOCKHOLDER**

Under the terms of the agreement entered into in connection with our acquisition of substantially all of the assets of Spontec, which we completed on September 17, 2003, we issued to Spontec 1,093,676 shares of our common stock, and we agreed to register all of these shares for resale. We also agreed to use reasonable best efforts to keep the registration statement effective until the earliest of the date all of the shares of common stock offered under this prospectus have been or may be sold to the public and the date one year from the closing date of the acquisition (subject to adjustment in certain cases for delays in filing). Our registration of the shares of common stock does not necessarily mean that the selling stockholder will sell all or any of the shares.

The following table sets forth certain information regarding the beneficial ownership of the common stock, as of November 21, 2003, by each of the selling stockholders.

The information provided in the table below with respect to each selling stockholder has been obtained from that selling stockholder. Except as otherwise disclosed below, none of the selling stockholders has, or within the past three years has had, any position, office or other material relationship with us. Because the selling stockholders may sell all or some portion of the shares of common stock beneficially owned by them, we cannot estimate the number of shares of common stock that will be beneficially owned by the selling stockholders after this offering. In addition, the selling stockholders may have sold or transferred, or may sell or transfer, after the date on which they provided the information regarding the shares of common stock beneficially owned by them, all or a portion of the shares of common stock beneficially owned by them in transactions exempt from the registration requirements of the Securities Act of 1933.

Beneficial ownership is determined in accordance with Rule 13d-3(d) promulgated by the SEC under the Securities Exchange Act of 1934. Unless otherwise noted, each person or group identified possesses sole voting and investment power with respect to shares, subject to community property laws where applicable. We have based our calculation of the percentage of beneficial ownership on 64,664,017 shares of common stock outstanding on December 29, 2003.

<u>Selling Stockholder</u>	<u>Shares Beneficially Owned Prior to the Offering</u>		<u>Shares Offered by this Prospectus</u>	<u>Shares Beneficially Owned After the Offering (1)</u>	
	<u>Number</u>	<u>Percent</u>		<u>Number</u>	<u>Percent</u>
Spontaneous Technology, Inc. (2)	1,093,676	1.7%	1,093,676	0	0%

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- (1) Assumes the selling stockholder will sell all shares offered in this prospectus.
  
- (2) Joseph Marks, Troy Fukumoto and Kendall Cooper, as directors of Spontaneous Technology, Inc., exercise voting and dispositive powers over the shares of Pumatech common stock held of record by Spontaneous Technology, Inc.

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**PLAN OF DISTRIBUTION**

We will not receive any proceeds from the sale of the securities covered by this prospectus. We are registering shares on behalf of the selling stockholder. As used in this prospectus, selling stockholder includes donees and pledgees selling shares received from a named selling stockholder after the date of this prospectus. All costs, expenses and fees in connection with the registration of the shares offered by this prospectus will be borne by us. Brokerage commissions and similar selling expenses, if any, attributable to the sale of shares will be borne by the selling stockholder. Sales of shares may be effected by selling stockholder from time to time in one or more types of transactions (which may include block transactions) on one or more exchanges, in the over-the-counter market, in negotiated transactions, through put or call options transactions relating to the shares, through short sales of shares, or a combination of such methods of sale, at market prices prevailing at the time of sale, or at negotiated prices. Such transactions may or may not involve brokers or dealers. The selling stockholder has advised us that it has not entered into any agreements, understandings or arrangements with any underwriters or broker-dealers regarding the sale of its securities, nor is there an underwriter or coordinating broker acting in connection with the proposed sale of shares by the selling stockholder.

The selling stockholder may effect such transactions by selling shares directly to purchasers or to or through broker-dealers, which may act as agents or principals. Such broker-dealers may receive compensation in the form of discounts, concessions, or commissions from the selling stockholder and/or the purchasers of shares for whom such broker-dealers may act as agents or to whom they sell as principal, or both (which compensation as to a particular broker-dealer might be in excess of customary commissions).

The selling stockholder and any broker-dealers that act in connection with the sale of shares might be deemed to be underwriters within the meaning of Section 2(11) of the Securities Act, and any commissions received by such broker-dealers and any profit on the resale of the shares sold by them while acting as principals might be deemed to be underwriting discounts or commissions under the Securities Act. We have agreed to indemnify the selling stockholder against certain liabilities, including liabilities arising under the Securities Act. The selling stockholder may agree to indemnify any agent, dealer or broker-dealer that participates in transactions involving sales of the shares against certain liabilities, including liabilities arising under the Securities Act.

Because the selling stockholder may be deemed to be an underwriter within the meaning of Section 2(11) of the Securities Act, the selling stockholder will be subject to the prospectus delivery requirements of the Securities Act. We have advised the selling stockholder that during the time it may be engaged in a distribution of the securities offered by this prospectus, it is required to comply with Regulation M promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act). With certain exceptions, Regulation M precludes any selling stockholder, any affiliated purchasers and any broker-dealer or other person who participates in the distribution from bidding for or purchasing, or attempting to induce any person to bid for or purchase, any security which is the subject of the distribution until the entire distribution is complete. Regulation M also prohibits any bids or purchases made in order to stabilize the price of a security in connection with an at the market offering such as this offering. All of the foregoing may affect the marketability of the securities. The selling stockholder also may resell all or a portion of the Shares in open market transactions in reliance upon Rule 144 under the securities Act, provided it meets the criteria and conforms to the requirements of such Rule.

If we are notified by the selling stockholder that any material arrangement has been entered into with a broker-dealer for the sale of shares through a block trade, special offering, exchange distribution or secondary distribution or a purchase by a broker or dealer, a supplement to this prospectus will be filed, if required, pursuant to Rule 424(b) under the Act, disclosing (i) the name of the selling stockholder and of the participating broker-dealer(s), (ii) the number of shares involved, (iii) the price at which such shares were sold, (iv) the commissions paid or discounts or concessions allowed to such broker-dealer(s), where applicable, (v) that such broker-dealer(s) did not conduct any investigation to verify the information set out or incorporated by reference in this prospectus and (vi) other facts material to the transaction.

