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MEMBERWORKS INC
Form 8-K/A
November 06, 2001

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K/A

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

AUGUST 24, 2001
Date of Report
(Date of earliest event reported)

MEMBERWORKS INCORPORATED
(Exact name of registrant as specified in its charter)

DELAWARE
(State of Incorporation)

0-21527
(Commission File Number)

06-1276882
(I.R.S. Employer
Identification No.)

9 West Broad Street
Stamford, Connecticut 06902
(Address of principal executive offices,
including zip code)

(203) 324-7635
(Registrant's telephone number,
including area code)

MEMBERWORKS INCORPORATED

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS.

On August 24, 2001, pursuant to an Agreement and Plan of Merger dated as of August 7, 2001, as amended by a First Amendment to the Agreement and Plan of Merger dated as of August 24, 2001, MemberWorks Incorporated ("MemberWorks"), a Delaware Corporation, sold its subsidiary, iPlace, Inc. ("iPlace"), to Homestore.com, Inc. ("Homestore"). MemberWorks received approximately \$51 million in cash (including the repayment of debt) and 1.6 million shares of Homestore stock valued at approximately \$35 million as of the closing date. Under the terms of the merger, MemberWorks is prohibited from selling any Homestore stock for a period of 120 days after the closing date and subsequently may only sell 1/12th of the shares in any calendar month.

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The purchase price paid by Homestore and the other material terms of the Merger Agreement and related transaction documents were determined by arms-length negotiations between the Stockholders of iPlace and Homestore.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Financial Statements
Not applicable.

(b) Pro Forma Financial Information
Unaudited Pro Forma Consolidated Condensed Balance Sheet as of June 30, 2001.
Unaudited Pro Forma Consolidated Condensed Statement of Operations for the year ended June 30, 2001.
Notes to Unaudited Pro Forma Consolidated Condensed Financial Statements.

(c) Exhibits

The following exhibits are included as part of this report:

- 2.1* Agreement and Plan of Merger by and among Homestore.com, Inc., iPlace, Inc. and the Stockholders of iPlace, Inc.
- 2.2* First Amendment to the Agreement and Plan of Merger.
- 99.1* Press release of Registrant, dated August 27, 2001.
- * Previously filed with the Commission with the initial Form 8-K on September 7, 2001.

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SIGNATURES

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

MEMBERWORKS INCORPORATED
(Registrant)

Date: November 6, 2001

By: /s/ Gary A. Johnson

Gary A. Johnson, President and
Chief Executive Officer

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MEMBERWORKS INCORPORATED

The accompanying unaudited pro forma consolidated condensed financial statements and related notes are presented in accordance with Securities and Exchange Commission (the "Commission") rules and regulations to illustrate the pro forma effect of the sale by MemberWorks Incorporated (the "Company") of its subsidiary, iPlace, Inc. ("iPlace"), to Homestore.com, Inc. ("Homestore") pursuant to an Agreement and Plan of Merger dated as of August 7, 2001, and amended by a First Amendment to the Agreement and Plan of Merger dated as of August 24, 2001.

The unaudited pro forma consolidated condensed balance sheet is based on the

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assumption that the sale was completed on June 30, 2001. The unaudited pro forma consolidated condensed statement of operations is based on the assumption that the sale was completed on July 1, 2000.

Pro forma data are based on assumptions and include adjustments as explained in the notes to the unaudited pro forma consolidated condensed financial statements. The pro forma data are not necessarily indicative of the financial results that would have occurred had the transaction been effective on July 1, 2000 or June 30, 2001 and should not be viewed as indicative of operations in future periods. The unaudited pro forma consolidated condensed financial statements should be read in conjunction with the notes thereto and the financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2001.

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MEMBERWORKS INCORPORATED

CONSOLIDATED CONDENSED PRO FORMA BALANCE SHEET (UNAUDITED) JUNE 30, 2001 (IN THOUSANDS)

	MemberWorks Historical June 30, 2001 -----	Pro Forma Adjustments -----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 22,736	\$48,836 a,b
Marketable securities	--	34,540 b
Accounts receivable	20,446	--
Prepaid membership materials	3,903	--
Prepaid expenses	5,857	--
Membership solicitation and other deferred costs	154,059	--
	-----	-----
Total current assets	207,001	83,376
Fixed assets, net	39,687	--
Goodwill, net	84,395	--
Intangible and other assets, net	17,378	--
	-----	-----
Total assets	\$ 348,461 =====	\$ 83,376 =====
LIABILITIES AND SHAREHOLDERS (DEFICIT) EQUITY		
Current liabilities:		
Current maturities of long-term obligations	\$ 516	\$ --
Accounts payable	49,505	14,982 a
Accrued liabilities	64,634	1,042 c
Due to related parties	2,028	(2,028) a
Deferred membership fees	243,024	--
	-----	-----
Total current liabilities	359,707	13,996
Long-term liabilities	3,057	--
	-----	-----
Total liabilities	362,764	13,996

