

SERVIDYNE, INC.
Form 8-K
August 06, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934
Date of Report (Date of Earliest Event Reported): July 31, 2007**

SERVIDYNE, INC.

(Exact name of Registrant as Specified in its Charter)

| | | |
|-------------------------------------------------------------------|-----------------------------|--------------------------------------|
| Georgia | 0-10146 | 58-0522129 |
| (State or other Jurisdiction of Incorporation or Organization) | (Commission File Number) | (IRS Employer Identification No.) |

1945 The Exchange
Suite 300
Atlanta, Georgia

30339-2029

(Address of principal executive offices) (Zip code)
Registrant's telephone number, including area code: (770) 953-0304
Not Applicable

(Former name or former address, if changed since last report)

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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ITEM 2.01 COMPLETION OF ACQUISITION OR DISPOSITION OF ASSETS

On July 31, 2007, Servidyne, Inc., a Georgia Corporation (the Company) through certain of its affiliates, sold: (1) its building and its leasehold interest in the land comprising of its shopping center located in Columbus, Georgia; (2) its owned shopping center located in Orange Park, Florida; and (3) its leasehold interest in its shopping center located in Jacksonville, Florida, each at a gain. The Company intends to use the proceeds from this sale to acquire one or more like-kind properties, in order to qualify the sale under the Internal Revenue Code Section 1031 for federal and state income tax deferral, and has placed the proceeds with a qualified third party intermediary in connection therewith. The total purchase price for the sale was \$6,797,500.

Abrams-Columbus Limited Partnership, (Columbus) an 80% owned partnership of the Company, sold its approximately 88,000 square foot shopping center located in Columbus, Georgia, including its leasehold interest in the land for \$2.345 million, resulting in a pre-tax gain, net of associated costs, of approximately \$1.892 million. Net cash proceeds were approximately \$2.007 million after deducting:

\$319,000 for the repayment of the mortgage note payable;

\$5,800 for a prepayment penalty on the mortgage note payable; and

\$13,000 for closing costs and prorations (these amounts are subject to final resolution).

In addition, the Company recorded \$401,000 for two separate notes payable of approximately \$241,000 and \$160,000, both at an interest rate of 8.25% for the portion of the sale related to the 20% minority interest.

Abrams Orange Park, LLC, (Orange Park) a wholly-owned subsidiary of the Company, sold its approximately 84,000 square foot shopping center located in Orange Park, Florida for \$2.9 million, resulting in a pre-tax gain, net of associated costs, of approximately \$21,000. Net cash proceeds were approximately \$2.879 million after deducting:

\$21,000 for closing costs and prorations (these amounts are subject to final resolution).

Abrams Properties, Inc., a wholly-owned subsidiary of the Company, sold its leasehold interest in a 97,000 square foot shopping center located in Jacksonville, Florida (Jacksonville) for approximately \$1.553 million, resulting in a pre-tax gain, net of associated costs, of approximately \$1.456 million. Net cash proceeds were approximately \$1.54 million after deducting:

\$12,500 for closing costs and prorations (these amounts are subject to final resolution).

Sears, Roebuck and Co., a New York corporation, purchased Columbus, Orange Park, and Jacksonville (together referred to as the centers). In negotiating the sales price, the Company considered, among other factors:

the shopping centers historical and anticipated cash flows;

the tenant in the centers and its remaining lease terms;

the condition and location of the shopping centers; and

current overall market conditions for the real estate industry.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial Statements of Business Acquired.

Not applicable.

(b) Pro Forma Financial Information.

(1) Pro forma combined balance sheet as of April 30, 2007 (unaudited).

(2) Pro forma combined statement of income for the year ended April 30, 2007 (unaudited).

(c) Shell Company Transactions.

Not applicable.

(d) Exhibits.

None.

SERVIDYNE, INC.

UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

This unaudited pro forma combined balance sheet is presented as if the sale of the centers had taken place on April 30, 2007. The unaudited pro forma combined statement of income for the year ended April 30, 2007, has been prepared as if the sale of the centers had taken place on May 1, 2006.

The pro forma adjustments are based upon available information and certain assumptions that the Company believes are reasonable. The unaudited pro forma financial statements are provided for informational purposes only and are not necessarily indicative of the results that would have occurred if the sales had occurred on the date indicated or the expected financial position or results of operations in the future.