**LEGAL MATTERS**

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The validity of the common stock offered hereby will be passed upon for Pumatech by Heller Ehrman White & McAuliffe LLP, 2775 Sand Hill Road, Menlo Park, California 94025.

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**WHERE YOU CAN FIND ADDITIONAL INFORMATION**

This prospectus is part of a Registration Statement on Form S-3 that we filed with the Securities and Exchange Commission. Certain information in the registration statement has been omitted from this prospectus in accordance with the rules of the SEC. We file our annual, quarterly and special reports, proxy statements and other information with the SEC. You can inspect and copy the registration statement as well as reports, proxy statements and other information we have filed with the SEC at the public reference room maintained by the SEC at 450 Fifth Street, NW, Washington, D.C. 20549. You can obtain copies from the public reference room of the SEC at 450 Fifth Street, NW, Washington, D.C. 20549 upon payment of certain fees. You can call the SEC at 1-800-732-0330 for further information about the public reference room. We are also required to file electronic versions of these documents with the SEC, which may be accessed through the SEC's Internet site at <http://www.sec.gov>.

Our website is [www.pumatech.com](http://www.pumatech.com). We make our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports available free of charge as soon as reasonably practicable as we file these reports with the Securities and Exchange Commission.

Our common stock is quoted on the Nasdaq National Market. Reports, proxy and information statements and other information concerning Pumatech may be inspected at the Nasdaq Stock Market at 1735 K Street, NW, Washington, D.C. 20006.

**INCORPORATION OF DOCUMENTS BY REFERENCE**

The SEC allows us to incorporate by reference certain of our publicly-filed documents into this prospectus, which means that information included in these documents is considered part of this prospectus. Information that we file with the SEC after the date of the initial filing of this registration statement will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings made with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, until the selling stockholders have sold all the shares.

The following documents filed with the SEC are incorporated by reference in this prospectus:

1. Our Annual Report on Form 10-K for the fiscal year ended July 31, 2003 filed October 21, 2003, as amended by the Annual Report on Form 10-K/A filed November 28, 2003 (File No. 000-21709);
2. Our Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2003 filed December 15, 2003 (File No. 000-21709);
3. Our Current Reports on Form 8-K filed April, 11, 2003, August 6, 2003, October 2, 2003 and December 31, 2003 and our Current Reports on Form 8-K/A filed June 10, 2003, September 9, 2003 and October 28, 2003 (File No. 000-21709);



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4. Our 425 reports filed September 15, 2003 and November 20, 2003 pursuant to Rule 14a-12;

5. The description of our common stock set forth in our Registration Statement on Form 8-A filed November 8, 1996, including any amendments or reports filed for the purpose of updating such description (File No. 000-21709); and

6. The description of our Preferred Stock Purchase Rights set forth in our Registration Statement on Form 8-A filed January 15, 2003, including any amendments or reports filed for the purpose of updating such description (File No. 000-21709).

All documents subsequently filed by us pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this registration statement and prior to the termination of the offering of the common stock offered by this registration statement, shall be deemed to be incorporated by reference into this prospectus.

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We will furnish without charge to you, on written or oral request, a copy of any or all of the documents incorporated by reference, including exhibits to such documents. You should direct any requests for documents to Richard Mosher, General Counsel of the Company, 2550 North First Street, Suite 500, San Jose, California 95131 (408) 321-7650. This prospectus is part of a Registration Statement we filed with the SEC. You should rely only on the information incorporated by reference or provided in this prospectus and the Registration Statement. We have authorized no one to provide you with different information. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front of the document.

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**UNAUDITED PRO FORMA COMBINED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**

The following unaudited pro forma combined condensed financial statements have been prepared to give effect to the merger of Pumatech and Synchrologic using the purchase method of accounting and the assumptions and adjustments described in the accompanying notes to the unaudited pro forma combined condensed financial statements. These pro forma statements were prepared as if the merger had been completed as of August 1, 2002 for statement of operations purposes and as of October 31, 2003 for balance sheet purposes.

In addition, these unaudited pro forma combined condensed financial statements have been prepared to reflect Pumatech's acquisition of substantially all of the assets of Spontaneous Technology, Inc. on September 17, 2003 using the purchase method of accounting and the assumptions and adjustments described in the accompanying notes to the unaudited pro forma combined condensed financial statements. These pro forma statements were prepared as if the Spontaneous Technology acquisition had been completed as of August 1, 2002 for statement of operations purposes. Pumatech's acquisition of Starfish Software, Inc. on March 27, 2003 is also treated as having occurred on August 1, 2002.

Pumatech's fiscal year end is July 31, whereas Synchrologic's and Spontaneous Technology's fiscal year ends are December 31. The following pro forma combined condensed statement of operations data for the year ended July 31, 2003 combines the results of operations of Pumatech for the twelve months ended July 31, 2003 and Synchrologic's and Spontaneous Technology's results of operations for the twelve months ended June 30, 2003. Synchrologic's and Spontaneous Technology's results of operations for the twelve months ended June 30, 2003 were calculated by adding the results of operations for the twelve months ended December 31, 2002 to the results of operations for the six months ended June 30, 2003, and deducting the results of operations for the six months ended June 30, 2002. In addition, the following pro forma combined condensed statement of operations data for the year ended July 31, 2003 includes the results of operations of Starfish Software for the eight months ended February 28, 2003. Since the acquisition of Starfish Software took place on March 27, 2003, four months of Starfish Software results are included in the consolidated Pumatech results for the year ended July 31, 2003. Starfish Software's results of operations for the eight months ended February 28, 2003 were calculated by deducting the results of operations for the six months ended June 30, 2002 from the results of operations for the twelve months ended December 31, 2002, and adding the results of operations for the two months ended February 28, 2003. The unaudited pro forma combined condensed statement of operations for the three months ended October 31, 2003 combines the results of operations of Pumatech for the three months ended October 31, 2003 and Synchrologic's results of operations for the three months ended September 30, 2003. Synchrologic's results of operations for the three months ended September 30, 2003 were calculated by taking the unaudited results of operations for the nine months ended September 30, 2003, and deducting the unaudited results of operations for the six months ended June 30, 2003. In addition, the following pro forma combined condensed statement of operations data for the three months ended October 31, 2003 includes the results of operations of Spontaneous Technology for the 47 day period ended September 16, 2003. Since the acquisition of Spontaneous Technology took place on September 17, 2003, approximately one and a half months of Spontaneous Technology's results are included in the consolidated Pumatech results for the three months ended October 31, 2003.

