

INFORMATION HOLDINGS INC

Form 8-K

January 06, 2004

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

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**FORM 8-K**

**CURRENT REPORT**

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

*Date of Report (Date of earliest event reported):*

*December 22, 2003*

# **INFORMATION HOLDINGS INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction  
of incorporation)

**1-14371**

(Commission File  
Number)

**06-1518007**

(IRS Employer  
Identification No.)

**2777 Summer Street, Suite 602, Stamford, Connecticut**

(Address of principal executive offices)

**06905**

(Zip Code)



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(Registrant's telephone number, including area code)

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**Item 2. Acquisition or Disposition of Assets**

Pursuant to the Asset Purchase Agreement, dated as of December 22, 2003 with effect as of December 31, 2003 (the APA), by and among Transcender LLC (Transcender), Information Ventures LLC, Information Holdings Inc. (Information Holdings), Kaplan Inc. (Kaplan) and Self Test Software, Inc., a subsidiary of Kaplan (the Buyer), Information Holdings sold its Transcender unit on December 22, 2003 to the Buyer. Under the terms of the APA, the Buyer acquired substantially all of the assets of Transcender for cash consideration of \$10 million, subject to a post-closing adjustment. In addition, the Buyer assumed certain operating liabilities and, subject to certain conditions, acquired an option to acquire all of the membership interests of Transcender at a subsequent time. The consideration was negotiated as part of an arms-length transaction between the parties. Transcender, a subsidiary of Information Holdings, is a Delaware limited liability company.

The APA is attached hereto as Exhibit 2.1 and is incorporated herein by reference. The foregoing is qualified in its entirety by reference to such document.

**Item 5. Other Events and Regulation FD Disclosure**

The new address for Information Holdings is 2777 Summer Street, Suite 602, Stamford, Connecticut 06905.

**Item 7. Financial Statements and Pro Forma Financial Information**

(b) Pro Forma Financial Information

The following pro forma financial information is included herein:

I. Pro Forma Condensed Consolidated Financial Statements of Information Holdings Inc.

Introduction

Pro Forma Condensed Consolidated Statements of Operations for the  
Nine Months Ended September 30, 2003 and for the  
Years Ended December 31, 2002, 2001 and 2000

Pro Forma Condensed Consolidated Balance Sheet as of September 30, 2003

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Notes to Pro Forma Condensed Consolidated Financial Statements

(c) Exhibits

2.1 APA (Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Information Holdings hereby undertakes to furnish supplementally to the Securities and Exchange Commission (the SEC) copies of any omitted schedules and exhibits upon request therefor by the SEC.)

**SIGNATURES**

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

*INFORMATION HOLDINGS INC.*







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Dated: January 6, 2004

By: /s/ Vincent A. Chippari  
Name: Vincent A. Chippari  
Title: Executive Vice President & CFO

**EXHIBIT INDEX**

| <b>Exhibit</b> | <b>Description</b>  |
|----------------|---|
| 2.1            | Asset Purchase Agreement, dated as of December 22, 2003 with effect as of December 31, 2003, by and among Transcender LLC, Information Ventures LLC, Information Holdings Inc., Self Test Software, Inc. and Kaplan Inc. (Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Information Holdings Inc. hereby undertakes to furnish supplementally to the Securities and Exchange Commission copies of any omitted schedules and exhibits upon request therefor by the Securities and Exchange Commission.) |

**Information Holdings Inc.**

**Unaudited Pro Forma Condensed Consolidated Financial Statements**

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On April 8, 2003, Information Holdings Inc. (the Company) sold, pursuant to an Asset Purchase Agreement dated February 27, 2003, substantially all of the assets and certain liabilities of its wholly owned subsidiaries CRC Press LLC (CRC Press LLC), CRC Press (U.K.) LLC and Parthenon Publishing Group, Inc., to CRC Press I LLC and Routledge No. 2 Limited, both wholly owned subsidiaries of Taylor & Francis Group plc, for approximately \$95,000,000 in cash, subject to a post closing adjustment.

On December 22, 2003, the Company sold substantially all of the assets and certain liabilities of its wholly owned subsidiary Transcender LLC (Transcender) to Self Test Software, Inc., a wholly owned subsidiary of Kaplan, Inc., for cash consideration of \$10,000,000, subject to a post closing adjustment.

