SmartPros Ltd.
Form 8-K/A
September 18, 2008

UNITED STATES
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

Date of Report (Date of earliest event reported): July 3, 2008

SMARTPROS LTD.
(Exact name of Registrant as specified in its charter)

Delaware (State or Other Jurisdiction of Incorporation)	001-32300 (Commission File Number)	13-4100476 (IRS Employer Identification No.)

12 Skyline Drive Hawthorne, New York (Address of Principal Executive Office)	10532 (Zip Code)

Registrant's telephone number, including area code (914) 345-2620

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:

[ ] 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))

EXPLANATORY NOTE

This Form 8-K/A amends the Current Report on Form 8-K of SmartPros Ltd. ("SmartPros") filed on July 8, 2008 (the "Report") in connection with the consummation of the acquisition by SmartPros of all the issued and outstanding shares of Loscalzo Associates, P.A. ("Associates"). The purpose of this amendment is to provide the financial statements of the businesses acquired as required by Item 9.01(a) and the pro forma financial information required by Item 9.01(b), which financial statements and information were excluded from the original filing in reliance on Items 9.01(a)(4) and 9.01(b)(2), respectively, of Form 8-K.

Item 1.01. Entry into a Material Definitive Agreement.

See disclosure under Item 2.01 below.

Item 2.01. Completion of Acquisition or Disposition of Assets.

Incorporated herein by reference to Item 2.01 of the Report.

Item 9.01. Financial Statements and Exhibits.

(a) **Financial Statements of Business Acquired**.

Filed herewith are the financial statements of Associates for the requisite periods.

(b) **Pro-forma Financial Information**.

Filed herewith are the proforma combined financial statements of SmartPros and Associates.

(d) Exhibits

Exhibit No.	Description
10.1	Stock Purchase Agreement dated as of July 3, 2008.*
23.1	Consent of Holtz Rubenstein Reminick LLP.
99.1	Press Release dated July 7, 2008.*

* Filed as an exhibit to this Report on July 8, 2008 and incorporated herein by reference.

* * * * *

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this amendment to its Current Report on Form 8-K originally filed on July 8, 2008 to be signed on its behalf by the undersigned, hereunto duly authorized.

SmartPros Ltd.

Dated: September 17, 2008

By: /s/ Allen S. Greene
Allen S. Greene,
Chief Executive Officer

LOSCALZO ASSOCIATES, P.A.

LOSCALZO ASSOCIATES, P.A.

Consolidated Balance Sheet (unaudited)

June 30,		**2008**
Assets		
Current Assets:		
Cash and cash equivalents	$	**241,666**
Accounts receivable		**760,297**
Prepaid expenses and other current assets		**47,339**
Total Current Assets		**1,049,302**
Property and Equipment, net		**256,425**
Deferred tax asset		**123,000**
Total Assets	$	**1,428,727**
Liabilities and Stockholder's Equity		
Current Liabilities:		
Accounts payable	$	**70,032**
Accrued expenses		**72,231**
Deferred tax liability		**273,000**
Total Current Liabilities		**415,263**
Minority Interest in Variable Interest Entity		**611,742**
Commitments and Contingencies		
Stockholder's Equity:		
Common stock		**2,000**
Retained Earnings		**399,722**
Total Stockholder's Equity		**401,722**
Total Liabilities and Stockholder's Equity	$	**1,428,727**

See notes to consolidated financial statements (unaudited). F-2

LOSCALZO ASSOCIATES, P.A.

Consolidated Statements of Operations and Retained Earnings (unaudited)

Six Months Ended June 30,		**2008**	
Net Revenues	$	**981,035**	$
Cost of Revenues		**461,453**	
Gross Profit		**519,582**	
Operating Expenses:			
Selling, general and administrative		**832,631**	
Depreciation and amortization		**4,511**	
Total Operating Expenses:		**837,142**	
Operating Loss		**(317,560)**	
Other Income:			
Interest income		**3,442**	
Net Loss before Benefit for Income Taxes		**(314,118)**	
Income Tax Benefit		**126,000**	
Net Loss before minority interest in variable interest entity		**(188,118)**	
Income from minority interest in variable interest entity		**(1,831)**	
Net Loss		**(189,949)**	
Retained Earnings, beginning of period		**589,671**	
Retained Earnings, end of period	$	**399,722**	$

See notes to consolidated financial statements (unaudited).

LOSCALZO ASSOCIATES, P.A.