The unaudited pro forma combined condensed financial statements are presented for illustrative purposes only and are not necessarily indicative of the financial position or results of operations that would have actually been reported had the merger and the acquisition noted above occurred on August 1, 2002 for statement of operations purposes and as of October 31, 2003 for balance sheet purposes, nor are they necessarily indicative of the future financial position or results of operations.

The unaudited pro forma combined condensed financial statements include adjustments, which are based upon preliminary estimates, to reflect the allocation of the purchase price to the acquired assets and assumed liabilities of Synchrologic. The final allocation of the purchase price will be determined after the completion of the merger and will be based upon actual net tangible and intangible assets acquired as well as liabilities assumed. The preliminary purchase price allocation for Synchrologic is subject to revision as more detailed analysis is completed and additional information on the fair values of Synchrologic's assets and liabilities becomes available. Any change in the fair value of the net assets of Synchrologic will change the amount of the purchase price allocable to goodwill. Final purchase accounting adjustments may differ materially from the pro forma adjustments presented here.



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The unaudited pro forma combined condensed financial statements also include adjustments, which are based upon preliminary estimates, to reflect the allocation of the purchase price to the acquired assets and assumed liabilities of Spontaneous Technology. The final allocation of the purchase price will be determined as more detailed analysis is completed and additional information on the fair values of Spontaneous Technology's assets and liabilities becomes available and any contingent consideration associated with the acquisition is resolved. Any change in the fair value of the net assets of Spontaneous Technology, as well as any changes to the total purchase price paid by Pumatech, will change the amount of the purchase price allocable to goodwill. Due to the uncertainty associated with the final purchase consideration, final purchase accounting adjustments may differ materially from the pro forma adjustments presented here.

These unaudited pro forma combined condensed financial statements are based upon the respective historical consolidated financial statements of Pumatech, Synchrologic, Spontaneous Technology and Starfish Software and should be read in conjunction with the historical consolidated financial statements of Pumatech, Synchrologic, Spontaneous Technology and Starfish Software and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included in Pumatech's annual reports, quarterly reports and other information on file with the SEC or contained elsewhere in this registration statement.

**Table of Contents****UNAUDITED PRO FORMA COMBINED CONSOLIDATED CONDENSED BALANCE SHEETS**

(In thousands, except per share amounts)

	Historical	Historical	Pro Forma	
	Pumatech	Synchrologic		
	As of October 31, 2003	As of September 30, 2003	Adjustments	Combined
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 4,969	\$ 2,261	\$	\$ 7,230
Short-term investments in marketable securities	20,186			20,186
Accounts receivable, net	6,179	2,743		8,922
Inventories	253			253
Prepaid expenses and other current assets	667	316		983
	<u>32,254</u>	<u>5,320</u>		<u>37,574</u>
Restricted investments	296			296
Property and equipment, net	1,261	271		1,532
Goodwill	5,713		52,290 (a)	58,003
Intangible assets, net	4,049		15,300 (a)	19,349
Other assets	975			975
	<u>44,548</u>	<u>5,591</u>	<u>\$ 67,590</u>	<u>\$ 117,729</u>
<b>LIABILITIES, MANDATORILY REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY</b>				
Current liabilities:				
Borrowings	\$	\$ 1,654	\$	\$ 1,654
Accounts payable	2,413	151		2,564
Accrued expenses and other current liabilities	3,940	2,009	1,295 (b)	7,244
Deferred revenue	2,078	1,386	(146)(c)	3,318
	<u>8,431</u>	<u>5,200</u>	<u>1,149</u>	<u>14,780</u>
Long-term debt		287		287
Other long-term liabilities	849			849
Mandatorily Redeemable Convertible Preferred Stock:		31,045	(31,045)(d)	
Stockholders' equity:				
Common stock	49	4,755	(4,740)(d)	64
Additional paid-in capital	160,299	63	68,889 (d)	229,251
Treasury stock		(2,293)	2,293 (d)	
Receivable from stockholder	(138)			(138)
Retained earnings (accumulated deficit)	(123,922)	(33,466)	31,044 (d)	(126,344)
Deferred compensation, net	(1,039)			(1,039)
Accumulated other comprehensive income	19			19

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Total stockholders' equity	35,268	(30,941)	97,486	101,813
Total liabilities, mandatorily redeemable preferred stock and stockholders' equity	\$ 44,548	\$ 5,591	\$ 67,590	\$ 117,729

The accompanying notes are an integral part of these unaudited pro forma combined condensed financial statements

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**Table of Contents****UNAUDITED PRO FORMA COMBINED CONSOLIDATED CONDENSED****STATEMENTS OF OPERATIONS****FOR THE YEAR ENDED JULY 31, 2003****(In thousands, except per share amounts)**