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	-----	-----
Minority interest	6,505	--
Mandatorily redeemable convertible preferred securities of subsidiary	5,157	--
Shareholders' (deficit) equity:		
Preferred stock, \$0.01 par value --		
1,000 shares authorized; no shares issued	--	--
Common stock, \$0.01 par value --		
40,000 shares authorized; 17,308 shares issued	173	--
Capital in excess of par value	107,835	--
Accumulated deficit	(80,196)	64,253 d
Accumulated other comprehensive loss	(370)	--
Treasury stock -- 1,920 shares at cost	(53,407)	--
	-----	-----
Total shareholders' (deficit) equity	(25,965)	64,253
	-----	-----
Total liabilities and shareholders' (deficit) equity	\$ 348,461	\$ 78,249
	=====	=====

See notes to pro forma consolidated condensed financial statements (unaudited)

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MEMBERWORKS INCORPORATED

CONSOLIDATED CONDENSED PRO FORMA STATEMENT OF OPERATIONS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2001
(IN THOUSANDS)

	MemberWorks Historical June 30, 2001 -----	iPL Hist June -----
Revenues	\$ 475,726	\$42,
Expenses:		
Operating	90,368	13,
Marketing	305,032	23,
General and administrative	99,732	20,
Amortization of goodwill and other intangibles	10,918	6,
Non-recurring charge	3,000	
	-----	-----
Operating loss	(33,324)	(21,
Net loss on sale of investment	(2,172)	
Other (expense) income	(450)	
	-----	-----
(Loss) income before equity in affiliate and minority interest	(35,946)	(21,
Equity in income of affiliate	83	
Minority interest	9,106	9,
	-----	-----
Net (loss) income from continuing operations	\$ (26,757)	\$ (12,
	=====	=====

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Basic earnings from continuing operations per share	\$(1.75)
	=====
Diluted earnings from continuing operations per share	\$(1.75)
	=====
Weighted average common shares used in earnings per share calculations:	
Basic	15,248
	=====
Diluted	15,248
	=====

See notes to pro forma consolidated condensed financial statements (unaudited)

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MEMBERWORKS INCORPORATED

NOTES TO CONSOLIDATED CONDENSED PRO FORMA FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1. BASIS OF PRESENTATION

The unaudited pro forma consolidated condensed balance sheet is based on the Company's audited balance sheet as of June 30, 2001, iPlace's unaudited balance sheet as of June 30, 2001 and upon the adjustments described below. The unaudited pro forma consolidated condensed balance sheet is based on the assumption that the sale was completed on June 30, 2001. The unaudited pro forma consolidated condensed statement of operations for the year ended June 30, 2001 is based on the Company's audited statement of operations for the year ended June 30, 2001, iPlace's unaudited statement of operations for the year ended June 30, 2001 and upon the adjustments described below. The unaudited pro forma consolidated condensed statement of operations is based on the assumption that the sale was completed on July 1, 2000.

NOTE 2. PRO FORMA ADJUSTMENTS

The following adjustments have been made to the unaudited pro forma consolidated condensed balance sheet at June 30, 2001 (in thousands):

- a. Represents the receipt of funds from Homestore to repay intercompany balances owed to MemberWorks and a loan from a related party to iPlace.

Debit -- Cash and cash equivalents	\$12,954
Debit -- Due to related parties	2,028
Credit -- Accounts payable	14,982

- b. Represents the receipt of cash, stock and cash in escrow in exchange for the sale of iPlace to Homestore.

Debit -- Cash and cash equivalents	\$32,179
Debit -- Cash and cash equivalents	3,703
Debit -- Marketable securities	34,540

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Credit -- Gain on sale 70,422

c. Represents the accrual of sale related costs and taxes.

Debit -- Gain on sale \$1,042

Credit -- Accrued liabilities 1,042

d. Represents the gain recognized on the sale of iPlace net of sale related costs.

Proceeds (see b above)	\$70,422
Sale related costs (see c above)	(1,042)

Net proceeds	69,380
Less: net assets of iPlace	5,127

Gain on sale of iPlace	\$64,253
	=====