The following unaudited pro forma condensed consolidated statements of operations of the Company for the nine months ended September 30, 2003 and for the years ended December 31, 2002, 2001, and 2000 give effect to the disposition of CRC Press LLC and its subsidiaries (CRC Press) and of Transcender as if they both occurred on January 1, 2000. The following unaudited pro forma condensed consolidated balance sheet of the Company as of September 30, 2003 gives effect to the disposition of Transcender as if it occurred on that date. The unaudited pro forma condensed consolidated statements of operations do not reflect the gain on the sale of CRC Press, nor the loss on the sale of Transcender, nor do they reflect imputed interest on the proceeds from the dispositions.

The unaudited pro forma condensed consolidated financial statements have been prepared by the Company's management. The unaudited pro forma condensed consolidated financial statements are not designed to represent and do not represent what the Company's results of operations and financial position would have been had the aforementioned transactions been completed as of the date or at the beginning of the period indicated or to project the Company's results of operations or financial position at any future date or any future period. The pro forma condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes contained in the Company's 2002 Annual Report on Form 10-K.

**Information Holdings Inc.***Unaudited Pro Forma Condensed Consolidated Statement of Operations  
Nine Months Ended September 30, 2003**(In thousands, except per share data)*

|  | <b>Information<br/>Holdings</b> | <b>Less:<br/>Transcender</b> | <b>Pro Forma<br/>Consolidated</b> |
|--|---------------------------------|------------------------------|-----------------------------------|
| Revenues   | \$ 64,923                       | \$ 6,589                     | \$ 58,334                         |
| Cost of sales  | 19,156                          | 528                          | 18,628                            |
| Gross profit   | 45,767                          | 6,061                        | 39,706                            |
| Operating expenses:  |                                 |                              |                                   |
| Selling, general and administrative                          | 32,533                          | 5,299                        | 27,234                            |
| Depreciation and amortization                                | 9,207                           | 1,134                        | 8,073                             |
| Total operating expenses                                     | 41,740                          | 6,433                        | 35,307                            |
| Income (loss) from operations                                | 4,027                           | (372)                        | 4,399                             |
| Other income (expense):                                      |                                 |                              |                                   |
| Other expense  | (578)                           |                              | (578)                             |
| Interest income, net   | 1,327                           |                              | 1,327                             |
| Income (loss) from continuing operations before income taxes | 4,776                           | (372)                        | 5,148                             |
| Provision for (benefit from) income taxes                    | 1,729                           | (141)                        | 1,870                             |
| Income (loss) from continuing operations                     | \$ 3,047                        | \$ (231)                     | \$ 3,278                          |
| Basic earnings per common share from continuing operations   | \$ 0.14                         |                              | \$ 0.15                           |
| Diluted earnings per common share from continuing operations | \$ 0.14                         |                              | \$ 0.15                           |

*The accompanying notes are an integral part of these pro forma condensed consolidated financial statements.*





**Information Holdings Inc.***Unaudited Pro Forma Condensed Consolidated Statement of Operations**Year Ended December 31, 2002**(In thousands, except per share data)*

|   | <b>Information<br/>Holdings</b> | <b>Less:<br/>CRC Press</b> | <b>Less:<br/>Transcender</b> | <b>Pro Forma<br/>Consolidated</b> |
|---|---------------------------------|----------------------------|------------------------------|-----------------------------------|
| Revenues                                  | \$ 141,767                      | \$ 52,053                  | \$ 11,762                    | \$ 77,952                         |
| Cost of sales                             | 41,966                          | 17,929                     | 822                          | 23,215                            |
| Gross profit                              | 99,801                          | 34,124                     | 10,940                       | 54,737                            |
| Operating expenses:                       |                                 |                            |                              |                                   |
| Selling, general and administrative       | 66,909                          | 24,108                     | 7,775                        | 35,026                            |
| Depreciation and amortization             | 16,941                          | 3,102                      | 3,008                        | 10,831                            |
| Impairment of long-lived assets           | 39,380                          |                            | 36,222                       | 3,158                             |
| Total operating expenses                  | 123,230                         | 27,210                     | 47,005                       | 49,015                            |
| (Loss) income from operations             | (23,429)                        | 6,914                      | (36,065)                     | 5,722                             |
| Other income (expense):                   |                                 |                            |                              |                                   |
| Other income                              | 5                               |                            |                              | 5                                 |
| Interest income (expense), net            | 473                             | (155)                      |                              | 628                               |
| (Loss) income before income taxes         | (22,951)                        | 6,759                      | (36,065)                     | 6,355                             |
| (Benefit from) provision for income taxes | (9,227)                         | 2,542                      | (13,705)                     | 1,936                             |
| Net (loss) income                         | \$ (13,724)                     | \$ 4,217                   | \$ (22,360)                  | \$ 4,419                          |
| Basic (loss) earnings per common share    | \$ (0.63)                       |                            | \$                           | 0.20                              |
| Diluted (loss) earnings per common share  | \$ (0.63)                       |                            | \$                           | 0.20                              |