	Historical		Pro Forma		Historical	Pro Forma	
	Starfish Eight		Spontec		Synchrologic		
	Months		Year		Year-ended		
Pumatech	Ended	Year	ended		Year-ended		
Year	February 28,	June 30,			June 30,		
ended	2003(1)	2003(2)	Adjustments	Combined	2003(2)	Adjustments	Combined
July 31, 2003							
<b>Revenues</b>							
License revenue	\$ 19,169	\$ 662	\$ 149	\$	\$ 19,980	\$ 5,881	\$ 25,861
License revenue - related party		1,019			1,019		1,019
Service revenue	5,691	836	387		6,914	5,951	12,865
Service revenue - related party		350			350		350
<b>Total revenues</b>	<b>24,860</b>	<b>2,867</b>	<b>536</b>		<b>28,263</b>	<b>11,832</b>	<b>40,095</b>
<b>Costs and expenses:</b>							
Cost of revenue	4,094	849	399		5,342	2,795	8,137
Cost of revenue - related party		960			960		960
Sales and marketing	11,468	1,450	495		13,413	3,943	17,356
General and administrative	5,793	2,802	3,565		12,160	2,252	14,412
Research and development	7,389	1,694	1,258		10,341	4,758	15,099
In-process research and development	406			(406)(h)			
Amortization of intangibles	709			681(f)(g)	1,390		3,400(e)
Restructuring and other charges	795	2,506			3,301		3,301
<b>Total operating expenses</b>	<b>30,654</b>	<b>10,261</b>	<b>5,717</b>	<b>275</b>	<b>46,907</b>	<b>13,748</b>	<b>64,055</b>
<b>Loss from operations</b>	<b>(5,794)</b>	<b>(7,394)</b>	<b>(5,181)</b>	<b>(275)</b>	<b>(18,644)</b>	<b>(1,916)</b>	<b>(23,960)</b>
Interest income, net	803		(618)	(42)(i)	143	(215)	(72)
Impairment of investments	(2,394)				(2,394)		(2,394)
Other income, net	(65)		274		209		209
	(1,656)		(344)	(42)	(2,042)	(215)	(2,257)
<b>Loss before taxes</b>	<b>(7,450)</b>	<b>(7,394)</b>	<b>(5,525)</b>	<b>(317)</b>	<b>20,686</b>	<b>(2,131)</b>	<b>(26,217)</b>
Provision for taxes	286				286		286
<b>Net Loss</b>	<b>\$ (7,736)</b>	<b>\$ (7,394)</b>	<b>\$ (5,525)</b>	<b>\$ (317)</b>	<b>\$ (20,972)</b>	<b>\$ (2,131)</b>	<b>\$ (26,503)</b>
<b>Net loss per share - Basic and Diluted</b>	<b>\$ (0.17)</b>			<b>\$ (0.36)</b>	<b>\$ (0.44)</b>	<b>\$ (0.21)</b>	<b>\$ (0.42)</b>

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Shares used in per share calculation - Basic and Diluted	46,622	869(k)	47,491	16,200(k)	63,691
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- (1) Starfish Software's results of operations for the eight months ended February 28, 2003 were calculated by deducting the results of operations for the six months ended June 30, 2002 from the results of operations for the twelve months ended December 31, 2002, and adding the results of operations for the two months ended February 28, 2003.
- (2) Synchrologic's and Spontaneous Technology's results of operations for the twelve months ended June 30, 2003 were calculated by adding the results of operations for the twelve months ended December 31, 2002 to the results of operations for the six months ended June 30, 2003 and deducting the six months ended June 30, 2002.

The accompanying notes are an integral part of these unaudited pro forma combined condensed financial statements.

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**Table of Contents****UNAUDITED PRO FORMA COMBINED CONSOLIDATED CONDENSED****STATEMENTS OF OPERATIONS****FOR THE THREE MONTHS ENDED OCTOBER 31, 2003**

(In thousands, except per share amounts)

	Historical		Pro Forma		Historical		Pro Forma	
	Pumatech	Spontec			Synchrologic			
	Three months-ended October 31, 2003	47 day period ended September 16, 2003	Adjustments	Combined	Three months-ended September 30, 2003 (1)	Adjustments	Combined	
<b>Revenues</b>								
License revenue	\$ 5,270	\$	\$	\$ 5,270	\$ 1,928	\$	\$ 7,198	
Service revenue	2,746	31		2,777	1,385		4,162	
<b>Total revenues</b>	<b>8,016</b>	<b>31</b>		<b>8,047</b>	<b>3,313</b>		<b>11,360</b>	
<b>Costs and expenses:</b>								
Cost of revenue	1,634	31		1,665	513		2,178	
Sales and marketing	3,280	40		3,320	873		4,193	
General and administrative	2,385	278		2,663	859		3,522	
Research and development	2,193	99		2,292	1,123		3,415	
In-process research and development	469		(469)(j)					
Amortization of intangibles	259		49(f)	308		850(e)	1,158	
Restructuring and other charges	76			76			76	
<b>Total operating expenses</b>	<b>10,296</b>	<b>448</b>	<b>(420)</b>	<b>10,324</b>	<b>3,368</b>	<b>850</b>	<b>14,542</b>	
<b>Loss from operations</b>	<b>(2,280)</b>	<b>(417)</b>	<b>420</b>	<b>(2,277)</b>	<b>(55)</b>	<b>(850)</b>	<b>(3,182)</b>	
Interest income, net		(29)		(29)	(40)		(69)	
Other income, net	126			126			126	
	126	(29)		97	(40)		57	
<b>Loss before taxes</b>	<b>(2,154)</b>	<b>(446)</b>	<b>420</b>	<b>(2,180)</b>	<b>(95)</b>	<b>(850)</b>	<b>(3,125)</b>	
Provision for taxes	(107)			(107)			(107)	
<b>Net Loss</b>	<b>\$ (2,261)</b>	<b>\$ (446)</b>	<b>\$ 420</b>	<b>\$ (2,287)</b>	<b>\$ (95)</b>	<b>\$ (850)</b>	<b>\$ (3,232)</b>	
<b>Net loss per share Basic and Diluted</b>	<b>\$ (0.05)</b>			<b>\$ (0.05)</b>		<b>\$ (0.05)</b>	<b>\$ (0.05)</b>	
Shares used in per share calculation Basic and Diluted	48,266			48,266		16,200(k)	64,466	

(1) Synchrologic's results of operations for the three months ended September 30, 2003 were calculated by taking the results of operations for the nine months ended September 30, 2003 and deducting the results for the six months ended June 30, 2003

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The accompanying notes are an integral part of these unaudited pro forma combined condensed financial statements.

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**NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED**

**FINANCIAL STATEMENTS**

The unaudited pro forma combined condensed financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and certain footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations; however, management believes that the disclosures are adequate to make the information presented not misleading.

