

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K/A NO. 2

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

DATE OF REPORT: MAY 9, 1996

CHECKFREE CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Delaware

(STATE OR OTHER
JURISDICTION OF
INCORPORATION OR
ORGANIZATION)

0-26802

(COMMISSION FILE NO.)

31-1013521

(IRS EMPLOYER
IDENTIFICATION NUMBER)

8275 North High Street
Columbus, Ohio 43235
(614) 825-3000
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER
INCLUDING AREA CODE OF REGISTRANT'S
PRINCIPAL EXECUTIVE OFFICES)

Not Applicable
(FORMER NAME OR FORMER ADDRESS, IF CHANGED SINCE LAST REPORT)

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS.

On March 21, 1996, Checkfree Corporation, a Delaware corporation ("Checkfree"), ISC Acquisition Corporation, an Ohio corporation and a wholly owned subsidiary of Checkfree ("ISC Acquisition"), and Security APL, Inc., an Illinois corporation ("Security"), entered into an Agreement and Plan of Merger, dated as of March 21, 1996, as amended (the "Merger Agreement"), whereby ISC Acquisition would be merged with and into Security with Security being the surviving entity as a wholly owned subsidiary of Checkfree (the "Acquisition"). Under the terms of the Merger Agreement, Checkfree agreed to acquire the stock of Security in exchange for common stock, \$.01 par value, of Checkfree (the "Common Stock"). The Acquisition was completed on May 9, 1996. The total consideration paid by Checkfree was \$53,307,815. Pursuant to the terms of the Merger Agreement, 2,822,325 shares of the Common Stock were issued, based upon an average stock price of \$18.50 per share. Security is a full service provider of fully integrated, customized portfolio management software services, including performance measurement, trading and reporting for over 180 Institutional Money managers, along with brokers, financial planners and banks. Security handles nearly 300,000 professional portfolios and hundreds of thousands of trades per day.

Checkfree's Board of Directors approved the issuance of the additional 2,822,325 shares on March 21, 1996. The shares of Common Stock received by the stockholders of Security are not registered under the Securities Act of 1933, as amended (the "Securities Act"), in reliance upon Section 4(2) of the Securities Act and Rule 506 of Regulation D thereunder.

The transaction was accomplished through arms-length negotiations between Checkfree's management and Security's management. Security's stockholders approved the Acquisition on May 6, 1996. There was no material relationship between the stockholders of Security and Checkfree or any of Checkfree's affiliates, any of Checkfree's directors or officers, or any associate of any such Checkfree director or officer, prior to this transaction.

Checkfree's press release issued May 9, 1996 regarding the consummation of the Acquisition is attached as an exhibit to this report and is incorporated herein by reference.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(a) FINANCIAL STATEMENTS OF BUSINESS ACQUIRED.

The financial statements of Security APL, Inc. as audited by its independent auditors, were previously filed on the original Current Report on Form 8-K dated May 9, 1996, filed with the Securities and Exchange Commission on May 20, 1996, and are deemed to be a part of this Amendment No. 2 thereto.

(b) PRO FORMA FINANCIAL INFORMATION.

On July 22, 1996, Checkfree filed the Form 8-K/A. No.1 which provided the pro forma financials of Checkfree and Security under the pooling of interests accounting method. Due to the sale of assets by two subsidiaries of Checkfree to SunGard SSI Inc., Checkfree is required to treat the acquisition of Security under the purchase method of accounting rather than the pooling of interest method. Therefore, the following are the pro forma financial statements of Checkfree and Security, under the purchase method of accounting for the periods provided therein:

UNAUDITED PRO FORMA CONDENSED COMBINING FINANCIAL INFORMATION

Checkfree's acquisition of Security has been treated as a purchase for accounting purposes. Checkfree acquired Servantis Holdings, Inc. ("Servantis") in February 1996 (the "Servantis Acquisition"). The Servantis Acquisition was also treated as a purchase for accounting purposes. Under the purchase method of accounting, the assets and liabilities of the acquired company are recorded at their independently appraised fair values at the date of the acquisition, and the results of the operations are included in the consolidated financial statements from the effective date of the Acquisition.