Consolidated Statements of Cash Flows (unaudited)

Six months ended June 30,	**2008**	2007
Cash Flows from Operating Activities:		
Net Loss	**$ (189,949)**	$ (146,976)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	**4,511**	5,322
Deferred Tax Benefit	**(126,000)**	(111,000)
Minority interest in variable interest entity	**1,831**	6,140
Changes in operating assets and liabilities:		
(Increase) decrease in operating assets:		
Accounts receivable	**143,836**	218,283
Prepaid expenses and other current assets	**(29,253)**	(26,298)
(Decrease) increase in operating liabilities:		
Accounts payable and accrued expenses	**(62,653)**	515,769
Total adjustments	**(67,728)**	608,216
Net Cash (Used in) Provided by Operating Activities	**(257,677)**	461,240
Cash Flows from Investing Activities:		
Acquisition of property and equipment	**(9,650)**	-
Net Cash Used in Investing Activities	**(9,650)**	-
Cash Flows from Financing Activities:		
Capital contribution to variable interest entity	**516,315**	-
Repayment of Stockholder Loan	**(67,525)**	(77,873)
Repayment of line of credit	**-**	(90,000)
Net Cash Provided by (Used in) Financing Activities	**448,790**	(167,873)
Net Increase in Cash and Cash Equivalents	**181,463**	293,367
Cash and Cash Equivalents, beginning of period	**60,203**	68,914
Cash and Cash Equivalents, end of period	**$ 241,666**	$ 362,281
Supplemental Disclosure:		
Cash paid for interest	**$ -**	$ 496
Cash paid for income taxes	**$ 3,525**	$ 8,225

See notes to consolidated financial statements (unaudited).

LOSCALZO ASSOCIATES, P.A.

Notes to Financial Statements

Six Months Ended June 30, 2008 and 2007

1. Description of Business and Summary of Significant Accounting Policies

Nature of operations - Loscalzo Associates, P.A. (the "Company"), a New Jersey corporation, was organized in 1981 for the purpose of developing and presenting training programs and performing consulting services to the accounting profession. These seminars are presented through state societies of CPAs, accounting firms, associations of accounting firms and corporations.

Basis of presentation - The financial statements have been prepared pursuant to Financial Accounting Standards Board ("FASB") Interpretation No. 46(R), "*Consolidation of Variable Interest Entities*". The consolidated financial statements include the accounts of Loscalzo Associates, P.A., and 130 Monmouth Street LLC. All material intercompany accounts and transactions have been eliminated. Loscalzo Associates, P.A. and 130 Monmouth Street LLC have common ownership.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition - Revenue for programs that include the delivery of instruction is recognized after delivery of the training program and/or services to the customer. Revenue relating to the sale of only training material is recognized when an order has been received and the manuals are shipped to the customer.

Cash and cash equivalents - All highly liquid investments with an original maturity of three months or less are considered cash equivalents. From time to time, the Company invests a portion of its excess cash in money market accounts and funds which are stated at cost which approximates market.

Concentration of credit risk - Financial instruments that subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. From time to time, the cash balances exceed the federal depository insurance limit of $100,000. At June 30, 2008, there was $ 161,732 in excess of FDIC insurance limits. The Company's cash balances are deposited with high quality financial institutions. No single customer represents a significant concentration of sales or receivables.

Accounts receivable - Accounts receivable are stated at the amount billed to customers less an allowance for doubtful accounts, as deemed necessary by management. Management establishes an allowance, when deemed necessary, based on its history of past write-offs and collections and current credit conditions. During 2008 and 2007, no allowance for doubtful accounts was established since all accounts were deemed to be collectible.

Accounts receivable are generally considered to be past due if any portion of the receivable balance is outstanding for more than 90 days. Accounts will be written off as uncollectible if no payments are made after 180 days.

Shipping and handling costs - The Company includes shipping and handling costs billed to the customer in gross revenue and the related cost of shipping and handling in cost of revenues.

Property and equipment - Property and equipment is stated at cost and are depreciated using accelerated depreciation methods over their estimated useful lives, ranging from five to ten years. Accelerated methods established under federal income tax laws differ from generally accepted accounting principles; however, such differences are not considered material. The building is being depreciated over its estimated useful life of 40 years. Leasehold improvements are amortized on the straight-line method over the lesser of their

LOSCALZO ASSOCIATES, P.A.

Notes to Financial Statements

Six Months Ended June 30, 2008 and 2007

estimated useful lives or the life of the lease. Expenditures for repairs and maintenance are charged to expense as incurred.