**1. BASIS OF PRO FORMA PRESENTATION**

On September 14, 2003, Pumatech entered into a merger agreement to purchase all of the issued and outstanding stock of Synchronologic whereby each share of Synchronologic capital stock will be converted into the right to receive the number of shares of Pumatech common stock corresponding to the exchange ratio applicable to the class and series of Synchronologic capital stock being converted. On December 29, 2003, Pumatech completed the merger with Synchronologic. The total number of shares of Pumatech common stock issued in the merger was determined by dividing \$60,000,000 by the average closing price of the shares of Pumatech common stock for the thirty consecutive trading days ending on the last complete trading day immediately preceding the closing date of the merger (which amount was subject to adjustment based on the transaction expenses incurred by Synchronologic in connection with the merger), provided that the number of shares of Pumatech common stock issued in the merger could not exceed 19,800,000 or be fewer than 16,200,000 (in each case subject to adjustment based on the transaction expenses incurred by Synchronologic in connection with the merger).

On September 17, 2003, Pumatech consummated the acquisition of substantially all of the assets of Spontaneous Technology. Under the terms of the parties' asset purchase agreement, Pumatech issued a total of 1,094,000 shares of Pumatech common stock, of which 224,417 shares are held in escrow to cover certain pre-acquisition contingencies. Additionally, depending upon Pumatech's revenues associated with sales of Pumatech's products, including certain technology of Spontaneous Technology, during the period ending September 30, 2004, Pumatech may be required to issue to Spontaneous Technology additional shares of Pumatech common stock having a value of up to \$7,000,000.

On March 27, 2003, Pumatech acquired Starfish Software for a purchase price of approximately \$1,800,000 for the Starfish Software common stock outstanding upon the effective date of the acquisition.

The unaudited pro forma combined condensed balance sheet as of October 31, 2003 was prepared by combining the historical unaudited consolidated condensed balance sheet data as of October 31, 2003 for Pumatech and the historical unaudited condensed balance sheet data as of September 30, 2003 for Synchronologic as if the merger had been consummated on that date.

The unaudited pro forma combined condensed statement of operations for the year ended July 31, 2003 combines the results of operations of Pumatech for the year ended July 31, 2003 and the results of operations of Synchronologic and Spontaneous Technology for the 12 months ended June 30, 2003, to give effect to the merger and acquisition as if the merger and acquisition had occurred on August 1, 2002. Additionally, the unaudited pro forma combined condensed statement of operations for the year ended July 31, 2003 reflects the March 27, 2003 acquisition of Starfish Software as if it had occurred on August 1, 2002. The unaudited pro forma combined condensed statement of operations for the year ended July 31, 2003 combines the results of operations of Pumatech for the year ended July 31, 2003 and Starfish Software's results of operations for the eight months



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**NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED**

**FINANCIAL STATEMENTS (Continued)**

ended February 28, 2003. Since the acquisition of Starfish Software took place on March 27, 2003, four months of Starfish Software results are included in the consolidated Pumatech results for the year ended July 31, 2003.

Synchrologic's and Spontaneous Technology's results of operations for the twelve months ended June 30, 2003 were calculated by adding the results of operations for the twelve months ended December 31, 2002 to the results of operations for the six months ended June 30, 2003, and deducting the results of operations for the six months ended June 30, 2002.

The unaudited pro forma combined condensed statement of operations for the three months ended October 31, 2003 combines the results of operations of Pumatech for the three months ended October 31, 2003 and Synchrologic's results of operations for the three months ended September 30, 2003. Synchrologic's results of operations for the three months ended September 30, 2003 were calculated by taking the unaudited results of operations for the nine months ended September 30, 2003, and deducting the unaudited results of operations for the six months ended June 30, 2003. In addition, the following pro forma combined condensed statement of operations data for the three months ended October 31, 2003 includes the results of operations of Spontaneous Technology for the 47 day period ended September 16, 2003. Since the acquisition of Spontaneous Technology took place on September 17, 2003, approximately one and a half months of Spontaneous Technology's results are included in the consolidated Pumatech results for the three months ended October 31, 2003.

Certain reclassifications have been made to conform Synchrologic's, Spontaneous Technology's and Starfish Software's historical amounts to Pumatech's financial statement presentation.

**2. PURCHASE PRICE SYNCHROLOGIC, INC.**

The following represents the preliminary allocation of the purchase price over the historical net book values of the acquired assets and assumed liabilities of Synchrologic as of September 30, 2003, and is for illustrative purposes only. Actual fair values is based on financial information as of the acquisition date.

On September 14, 2003, Pumatech entered into a merger agreement to purchase all of the issued and outstanding stock of Synchrologic whereby each share of Synchrologic capital stock will be converted into the right to receive the number of shares of Pumatech common stock corresponding to the exchange ratio applicable to the class and series of Synchrologic capital stock being converted. On December 29, 2003, Pumatech completed the merger with Synchrologic. The total number of shares of Pumatech common stock issued in the merger was determined by dividing \$60,000,000 by the average closing price of the shares of Pumatech common stock for the thirty consecutive trading days ending on the last complete trading day immediately preceding the closing date of the merger (which amount was subject to adjustment based on the transaction expenses incurred by Synchrologic in connection with the merger), provided that the number of shares of Pumatech common stock shares issued in the merger could not exceed 19,800,000 or be fewer than 16,200,000 which includes the assumed common stock options (in each case subject to adjustment based on the transaction expenses incurred by Synchrologic in connection with the merger). Pumatech issued approximately 15,130,000 shares of Pumatech common stock and options to purchase approximately 1,019,000 shares of Pumatech common stock in the merger. The actual number of shares of Pumatech common stock and options to be issued will be determined on the effective date of the merger. Pumatech has accounted for the merger as a business combination.

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The unaudited pro forma combined condensed financial statements reflect an estimated purchase price of approximately \$69,617,000. The fair market value of Pumatech's common stock issued in the merger was determined using the five-trading-day average price surrounding the date the acquisition was announced of \$4.26 per share, less estimated registration costs. The expected number of shares issued was then determined in accordance with the minimum number of shares to be issued in accordance with the terms of the merger agreement without assuming an adjustment for transaction costs.

The preliminary fair market value of Pumatech stock options to be issued in the merger was determined using the Black-Scholes option pricing model. The following assumptions were used to perform the calculations: fair value of Pumatech's common stock of \$4.26, expected life of 3.9 years, risk-free interest rate of 3.4%, expected volatility of 132% and no expected dividend yield.