The unaudited pro forma condensed combining statement of operations combines Checkfree's and Security's results of operations for the fiscal year ended December 31, 1995, with Servantis' results of operations for the twelve months ended December 31, 1995, giving effect to the Acquisition and the Servantis Acquisition as if they had occurred as of January 1, 1995. The unaudited pro forma condensed combining balance sheet combines Checkfree's and Security's balance sheets with Servantis' balance sheet as of December 31, 1995, giving effect to the Acquisition and the Servantis Acquisition as if they had occurred on that date. The pro forma financial information is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have occurred had the Acquisition or the Servantis Acquisition been consummated at the beginning of the period presented, nor is it necessarily indicative of future operating results or financial position.

Unaudited Pro Forma Condensed Combining Balance Sheet
As of December 31, 1995
(In thousands)

	Historical Amounts				Historical Amounts		Pro Forma	
	Checkfree	Servantis		Pro Forma	Adjustments	Pro Forma	Adjustments	Total
Assets								
Current assets								
Cash and short term investments	\$ 84,852	\$ 2,511	\$ (42,500) (1)	\$ 44,863	\$ 3,050	\$ --		\$ 47,913
Receivables - trade and other	3,533	20,921	--	24,454	1,518	--		25,972
Prepaid expenses and other	1,916	380	--	2,296	--	--		2,296
Deferred income taxes	166	785	972 (2) (6)	1,923	--	--		1,923
Total Current Assets	90,467	24,597	(41,528)	73,536	4,568	--		78,104
Property and equipment - net	13,559	10,775	4,528 (2)	28,862	3,211	--		32,073
Other assets								
Investments	7,499	--	--	7,499	1,198	--		8,697
Capitalized software, net	286	11,004	20,396 (2)	31,686	409	6,391 (8)		38,486
Intangible assets, net	--	12,424	13,864 (2)	26,288	--	13,069 (8)		39,357
Deferred income taxes	--	8,949	(254) (2) (6)	8,695	--	--		8,695
Other noncurrent assets	3,831	299	--	4,130	266	--		4,396
Total other assets	11,616	32,676	34,006	78,298	1,873	19,460		99,631
Total	\$ 115,642	\$ 68,048	\$ (2,994)	\$ 180,696	\$ 9,652	\$ 19,460		\$ 209,808
Liabilities and Stockholders' Equity								
Current liabilities								
Accounts payable and accrued and other liabilities	6,532	5,982	--	12,514	467	--		12,981
Current portion of long-term obligations	1,161	--	--	1,161	--	--		1,161
Deferred revenues	982	19,167	(20,701) (2) (7)	(552)	--	--		(552)
Deferred income taxes	--	4	8,284 (2) (6)	8,288	--	8,288		
Total Current Liabilities	8,675	25,153	(12,417)	21,411	467	--		21,878
Stockholders' and bank notes payable	125	41,914	(41,914) (1)	125	--	--		125
Accrued rent and other	7,157	--	--	7,157	--	--		7,157
Deferred lease obligation	51	2,285	(2,285) (2)	51	--	--		51
Deferred income taxes	309	2,898	12,242 (2) (6)	15,449	--	4,036 (8) (11)		19,485
Total liabilities	16,317	72,250	(44,374)	44,193	467	4,036		48,696
Stockholders' equity								
Preferred stock	--	13,052	(13,052) (3)	--	--	--		--
Stockholders' equity	99,325	(17,254)	54,432 (1) (2) (3)	136,503	9,185	15,424 (8) (9)		161,112
Total Liabilities and Stockholders' Equity	\$ 115,642	\$ 68,048	\$ (2,994)	\$ 180,696	\$ 9,652	\$ 19,460		\$ 209,808

See Notes to Unaudited Pro Forma Condensed Combining Financial Information

Unaudited Pro Forma Condensed Combining Statement of Operations
For the Twelve Months Ended December 31, 1995
(In thousands)

	Historical Amounts		Pro Forma		Historical	Pro Forma	
	Checkfree	Servantis	Adjustments	Pro Forma	Amounts	Adjustments	Total
					Security		

OPERATING REVENUES:							
Total operating revenues, net	\$ 49,330	66,675	\$ (20,701) (7)	\$ 95,304	\$ 15,670	\$ -	\$110,974