The unaudited pro forma combined financial statements should be read in conjunction with Servidyne, Inc.'s separate historical financial statements and notes thereto. In management's opinion, all adjustments necessary to reflect the effect of these transactions have been made.

SERVIDYNE, INC.
Unaudited Pro Forma Combined Balance Sheet
April 30, 2007

(In thousands, except share data)

| | Servidyne, Inc. | Pro Forma Adjustments | Pro Forma Adjustments | Pro Forma Adjustments | Pro Forma Combined |
|--------------------------------------------|----------------------------|--------------------------------------|--------------------------------------|--------------------------------------|-----------------------------------|
| | Historical | Columbus | Orange Park | Jacksonville | |
| ASSETS | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | \$ 5,663 | \$ | \$ | \$ | \$ 5,663 |
| Receivables, net | 2,215 | | | | 2,215 |
| Costs and earnings in excess of billings | 266 | | | | 266 |
| Notes receivable | 10 | | | | 10 |
| Deferred income taxes | 443 | | | | 443 |
| Other | 1,613 | | | | 1,613 |
| Total current assets | 10,210 | | | | 10,210 |
| INCOME PRODUCING PROPERTIES, NET | | | | | |
| | 31,961 | (12)(A) | (2,858)(A) | (18)(A) | 29,073 |
| PROPERTY AND EQUIPMENT, NET | | | | | |
| | 839 | | | | 839 |
| RESTRICTED CASH | | | | | |
| | | 1,936 (B) | 2,879 (B) | 1,540 (B) | 6,355 |
| REAL ESTATE HELD FOR DEVELOPMENT | | | | | |
| | 1,125 | | | | 1,125 |
| OTHER ASSETS: | | | | | |
| Intangible assets, net | 3,940 | (21)(A) | | (68)(A) | 3,851 |
| Goodwill | 5,459 | | | | 5,459 |
| Other | 3,859 | (7)(A) | | | 3,852 |
| | \$ 57,393 | \$ 1,896 | \$ 21 | \$ 1,454 | \$ 60,764 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | | | | |
| CURRENT LIABILITIES | | | | | |
| Trade and subcontractors payables | \$ 635 | \$ | \$ | \$ | \$ 635 |
| Billings in excess of costs and earnings | 219 | | | | 219 |
| Accrued expenses | 2,597 | 401 (C) | | | 2,998 |
| | 1,035 | (376)(D) | | | 659 |

Current maturities of long-term debt

| | | | | | |
|------------------------------|-----------|-----------|--------|----------|-----------|
| Total current liabilities | 4,486 | 25 | | | 4,511 |
| DEFERRED INCOME TAXES | 4,233 | 723 (E) | 8 (E) | 552 (E) | 5,516 |
| OTHER LIABILITIES | 2,075 | | | | 2,075 |
| MORTGAGE NOTES PAYABLE | 23,964 | (32)(D) | | | 23,932 |
| OTHER LONG-TERM DEBT | 1,175 | | | | 1,175 |
| Total liabilities | 35,933 | 716 | 8 | 552 | 37,209 |
| COMMITMENT AND CONTINGENCIES | | | | | |
| SHAREHOLDERS EQUITY | | | | | |
| Common stock | 3,695 | | | | 3,695 |
| Additional paid-in capital | 4,875 | | | | 4,875 |
| Retained earnings | 13,685 | 1,180 (F) | 13 (F) | 902 (F) | 15,780 |
| Treasury stock | (795) | | | | (795) |
| Total shareholders equity | 21,460 | 1,180 | 13 | 902 | 23,555 |
| | \$ 57,393 | \$ 1,896 | \$ 21 | \$ 1,454 | \$ 60,764 |

The accompanying notes are an integral part of this statement.

Notes to pro forma combined balance sheet (unaudited):

- (A) Reflects the decrease in the net book value, including unamortized intangible assets, of the centers as of April 30, 2007.
- (B) Reflects the net sale proceeds from the sale of the centers held in escrow with a qualified third party intermediary.
- (C) Represents two notes payable

for the portion
of the sale
related to the
20% minority
interest.