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**Table of Contents****NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED****FINANCIAL STATEMENTS (Continued)**

The estimated total purchase price of the proposed Synchrologic merger is as follows (in thousands):

Value of Pumatech common stock to be issued	\$ 64,684
Value of Pumatech options to be issued	4,283
Estimated direct merger costs	650
	<hr/>
Total estimated purchase price	\$ 69,617
	<hr/>

Under the purchase method of accounting, the total estimated purchase price is allocated to Synchrologic's net tangible and intangible assets based upon their estimated fair value as of the date of completion of the merger. Based upon the estimated purchase price and the preliminary valuation, the preliminary purchase price allocation, which is subject to change based on Pumatech's final analysis, is as follows (in thousands):

Tangible assets acquired	\$ 5,591
Liabilities assumed	(5,341)
Accrued restructuring charge	(645)
In-process research and development	2,422
Developed technology	10,493
Patents	1,320
Customer base	3,487
Goodwill	52,290
	<hr/>
	\$ 69,617
	<hr/>

The restructuring charges of \$645,000 relate primarily to severance related to a reduction in workforce, including two executives of Synchrologic and additional employees.

The allocation of purchase price was based on a preliminary valuation of assets to be acquired and liabilities to be assumed determined with the assistance of an independent appraiser. This allocation was generally based on the fair value of these assets determined using the income approach.

A preliminary estimate of \$1,320,000 has been allocated to patents, an intangible asset with an estimated useful life of 54 months, and a preliminary estimate of \$10,493,000 has been allocated to developed technology, an intangible asset with an estimated useful life of 54 months. In addition, a preliminary estimate of \$3,487,000 has been allocated to customer base, an intangible asset with an estimated useful life of 54 months, and was valued using the relief from royalty method.

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As of the expected closing date of the merger, technological feasibility of the in-process technology had not been established and the technology had no alternative future use. Accordingly, Pumatech expects to expense the in-process research and development at the date of the merger.

The amount of the purchase price allocated to in-process research and technology was based on established valuation techniques used in the high-technology software industry. The fair value assigned to the acquired in-process research and development was determined using the income approach, which discounts expected future cash flows to present value. The key assumptions used in the valuation include, among others, expected completion date of the in-process projects identified as of the acquisition date, estimated costs to complete the projects, revenue contributions and expense projections assuming the resulting product has entered the market, and discount rate based on the risks associated with the development life cycle of the in-process technology acquired. The discount rate used in the present value calculations are normally obtained from a weighted-average

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**NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED**

**FINANCIAL STATEMENTS (Continued)**

cost of capital analysis, adjusted upward to account for the inherent uncertainties surrounding the successful development of the in-process research and development, the expected profitability levels of such technology, and the uncertainty of technological advances that could potentially impact the estimates. Pumatech assumes the pricing model for the resulting product of the acquired in process research and technology to be standard within its industry. Pumatech, however, did not take into consideration any consequential amount of expense reductions from integrating the acquired in-process technology with other existing in-process or completed technology. Therefore, the valuation assumptions do not include significant anticipated cost savings.

The key assumptions underlying the valuation of acquired in-process research and development from Synchrologic are as follows:

Project names: Version upgrade of Data Sync, File Sync, E-mail accelerator and Systems Management products

Percent completed as of acquisition date: 60%-70%

Estimated costs to complete technology at acquisition date: \$3,000,000

Risk-adjusted discount rate: 22%

First period expected revenue: calendar year 2004

The in-process research and development of \$2,422,000 is charged to operations on the acquisition date. The in-process research and development charge has not been included in the accompanying unaudited pro forma combined condensed statement of operations as it represents a non-recurring charge directly related to the acquisition.

A preliminary estimate of \$52,290,000 has been allocated to goodwill. Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired. In accordance with Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, goodwill will not be amortized but will be tested for impairment at least annually. The preliminary purchase price allocation for Synchrologic is subject to revision as more detailed analysis is completed and additional information on the fair values of Synchrologic's assets and liabilities becomes available. Any change in the fair value of the net assets of Synchrologic will change the amount of the purchase price allocable to goodwill. Final purchase accounting adjustments may therefore differ materially from the pro forma adjustments presented here.

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Other than the distribution agreement entered into by Pumatech and Synchrologic concurrently with their execution of the merger agreement, there were no historical transactions between Pumatech and Synchrologic.

The pro forma adjustments do not reflect any integration adjustments such as restructuring costs to be incurred in connection with the merger or operating efficiencies and cost savings that may be achieved with respect to the combined entity as these costs are not directly attributable to the merger agreement.

### **3. PURCHASE PRICE SPONTANEOUS TECHNOLOGY, INC.**

On September 17, 2003, Pumatech consummated the acquisition of substantially all of the assets of Spontaneous Technology, Inc. of Salt Lake City, Utah, a provider of enterprise secure Virtual Private Network (sVPN) software designed to extend existing corporate applications to most wireless devices. The Spontaneous Technology acquisition has been accounted for as a business combination.

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**NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED**

**FINANCIAL STATEMENTS (Continued)**

The unaudited pro forma combined condensed financial statements reflect an estimated purchase price of approximately \$3,299,000, consisting of (a) a total of 869,260 shares of Pumatech common stock valued at \$2,999,000 (using a fair value per share of \$3.45) and (b) estimated direct transaction costs of \$300,000. The preliminary fair market value of Pumatech's common stock issued in the acquisition was determined using the five-trading-day average price surrounding the date the acquisition was announced of \$3.45 per share, less estimated registration costs. The number of shares of Pumatech common stock issued was determined using the average price of Pumatech's common stock for ten consecutive trading days ended three business days prior to the date of acquisition. There are approximately 225,000 additional shares held in escrow that are contingently issuable upon the satisfaction of a pre-acquisition clause. Additionally, depending upon Pumatech's revenues associated with sales of Pumatech's products, including certain technology of Spontaneous Technology, during the period ending September 30, 2004, Pumatech may be required to issue additional shares of Pumatech common stock to Spontaneous Technology having a value of up to \$7,000,000. The unaudited pro forma combined condensed financial statements do not reflect any of this contingent consideration. The final purchase price will be determined at the end of the period ending September 30, 2004 based on the following terms included in the acquisition agreement:

The number of shares to be issued, or the adjusted earnout amount, is the lesser of:

- (a) incremental earnout revenue minus incremental seller royalties, and
- (b) \$7,000,000 minus incremental seller royalties.