OPERATING EXPENSES:							
Cost of processing, servicing, and support	30,293	24,610	-	54,903	7,041	-	61,944
Research and development	6,892	13,483	-	20,375	1,756	-	22,131
Sales and marketing	7,261	6,879	-	14,140	1,553	-	15,693
General and administrative	4,064	11,537	-	15,601	1,967	-	17,568
Depreciation and amortization	2,485	11,097	3,223 (4)	16,805	1,454	2,574 (10)	20,833
Total operating expenses	50,995	67,606	3,223	121,824	13,771	2,574	138,169

INCOME (LOSS) FROM OPERATIONS	(1,665)	(931)	(23,924)	(26,520)	1,899	(2,574)	(27,195)

OTHER INCOME (EXPENSE):							
INVESTMENT INCOME	2,135	471	-	2,606	201	-	2,807
INTEREST EXPENSE	(645)	(3,490)	3,490 (5)	(645)		-	(645)
	1,490	(3,019)	3,490	1,961	201	-	2,162

INCOME (LOSS) BEFORE INCOME TAXES	(175)	(3,950)	(20,434)	(24,559)	2,100	(2,574)	
INCOME TAX EXPENSE (BENEFIT)	40	(1,236)	(7,720) (6)	(8,916)	96	120 (11)	(8,700)

NET INCOME (LOSS)	\$ (215)	\$ (2,714)	\$(12,714)	\$(15,643)	\$ 2,004	\$ (2,694)	\$(16,333)
PREFERRED STOCK DIVIDENDS	-	(797)	797 (5)	-	-	\$ -	\$ -

NET INCOME (LOSS) APPLICABLE TO COMMON SHARES	\$ (215)	\$ (3,511)	\$(11,917)	\$(15,643)	\$ 2,004	\$ (2,694)	\$(16,333)
=====							
NET INCOME (LOSS) PER COMMON SHARE	\$ (0.01)			\$ (0.46)			\$ (0.44)
=====							
wtd avg. shares outstanding	28,219		5,672	33,891		2,822	36,713
=====							

See Notes to Unaudited Pro Forma Condensed Combining Financial Information

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINING
FINANCIAL INFORMATION

1. Adjustment to reflect payment of \$42,500,000 cash portion pursuant to the Servantis Merger Agreement.
2. Adjustments to reflect the change in net assets for the Servantis Acquisition based upon the fair market values at February 21, 1996 as follows:

(In thousands)

Total purchase price	\$165,137
Allocation of purchase price	=====
Tangible net assets acquired at fair market value	\$16,849
Adjustments to reflect fair value of assets acquired	
In-process R&D	90,600
Capitalized software (3 to 10-year lives)	31,400
Other intangibles (10 to 30-year lives)	26,288

	148,288

Total	\$165,137
	=====

3. Adjustment to reflect the issuance of 5,671,726 shares of Checkfree Common Stock at \$20.00 per share in exchange for all shares of Servantis' common and preferred stock and the elimination of Servantis' stockholders' equity.
4. Adjustment to eliminate Servantis' historical intangible asset amortization expense and to reflect the amortization from the capitalized software and other intangibles.
5. Adjustment to eliminate Servantis' interest expense to reflect the pay-off of long-term debt, and elimination of Servantis' preferred stock dividends.
6. Adjustment to reflect income tax effects of pre-tax pro forma adjustments at the statutory rate.
7. Adjusted to reflect the reduction in operating and deferred revenues for purchased profits.

8. Adjustments to reflect the change in net assets for the Acquisition based upon preliminary estimates of fair market value at December 31, 1995 as follows:

(In thousands)

Total purchase price	\$53,016
Allocation of purchase price	=====
Tangible net assets acquired at fair market value	\$ 4,347
Adjustments to reflect fair value of assets acquired	
In-process R&D	28,800
Capitalized Software (6 year life)	6,800
Other intangibles (6 to 8-year lives)	13,069

	48,669

Total	\$53,016
	=====

9. Adjustment to reflect the issuance of 2,822,325 shares of Checkfree Common Stock at \$18.50 per share in exchange for all shares of Security's common stock and the elimination of Security 's stockholders' equity.
10. Adjustment to eliminate Security's historical intangible asset amortization expense and to reflect the amortization from the capitalized software and other intangibles.
11. Adjustment to reflect income tax effects of pre-tax pro forma adjustments at the statutory rate and the impact of Federal taxes on Security's historical amounts. Prior to the Acquisition Security was an S corporation.