Income taxes -The Company prepares its tax returns on a cash basis. Deferred tax assets and liabilities are recognized for temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. Deferred taxes are recognized for the estimated taxes ultimately payable or recoverable based on enacted tax laws. Changes in enacted tax rates and laws are reflected in the financial statements in the periods they occur.

Advertising - The Company expenses the costs of advertising when the advertising first takes place. Advertising expense was $1,757 and $10,393 for the six months ended June 30, 2008 and 2007.

Sales tax - The Company collects sales tax. The amount received is credited to a liability account and as payments are made, this account is charged. At any point in time, this account represents the net amount owed to the applicable taxing authority for amounts collected but not yet remitted.

New accounting pronouncements - In February 2007, the FASB issued SFAS No. 159, "*The Fair Value Option for Financial Assets and Financial Liabilities*". SFAS No. 159 permits an entity to choose, at specified election dates, to measure eligible financial instruments and certain other items at fair value that are not currently required to be measured at fair value. An entity shall report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. Upfront costs and fees related to items for which the fair value option is elected shall be recognized in earnings as incurred and not deferred. SFAS No. 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. At the effective date, an entity may elect the fair value option for eligible items that exist at that date. The entity shall report the effect of the first remeasurement to fair value as a cumulative-effect adjustment to the opening balance of retained earnings. The Company believes that this pronouncement will not have a material effect on the consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141R, "*Business Combinations*", which changes how business acquisitions are accounted. SFAS No. 141R requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction and establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed in a business combination. Certain provisions of this standard will, among other things, impact the determination of acquisition-date fair value of consideration paid in a business combination (including contingent consideration); exclude transaction costs from acquisition accounting; and change accounting practices for acquired contingencies, acquisition-related restructuring costs, in-process research and development, indemnification assets, and tax benefits. SFAS No. 141R is effective for business combinations occurring after December 15, 2008. The Company believes that this pronouncement will not have a material effect on the consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, "*Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51*", which establishes new standards governing the accounting for and reporting of noncontrolling interests ("NCIs") in partially owned consolidated subsidiaries and the loss of control of subsidiaries. Certain provisions of this standard indicate, among other things, that NCIs (previously referred to as minority interests) be treated as a separate component of equity, not as a liability; that increases and decreases in the parent's ownership interest that leave control intact be treated as equity transactions, rather than as step acquisitions or dilution gains or losses; and that losses of a partially owned consolidated subsidiary be allocated to the NCI even when such allocation might result in a deficit balance. This standard also requires changes to certain presentation and disclosure requirements. SFAS No. 160 is effective beginning January 1, 2009. The provisions of the standard are to be applied to all NCIs prospectively, except for the presentation and disclosure requirements, which are to be applied retrospectively to all periods

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LOSCALZO ASSOCIATES, P.A.

Notes to Financial Statements

Six Months Ended June 30, 2008 and 2007

presented. The Company believes that this pronouncement will not have a material effect on the consolidated financial statements

2. Property and Equipment

The components of property and equipment are as follows:

June 30,		**2008**
Land and Building	$	**342,654**
Leasehold Improvements		**9,650**
Automobiles		**32,827**
Equipment		**73,137**
Furniture and Fixtures		**5,250**
		463,518
Less Accumulated Depreciation and Amortization		**207,093**
	$	**256,425**

Depreciation and amortization expense for the six months ended June 30, 2008 and 2007 were $4,511 and $5,322, respectively.

3. Related Party Transactions

The Company is leasing its office building from an affiliate company under a five year lease agreement. The Company pays monthly rent of $5,000 to the affiliate. It also pays repairs and maintenance and operating costs related to the facility. Under FASB Interpretation 46(R), "*Consolidation of Variable Interest Entities*", the Company has consolidated the financial statements of 130 Monmouth Street LLC since it provides the majority of financial support. Selected information of 130 Monmouth Street LLC's balance sheet, as of June 30, 2008 and 2007, and its results of operations for the six months ended June 30, 2008 and 2007 are as follows:

		2008		2007
Total Assets	$	611,742	$	608,008
Total Liabilities		-		520,000
Members' Equity		611,742		88,008
Net Revenue		30,000		30,000
Net Income		1,831		6,140

From time to time, the Company borrows funds from the Company's sole stockholder. The loans are non-interest bearing demand obligations. At June 30, 2008 and 2007, the Company did not have any amounts outstanding relating to stockholder loans. The Company repaid loans outstanding during the six month period of $67,525 and $77,873 on January 2008 and February 2007 respectively.