The incremental earnout revenue is the greater of:

- (a) four times the sum of the following revenue during the six months ending September 30, 2004:
  - (1) 100% of the revenue derived from licensing or selling Spontaneous Technology's products;
  - (2) 100% of the revenue derived from licensing or selling Spontaneous Technology's product features based exclusively upon its intellectual property that are offered as optional add-on functionality for Pumatech's products and for which a stated additional fee is charged;
  - (3) 20% of the total revenue derived from licensing or selling of products that incorporate both Pumatech's and Spontaneous Technology's intellectual property but for which no separate customer pricing exists for the portion of the product based on Spontaneous Technology's intellectual property;

and,

- (b) eight times the sum of revenue (1), (2) and (3), as described above, during the three months ending September 30, 2004.

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The incremental seller royalties is the aggregate amount of royalties paid or payable by Pumatech to third parties for third-party technology included in Spontaneous Technology's products during the one-year period following the date of the acquisition.

Pumatech did not acquire certain assets nor assume certain liabilities pursuant to the acquisition agreement.

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**Table of Contents****NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED****FINANCIAL STATEMENTS (Continued)**

Under the purchase method of accounting, the total estimated purchase price was allocated to Spontaneous Technology's net tangible and intangible assets based upon their estimated fair value as of the acquisition date. Based upon the estimated purchase price of the acquisition and review of the net assets acquired and net liabilities assumed, the preliminary purchase price allocation, is as follows (in thousands):

Tangible assets acquired	\$ 372
Liabilities assumed	(1,497)
In-process research and development	469
Developed technology	889
Patents	168
Customer base	499
Goodwill	2,399
	<hr/>
	\$ 3,299
	<hr/>

The allocation of purchase price was based on a preliminary valuation of assets to be acquired and liabilities to be assumed determined with the assistance of an independent appraiser. This allocation was generally based on the fair value of these assets determined using the income approach.

A preliminary estimate of \$168,000 has been allocated to patents, an intangible asset with an estimated useful life of 48 months, and a preliminary estimate of \$889,000 has been allocated to developed technology, an intangible asset with an estimated useful life of 48 months. In addition, a preliminary estimate of \$499,000 has been allocated to customer base, an intangible asset with an estimated useful life of 48 months, and was valued using the relief from royalty method.

As of the acquisition date, technological feasibility of the in-process technology had not been established and the technology had no alternative future use. Accordingly, Pumatech expensed the in-process research and development at the date of the acquisition.

The amount of the purchase price allocated to in-process research and technology was based on established valuation techniques used in the high-technology software industry. The fair value assigned to the acquired in-process research and development was determined using the income approach, which discounts expected future cash flows to present value. The key assumptions used in the valuation include, among others, expected completion date of the in-process projects identified as of the acquisition date, estimated costs to complete the projects, revenue contributions and expense projections assuming the resulting product has entered the market, and discount rate based on the risks associated with the development life cycle of the in-process technology acquired. The discount rate used in the present value calculations are normally obtained from a weighted-average cost of capital analysis, adjusted upward to account for the inherent uncertainties surrounding the successful development of the in-process research and development, the expected profitability levels of such technology, and the uncertainty of technological advances that could potentially impact the estimates. Pumatech assumes the pricing model for the resulting product of the acquired in process research and technology to be standard within its industry. Pumatech, however, did not take into consideration any consequential amount of expense reductions from integrating the acquired in-process technology with other existing in-process or completed technology. Therefore, the valuation assumptions do not include significant anticipated cost savings.

## Edgar Filing: PUMATECH INC - Form S-3/A

The key assumptions underlying the valuation of acquired in-process research and development from Spontaneous Technology are as follows (in thousands):

Project names: Version upgrade of Spontaneous Technology's secure Virtual Private Network (sVPN)

Percent completed as of acquisition date: 60%

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**NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED**

**FINANCIAL STATEMENTS (Continued)**

Estimated costs to complete technology at acquisition date: \$125,000

Risk-adjusted discount rate: 22%

First period expected revenue: calendar year 2004

The in-process research and development of \$469,000 is charged to operations on the acquisition date. The in-process research and development charge has not been included in the accompanying unaudited pro forma condensed combined statement of operations as it represents a non-recurring charge directly related to the acquisition.

A preliminary estimate of \$2,399,000 has been allocated to goodwill. Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired. In accordance with Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, goodwill will not be amortized but will be tested for impairment at least annually. The preliminary purchase price allocation for Spontaneous Technology is subject to revision as more detailed analysis is completed and additional information on the fair values of Spontaneous Technology's assets and liabilities becomes available. Any change in the fair value of the net assets of Spontaneous Technology will change the amount of the purchase price allocable to goodwill. Final purchase accounting adjustments may therefore differ materially from the pro forma adjustments presented here.

There were no historical transactions between Pumatech and Spontaneous Technology.

**4. PURCHASE PRICE STARFISH SOFTWARE, INC.**

On March 27, 2003, Pumatech acquired Starfish Software, Inc. for a purchase price of approximately \$1.8 million for the Starfish common stock outstanding upon the effective date of the acquisition.

The unaudited pro forma combined condensed statement of operations for the year ended July 31, 2003 is presented as if the transaction had been consummated on August 1, 2002. The unaudited pro forma combined statement of operations for the year ended July 31, 2003 combines the results of operations of Pumatech for the year ended July 31, 2003 and Starfish Software's results of operations for the eight months ended February 28, 2003. Since the acquisition took place on March 27, 2003, four months of Starfish Software results are included in the consolidated Pumatech results for the year ended July 31, 2003.

## Edgar Filing: PUMATECH INC - Form S-3/A

The unaudited pro forma combined condensed financial statements reflect an estimated purchase price of approximately \$1.8 million. Under the terms of the stock purchase agreement, Pumatech initially paid a total of \$1,501,000 in cash, subject to further adjustment based on actual working capital as of the closing date. Pumatech further paid \$178,000 based on subsequent adjustments made to Starfish Software's working capital.