Notes to Unaudited Pro Forma Condensed Combining Financial Statements

Note A: The unaudited pro forma condensed combining balance sheet of Checkfree, Security, and Servantis has been prepared as if the Acquisition and the Servantis Acquisition were completed as of December 31, 1995 and both were accounted for as purchases. The total purchase price of \$165.1 million was allocated to Servantis' December 31, 1995 balance sheet; and the total purchase price of \$53.0 million was allocated to Security's December 31, 1995 balance sheet. Actual balance sheets of Checkfree, Security, and Servantis will be combined as of the effective dates of the Acquisition and the Servantis Acquisition.

The allocation of the Servantis and Security purchase prices among the identifiable tangible and intangible assets included herein is based on an independent appraisal of the fair market value of those assets. Purchased research and development was identified and valued through interviews and analysis of data concerning each Servantis and Security developmental project. Expected future cash flows of each developmental project were discounted to present value taking into account risks

associated with the inherent difficulties and uncertainties in completing the project, and thereby achieving technological feasibility, and risks related to the viability of and potential changes in future target markets. The above analysis and valuation resulted in a value of \$90.6 million for purchased research and development for Servantis and \$28.8 million purchased research and development for Security, which have not yet reached technological feasibility and do not have alternative future uses. Therefore, in accordance with generally accepted accounting principles, these amounts were written off in the quarter ended March 31, 1996 for Servantis and the quarter ended June 30, 1996 for Security.

Using the same methodology, purchased software was identified and valued. Expected future cash flows associated with purchased software product were discounted to present value taking into account risks related to the characteristics and applications of each associated product, existing and future markets, and assessments of the life cycle stage of each product. This analysis resulted in an additional \$31.4 million of purchased software for Servantis and \$6.8 million of purchased software for Security, which had reached technological feasibility and therefore was capitalized. The amount of purchase price allocated to purchased software was smaller than that allocated to purchased research and development due to the shorter life and lower cash flows remaining for the purchased software as compared to the projects currently under development.

Note B: In the pro forma condensed combining statement of operations, the Checkfree and Security statements of operations for the fiscal year ended December 31, 1995 have been combined with the Servantis statement of operations for the twelve months ended December 31, 1995.

Note C: The unaudited pro forma combined net loss per share is based on the weighted average number of shares of Checkfree Common Stock outstanding during the period, adjusted to give effect to shares assumed to be issued had the Acquisition and the Servantis Acquisition taken place as of January 1, 1995.

Note D: The unaudited pro forma condensed combining statement of operations does not include the value of the \$28.8 million and \$90.6 million write-offs (no income tax effect) of purchased research and development arising from the Acquisition and the Servantis Acquisition, respectively, as they are material nonrecurring charges. Likewise, an extraordinary loss of \$365,000 (net of income tax benefit of \$205,000) arising from the extinguishment of certain Servantis debt as part of the Servantis Acquisition has not been reflected in the unaudited pro forma condensed combining statement of operations.

(c) EXHIBITS.

Exhibit No.	Description
2(a)	Agreement and Plan of Merger, dated as of March 21, 1996, among Checkfree Corporation, ISC Acquisition Corporation, and Security APL, Inc. (Reference is made to Exhibit 2 to the Current Report on Form 8-K, dated March 21, 1996, filed with the Securities and Exchange Commission on March 29, 1996, and incorporated herein by reference.)
2(b)	Amendment to Agreement and Plan of merger, dated as of April 30, 1996, among Checkfree Corporation, ISC Acquisition Corporation, and Security APL, Inc. (Reference is made to Exhibit 2(c) to the Quarterly Report on Form 10-Q for the quarter ended March 31, 1996, and incorporated herein by reference.)
23	Consent of Ernst & Young, LLP (Reference is made to Exhibit 23 to the Current Report on Form 8-K, dated May 9, 1996, filed with the Securities and Exchange Commission on May 20, 1996, and incorporated herein by reference.)
99	Press Release (Reference is made to Exhibit 99 to the Current Report on Form 8-K, dated May 9, 1996, and filed with the Securities and Exchange Commission on May 20, 1996, and incorporated herein by reference.)

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.

CHECKFREE CORPORATION

Date: October 10, 1996

By: /s/ John M. Stanton

John M. Stanton, Vice President
and Treasurer

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EXHIBIT INDEX

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