- (D) Reflects a decrease for the mortgage note payable as of April 30, 2007.
- (E) Reflects the tax liability on the pro forma gain on the sale of the centers.
- (F) Represents the pro forma gain recognized on the sale of the centers.

SERVIDYNE, INC.
Unaudited Pro Forma Combined Statement of Income
For the year ended April 30, 2007
(In thousands, except share data)

| | Servidyne, Inc. Historical | Columbus Historical | Orange Park Historical | Jacksonville Historical | Pro Forma Combined |
|------------------------------------------------------------------------|-------------------------------------------|--------------------------------|---------------------------------------|------------------------------------|-------------------------------|
| REVENUES: | | | | | |
| Building Performance | | | | | |
| Expert | \$ 12,830 | \$ | \$ | \$ | \$ 12,830 |
| Rental income | 6,191 | (441)(A) | (264)(A) | (303)(A) | 5,183 |
| Interest | 262 | | | | 262 |
| Other | 90 | | | | 90 |
| | 19,373 | (441) | (264) | (303) | 18,365 |
| COSTS AND EXPENSES | | | | | |
| Building Performance | | | | | |
| Expert | 8,142 | | | | 8,142 |
| Rental property operating expense, excluding interest | 3,839 | (45)(B) | (217)(B) | (259)(B) | 3,318 |
| | 11,981 | (45) | (217) | (259) | 11,460 |
| Selling, general and administrative | 9,192 | (29)(C) | (18)(C) | (22)(C) | 9,123 |
| Interest costs incurred | 1,616 | (41)(D) | | | 1,575 |
| | 22,789 | (115) | (235) | (281) | 22,158 |
| Gains on sale of real estate | 1,880 | | | | 1,880 |
| LOSS BEFORE INCOME TAXES FROM CONTINUING OPERATIONS | (1,536) | (326) | (29) | (22) | (1,913) |
| INCOME TAX BENEFIT | (528) | (124)(E) | (11)(E) | (8)(E) | (671) |
| LOSS FROM CONTINUING OPERATIONS | (1,008) | (202) | (18) | (14) | (1,242) |

| | | | | | | | | | | |
|-----------------------------------------------------------------------------------------------------|----|-----------|----|-----------|----|-----------|----|-----------|----|-----------|
| DISCONTINUED OPERATIONS | | | | | | | | | | |
| (Loss) from discontinued operations, adjusted for applicable income tax (benefit) | | (185) | | | | (185) | | | | |
| Gain on sale of real estate income-producing properties, adjusted for applicable income tax expense | | 2,160 | | | | 2,160 | | | | |
| EARNINGS FROM DISCONTINUED OPERATIONS | | | | | | | | | | |
| | | 1,975 | | | | 1,975 | | | | |
| NET EARNINGS (LOSS) | \$ | 967 | \$ | (202) | \$ | (18) | \$ | (14) | \$ | 733 |
| NET EARNINGS (LOSS) PER SHARE FROM: | | | | | | | | | | |
| From continuing operations basic and diluted | \$ | (0.29) | \$ | (0.06) | \$ | (0.01) | \$ | (0.00) | \$ | (0.35) |
| From discontinued operations basic and diluted | | 0.56 | | | | | | | | 0.56 |
| Net earnings (loss) per share basic and diluted | \$ | 0.27 | \$ | (0.06) | \$ | (0.01) | \$ | (0.00) | \$ | 0.21 |
| Weighted average common shares basic and diluted | | 3,529,509 | | 3,529,509 | | 3,529,509 | | 3,529,509 | | 3,529,509 |

The accompanying notes are an integral part of this statement.

Notes to the pro forma combined statement of operations (unaudited):

(A) Reflects the decrease in rental income, which is recognized on a straight-line basis for the period ended April 30, 2007.

(B) Reflects the decrease of property operating expenses,

including
depreciation, for
the period ended
April 30, 2007.

- (C) Reflects the decrease of property-related general and administrative expenses for the period ended April 30, 2007.
- (D) Reflects the decrease in the interest expense on the mortgage note payable for the period ended April 30, 2007.
- (E) Reflects the decrease in the income tax expense for the period ended April 30, 2007.

SIGNATURES

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

SERVIDYNE, INC.

Dated: August 6, 2007

By: /s/ Mark J. Thomas
Mark J. Thomas
Chief Financial Officer