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**Table of Contents****NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED****FINANCIAL STATEMENTS (Continued)**

The Starfish Software acquisition has been accounted for as a purchase business combination. The purchase price of \$1,831,000 (including acquisition costs of \$152,000) was assigned to the fair value of the assets acquired, including the following (in thousands):

Tangible assets acquired	\$ 1,133
Liabilities assumed	(986)
In-process research and development	406
Developed technology	675
Patents	202
Trademarks	52
Customer base	278
Existing contracts	71
	<u>          </u>
	<u>\$ 1,831</u>

The allocation of purchase price was based on the valuation of assets acquired and liabilities assumed determined with the assistance of an independent appraiser. This allocation was generally based on the fair value of these assets determined using the income approach.

Of the total purchase price, \$1,278,000 was allocated to amortizable intangibles included in the above list. The amortizable intangible assets are being amortized using the straight-line method over the estimated useful life of the respective assets of nine months to four years.

As of the acquisition date, technological feasibility of the in-process technology had not been established and the technology had no alternative future use. Accordingly, Pumatech expensed the in-process research and development at the date of the acquisition.

The amount of the purchase price allocated to in-process research and technology was based on established valuation techniques used in the high-technology software industry. The fair value assigned to the acquired in-process research and development was determined using the income approach, which discounts expected future cash flows to present value. The key assumptions used in the valuation include, among others, expected completion date of the in-process projects identified as of the acquisition date, estimated costs to complete the projects, revenue contributions and expense projections assuming the resulting product have entered the market, and discount rate based on the risks associated with the development life cycle of the in-process technology acquired. The discount rate used in the present value calculations are normally obtained from a weighted-average cost of capital analysis, adjusted upward to account for the inherent uncertainties surrounding the successful development of the in-process research and development, the expected profitability levels of such technology, and the uncertainty of technological advances that could potentially impact the estimates. Pumatech assumes the pricing model for the resulting product of the acquired in-process research and technology to be standard within its industry. Pumatech, however, did not take into consideration any consequential amount of expense reductions from integrating the acquired in-process technology with other existing in-process or completed technology. Therefore, the valuation assumptions do not include significant anticipated cost savings.

The key assumptions underlying the valuation of acquired in-process research and development from Starfish Software are as follows:

Project name: Mercury platform technology

Percent completed as of acquisition date: 70%

Estimated costs to complete technology at acquisition date: \$375,000

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**NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED**

**FINANCIAL STATEMENTS (Continued)**

Risk-adjusted discount rate: 30%

First period expected revenue: calendar year 2004

Subsequent to the acquisition of Starfish Software, there have been no significant developments related to the current status of the acquired in-process research and development project that would result in material changes to the assumptions.

The in-process research and development of \$406,000 is charged to operations on the acquisition date. The in-process research and development charge has not been included in the accompanying unaudited pro forma condensed combined statement of operations as it represents a non-recurring charge directly related to the acquisition.

There were no historical transactions between Pumatech and Starfish Software.

**5. PRO FORMA ADJUSTMENTS**

The accompanying unaudited pro forma combined condensed financial statements have been prepared assuming the transactions described above were completed on October 31, 2003 for balance sheet purposes and as of August 1, 2002 for statement of operations purposes.

The unaudited pro forma combined condensed balance sheet gives effect to the following pro forma adjustments:

- (a) Represents the recognition of the customer contract intangible asset of \$3,487,000, the patent intangible asset of \$1,320,000, developed technology intangible asset of \$10,493,000 and goodwill of \$52,290,000 created in the acquisition of Synchrologic.
- (b) Represents the following adjustments to accounts payable and accrued expenses (in thousands):

Accrual for Pumatech's Synchrologic transaction costs	\$ 650
Accrual for Pumatech's restructuring costs	\$ 645
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Net change in accounts payable and accrued expenses	\$ 1,295
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- (c) Represents the adjustment of Synchrologic s deferred revenue to estimated fair value.

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**Table of Contents****NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED****FINANCIAL STATEMENTS (Continued)**

(d) Represents the following adjustments to stockholders' equity (in thousands):

	(1)	(2)	(3)	Total
Mandatorily redeemable convertible preferred stock	\$ (31,045)	\$	\$	\$ (31,045)
Common stock	(4,755)	15		(4,740)
Additional paid-in capital	(63)	68,952		68,889
Treasury stock	2,293			2,293
Accumulated comprehensive income				
Accumulated deficit	33,466		(2,422)	31,044
<b>Total stockholders' equity</b>	<b>\$ (104)</b>	<b>\$ 68,967</b>	<b>\$ (2,422)</b>	<b>\$ 66,441</b>

(1) To eliminate the historical stockholders' equity of Synchrologic.

(2) Represents the estimated value of Pumatech's common stock and common stock options to be issued in the acquisition of Synchrologic, less expected registration costs.

(3) Represents the elimination of in-process research and development on the acquisition of Synchrologic of \$2,422,000.

The unaudited pro forma combined condensed statement of operations give effect to the following pro forma adjustments:

(e) Represents (i) the amortization of the Synchrologic customer contract intangible resulting from the proposed acquisition, over an estimated useful life of 54 months, (ii) the amortization of the Synchrologic patent intangible resulting from the proposed acquisition, over an estimated useful life of 54 months, and (iii) the amortization of the Synchrologic developed technology intangible resulting from the proposed acquisition, over an estimated useful life of 54 months.

(f) Represents (i) the amortization of the Spontaneous Technology customer contract intangible resulting from the proposed acquisition, over an estimated useful life of 48 months, (ii) the amortization of the Spontaneous Technology patent intangible resulting from the proposed acquisition, over an estimated useful life of 48 months, and (iii) the amortization of the Synchrologic developed technology intangible resulting from the proposed acquisition, over an estimated useful life of 48 months.

(g) Represents the amortization of the Starfish Software customer contract, trademark, developed technology and patent intangible assets resulting from the acquisition. The weighted average life of amortizable intangible assets approximates 4 years.

(h) To reflect the elimination of in-process research and development arising on the acquisition of Starfish Software.