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*The accompanying notes are an integral part of these pro forma condensed consolidated financial statements.*

**Information Holdings Inc.***Unaudited Pro Forma Condensed Consolidated Statement of Operations**Year Ended December 31, 2001**(In thousands, except per share data)*

|                                     | <b>Information<br/>Holdings</b> | <b>Less:<br/>CRC Press</b> | <b>Less:<br/>Transcender</b> | <b>Pro Forma<br/>Consolidated</b> |
|-------------------------------------|---------------------------------|----------------------------|------------------------------|-----------------------------------|
| Revenues                            | \$ 105,336                      | \$ 42,424                  | \$ 21,347                    | \$ 41,565                         |
| Cost of sales                       | 26,676                          | 13,714                     | 1,242                        | 11,720                            |
| Gross profit                        | 78,660                          | 28,710                     | 20,105                       | 29,845                            |
| Operating expenses:                 |                                 |                            |                              |                                   |
| Selling, general and administrative | 49,831                          | 22,997                     | 9,732                        | 17,102                            |
| Depreciation and amortization       | 18,769                          | 2,642                      | 6,558                        | 9,569                             |
| Impairment of long-lived assets     | 400                             |                            |                              | 400                               |
| Total operating expenses            | 69,000                          | 25,639                     | 16,290                       | 27,071                            |
| Income from operations              | 9,660                           | 3,071                      | 3,815                        | 2,774                             |
| Other income (expense):             |                                 |                            |                              |                                   |
| Other (expense) income              | (16)                            |                            | 3                            | (19)                              |
| Interest income (expense), net      | 3,505                           | (148)                      |                              | 3,653                             |
| Income before income taxes          | 13,149                          | 2,923                      | 3,818                        | 6,408                             |
| Provision for income taxes          | 5,311                           | 1,071                      | 1,451                        | 2,789                             |
| Net income                          | \$ 7,838                        | \$ 1,852                   | \$ 2,367                     | \$ 3,619                          |
| Basic income per common share       | \$ 0.36                         |                            | \$                           | 0.17                              |
| Diluted income per common share     | \$ 0.36                         |                            | \$                           | 0.17                              |

*The accompanying notes are an integral part of these pro forma condensed consolidated financial statements.*



**Information Holdings Inc.***Unaudited Pro Forma Condensed Consolidated Statement of Operations**Year Ended December 31, 2000**(In thousands, except per share data)*

|                                     | <b>Information<br/>Holdings</b> | <b>Less:<br/>CRC Press</b> | <b>Less:<br/>Transcender</b> | <b>Pro Forma<br/>Consolidated</b> |
|-------------------------------------|---------------------------------|----------------------------|------------------------------|-----------------------------------|
| Revenues                            | \$ 73,289                       | \$ 38,984                  | \$ 4,077                     | \$ 30,228                         |
| Cost of sales                       | 19,720                          | 10,422                     | 302                          | 8,996                             |
| Gross profit                        | 53,569                          | 28,562                     | 3,775                        | 21,232                            |
| Operating expenses:                 |                                 |                            |                              |                                   |
| Selling, general and administrative | 36,987                          | 20,602                     | 2,014                        | 14,371                            |
| Depreciation and amortization       | 9,744                           | 1,993                      | 971                          | 6,780                             |
| Impairment of long-lived assets     | 1,500                           |                            |                              | 1,500                             |
| Total operating expenses            | 48,231                          | 22,595                     | 2,985                        | 22,651                            |
| Income from operations              | 5,338                           | 5,967                      | 790                          | (1,419)                           |
| Other income (expense):             |                                 |                            |                              |                                   |
| Other income (expense)              | 2                               | 5                          | (1)                          | (2)                               |
| Interest income (expense), net      | 7,005                           | (144)                      |                              | 7,149                             |
| Income before income taxes          | 12,345                          | 5,828                      | 789                          | 5,728                             |
| Provision for income taxes          | 5,253                           | 2,273                      | 308                          | 2,672                             |
| Net income                          | \$ 7,092                        | \$ 3,555                   | \$ 481                       | \$ 3,056                          |
| Basic income per common share       | \$ 0.34                         |                            | \$                           | 0.15                              |
| Diluted income per common share     | \$ 0.34                         |                            | \$                           | 0.15                              |