The Company advances funds to the sole stockholder on a short term basis. These advances are non-interest bearing and are paid off within the year.

For the six months ended June 30, 2008 and 2007, the Company paid approximately $41,700 and $26,800, respectively, for training and consulting services performed by a related party.

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LOSCALZO ASSOCIATES, P.A.

Notes to Financial Statements

Six Months Ended June 30, 2008 and 2007

4. Credit Line

The Company had an available credit line of $100,000, which was cancelled on June 30, 2008.

5. Pension Plan

The Company has a non-contributory defined contribution plan covering all employees. Contributions are made at the discretion of the Company. The Company had elected not to make a contribution for 2008.

6. Credit Line

Income tax benefit for the six months ended June 30, 2008 and 2007 consist of the following:

		2008		2007
Current:				
Federal	**$**	-	$	**-**
State		**-**		**-**
		-		**-**
Deferred:				
Federal		(107,000)		(94,000)
State		(19,000)		(17,000)
		(126,000)		(111,000)
	$	(126,000)	$	(111,000)

The Company has a net deferred tax liability of $273,000 and a non-current deferred tax asset of $123,000 as at June 30, 2008. The Company prepares its tax returns on a cash basis, but maintains its books on an accrual basis. As a result of the differences between these methods, timing differences occur between accounts receivables and payables, sale recorded for tax purposes but not on books and basis differences in certain investments, gives rise to a deferred tax liability. 130 Monmouth Street LLC files a separate tax return and income or losses from the entity passes through to its members. Therefore, no provision for taxes on its income has been included in the consolidated financial statements.

7. Stockholder's Equity

The Company has 1,000 shares of no par common stock authorized, of which 100 shares are issued and outstanding.

8. Subsequent Event

In July 2008, the Company was sold to SmartPros, Ltd., a public company whose stock is listed on NASDAQ (symbol SPRO) for approximately $4,400,000 in cash.

Report of Independent Registered Public Accounting Firm

Board of Directors
Loscalzo Associates, P.A.
Red Bank, New Jersey

We have audited the accompanying consolidated balance sheets of Loscalzo Associates, P.A. (the "Company") as of December 31, 2007 and 2006, and the related consolidated statements of operations and retained earnings and cash flows for the years then ended. The consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Loscalzo Associates, P.A. as of December 31, 2007 and 2006, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Holtz Rubesntein Reminick LLP
Melville, New York
September 9, 2008

LOSCALZO ASSOCIATES, P.A.

Consolidated Balance Sheets

December 31,	**2007**	2006
Assets		
Current Assets:		
Cash and cash equivalents	**$ 60,203**	$ 68,914
Accounts receivable	**904,133**	912,064
Prepaid expenses and other current assets	**17,146**	3,441
Total Current Assets	**981,482**	984,419
Property and Equipment, net	**251,286**	252,074
Deferred Tax Asset	**47,000**	32,000
Other Assets	**940**	940
	299,226	285,014
Total Assets	**$ 1,280,708**	$ 1,269,433
Liabilities and Stockholder's Equity		
Current Liabilities:		
Credit line	**$ -**	$ 90,000
Accounts payable	**95,358**	64,456
Accrued expenses	**109,558**	103,638
Deferred tax liability	**323,000**	324,000
Stockholder loan	**67,525**	19,373
Total Current Liabilities	**595,441**	601,467
Minority Interest in Variable Interest Entity	**93,596**	81,867
Commitments and Contingencies		
Stockholder's Equity:		
Common stock	**2,000**	2,000
Retained Earnings	**589,671**	584,099
Total Stockholder's Equity	**591,671**	586,099
Total Liabilities and Stockholder's Equity	**$ 1,280,708**	$ 1,269,433

See notes to consolidated financial statements.

LOSCALZO ASSOCIATES, P.A.

Consolidated Statements of Operations and Retained Earnings

Years Ended December 31,	**2007**	2006
Net Revenues	**$ 3,437,175**	$ 2,958,251
Cost of Revenues	**1,415,915**	1,288,576
Gross Profit	**2,021,260**	1,669,675
Operating Expenses:		
Selling, general and administrative	**1,985,109**	1,707,633
Depreciation and amortization	**9,450**	8,355
Total Operating Expenses	**1,994,559**	1,715,988
Net Income (Loss) before Income Tax Expense (Benefit)		