*The accompanying notes are an integral part of these pro forma condensed consolidated financial statements.*



**Information Holdings Inc.***Unaudited Pro Forma Condensed Consolidated Balance Sheet**September 30, 2003**(In thousands)*

|   | <i>Information<br/>Holdings</i> | <i>Less:<br/>Transcender</i> | <i>Pro Forma<br/>Adjustments</i> | <i>Pro Forma<br/>Consolidated</i> |
|---|---------------------------------|------------------------------|----------------------------------|-----------------------------------|
| Cash, cash equivalents and short-term investments | \$ 54,407                       | \$ (63)                      | \$ 7,090(1)                      | \$ 61,560                         |
| Accounts receivable, net                          | 27,107                          | 385                          |                                  | 26,722                            |
| Other current assets                              | 11,352                          | 263                          |                                  | 11,089                            |
| Total current assets                              | 92,866                          | 585                          | 7,090                            | 99,371                            |
| Investments                                       | 87,470                          |                              |                                  | 87,470                            |
| Identified intangible assets, net                 | 66,315                          | 2,405                        |                                  | 63,910                            |
| Goodwill  | 83,140                          | 12,800                       |                                  | 70,340                            |
| Other long-term assets                            | 8,445                           | 607                          | (391)(1),(2)                     | 7,447                             |
| Total assets                                      | \$ 338,236                      | \$ 16,397                    | \$ 6,699                         | \$ 328,538                        |
| Accounts payable                                  | \$ 26,542                       | \$ 137                       |                                  | \$ 26,405                         |
| Deferred subscription revenue                     | 17,791                          | 80                           |                                  | 17,711                            |
| Other current liabilities                         | 19,712                          | 243                          | (16,938)(1)                      | 2,531                             |
| Long-term liabilities                             |                                 |                              | 13,044(2)                        | 13,044                            |
| Total liabilities                                 | 64,045                          | 460                          | (3,894)                          | 59,691                            |
| Common stock                                      | 219                             |                              |                                  | 219                               |
| Treasury stock                                    | (14,723)                        |                              |                                  | (14,723)                          |
| Additional paid-in capital                        | 247,923                         | 47,767                       | 47,767(1)                        | 247,923                           |
| Accumulated comprehensive income                  | 657                             |                              |                                  | 657                               |
| Retained earnings                                 | 40,115                          | (31,830)                     | (37,174)(1)                      | 34,771                            |
| Total equity                                      | 274,191                         | 15,937                       | 10,593                           | 268,847                           |
| Total liabilities and equity                      | \$ 338,236                      | \$ 16,397                    | \$ 6,699                         | \$ 328,538                        |

*The accompanying notes are an integral part of these pro forma condensed consolidated financial statements.*

**Information Holdings Inc.**

*Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements*



**1. PRO FORMA ADJUSTMENTS**

For purposes of determining the pro forma effect of the disposition of Transcender on Information Holdings Inc.'s Condensed Consolidated Balance Sheet as of September 30, 2003, the following adjustments have been made (*In thousands*):

(1) Represents the proceeds from the sale of Transcender (net of estimated deal costs and settlement of retained obligations), the estimated loss on disposition, and the related impact on income taxes, as follows: debit (credit):

|  |    |          |
|--|----|----------|
| Cash   | \$ | 7,090    |
| Other current liabilities (income tax liability)             |    | 16,938   |
| Other long-term assets (deferred taxes)                      |    | (13,435) |
| Additional paid in capital                                   |    | (47,767) |
| Retained earnings (loss of Transcender prior to disposition) |    | 31,830   |
| Retained earnings (estimated after-tax loss on disposition)  |    | 5,344    |

(2) Represents a reclassification of net long-term deferred taxes. The disposition of Transcender results in a reclassification in long-term deferred taxes from a net asset to a net liability.

|                        |    |          |
|------------------------|----|----------|
| Other long-term assets | \$ | 13,044   |
| Long-term liabilities  |    | (13,044) |

**2. EARNINGS PER SHARE**

Earnings per share are calculated by dividing the net income by the weighted average outstanding shares during the period. The weighted average outstanding shares for the nine months ended September 30, 2003 and for the years ended December 31, 2002, 2001 and 2000, respectively are as follows (*In thousands*):

|         | September 30,<br>2003 | December 31,<br>2002 | December 31,<br>2001 | December 31,<br>2000 |
|---------|-----------------------|----------------------|----------------------|----------------------|
| Basic   | 21,159                | 21,735               | 21,686               | 20,583               |
| Diluted | 21,194                | 21,735               | 21,826               | 20,822               |