

SOFTECH INC  
Form 10-Q  
April 15, 2013

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

**FORM 10-Q**

**X . QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934**

For the quarterly period ended February 28, 2013

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number  
0-10665

**SOFTECH, INC.**

(Exact name of the Registrant as specified in its charter)

Massachusetts  
(State or other jurisdiction of incorporation or  
organization)

04-2453033  
(I.R.S Employer Identification  
No.)

59 Lowes Way, Suite 401, Lowell, MA 01851

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(Address of principal executive offices and zip code)

Telephone (978) 513-2700

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  . No  .

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Sec. 232.405) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  . No  .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of accelerated filer, large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  . Accelerated filer  .  
Non-accelerated filer  . (Do not check if a smaller reporting company)  .  
Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.)

Yes  . No  .

The number of shares outstanding of registrant's common stock at April 8, 2013 was 1,045,135 shares.



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**PART I FINANCIAL INFORMATION****Item 1. Financial Statements.**

**SOFTECH, INC. AND SUBSIDIARIES**  
**CONSOLIDATED CONDENSED BALANCE SHEETS**

|  | (in thousands)                      |                 |
|--|-------------------------------------|-----------------|
|  | (unaudited)<br>February 28,<br>2013 | May 31,<br>2012 |
| <b><u>ASSETS</u></b>   |                                     |                 |
| Cash and cash equivalents  | \$ 2                                | \$ 595          |
| Accounts receivable (less allowance for uncollectible accounts of \$29 as of February 28, 2013 and May 31, 2012) | 1,177                               | 757             |
| Prepaid and other assets   | 531                                 | 308             |
| Total current assets   | 1,710                               | 1,660           |
| Property and equipment, net  | 70                                  | 42              |
| Goodwill   | 4,250                               | 4,246           |
| Capitalized software development costs, net  | 331                                 | 172             |
| Capitalized patent costs   | 88                                  | 82              |
| Debt issuance costs, net   | 127                                 | 210             |
| Notes receivable and other assets  | 136                                 | 136             |
| <b>TOTAL ASSETS</b>  | <b>\$ 6,712</b>                     | <b>\$ 6,548</b> |
| <b><u>LIABILITIES, REDEEMABLE COMMON STOCK AND SHAREHOLDERS' EQUITY</u></b>                                      |                                     |                 |
| Accounts payable   | \$ 191                              | \$ 266          |
| Accrued expenses   | 484                                 | 333             |
| Other current liabilities  | 308                                 | 70              |
| Deferred maintenance revenue   | 2,007                               | 2,194           |
| Current portion of capital lease   | 13                                  | 5               |
| Current portion of long-term debt  | 1,645                               | 720             |
| Total current liabilities  | 4,648                               | 3,588           |
| Capital lease, net of current portion  | 42                                  | 4               |

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|   |          |          |
|---|----------|----------|
| Other long-term liabilities   | 10       | 47       |
| Long-term debt, net of current portion  | -        | 1,480    |
| Total liabilities   | 4,700    | 5,119    |
| Redeemable common stock, \$0.10 par value, 50,000 shares issued and outstanding at February 28, 2013  | 275      | -        |
| Shareholders' equity :  |          |          |
| Common stock, \$0.10 par value 20,000,000 shares authorized, 1,045,135 and 995,135 issued and outstanding at February 28, 2013 and May 31, 2012, respectively | 100      | 100      |
| Capital in excess of par value  | 27,367   | 27,478   |
| Accumulated deficit   | (25,283) | (25,693) |
| Accumulated other comprehensive loss  | (447)    | (456)    |
| Total shareholders' equity  | 1,737    | 1,429    |
| TOTAL LIABILITIES, REDEEMABLE COMMON STOCK AND SHAREHOLDERS' EQUITY   | \$ 6,712 | \$ 6,548 |

**See accompanying notes to unaudited consolidated financial statements.**

**SOFTECH, INC. AND SUBSIDIARIES****CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)**(in thousands, except for share and per share data)  
For the Three Months Ended

|  | February 28,<br>2013 | February 29,<br>2012 |
|--|----------------------|----------------------|
| Revenue:   |                      |                      |
| Products   | \$ 244               | \$ 530               |
| Services   | 1,215                | 1,130                |
| Total revenue                                      | 1,459                | 1,660                |
| Cost of revenue:                                   |                      |                      |
| Products   | 38                   | 38                   |
| Services   | 293                  | 342                  |
| Total cost of revenue                              | 331                  | 380                  |
| Gross margin                                       | 1,128                | 1,280                |
| Research and development expenses                  | 231                  | 238                  |
| Selling, general and administrative expenses       | 848                  | 830                  |
| Operating income                                   | 49                   | 212                  |
| Interest expense                                   | 63                   | 74                   |
| Other (income) expense                             | -                    | 1                    |
| Net income(loss)                                   | \$ (14)              | \$ 137               |
| Basic and diluted net income per share:            | \$ (0.01)            | \$ 0.14              |
| Weighted average common shares outstanding-basic   | 1,039,302            | 995,135              |
| Weighted average common shares outstanding-diluted | 1,040,573            | 995,135              |

**See accompanying notes to unaudited consolidated financial statements.**





**SOFTECH, INC. AND SUBSIDIARIES****CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)**(in thousands, except for share and per share data)  
For the Nine Months Ended

|  | February 28,<br>2013 | February 29,<br>2012 |
|--|----------------------|----------------------|
| Revenue:   |                      |                      |
| Products   | \$ 936               | \$ 1,166             |
| Services   | 3,574                | 3,763                |
| Royalties from sale of patents                     | 290                  | -                    |
| Total revenue                                      | 4,800                | 4,929                |
| Cost of revenue:                                   |                      |                      |
| Products   | 88                   | 54                   |
| Services   | 924                  | 1,026                |
| Total cost of revenue                              | 1,012                | 1,080                |
| Gross margin                                       | 3,788                | 3,849                |
| Research and development expenses                  | 799                  | 958                  |
| Selling, general and administrative expenses       | 2,391                | 2,257                |
| Operating income                                   | 598                  | 634                  |
| Interest expense                                   | 198                  | 250                  |
| Other (income) expense                             | (11)                 | 7                    |
| Net income   | \$ 411               | \$ 377               |
| Basic and diluted net income per share:            | \$ 0.41              | \$ 0.38              |
| Weighted average common shares outstanding-basic   | 1,009,567            | 995,135              |
| Weighted average common shares outstanding-diluted | 1,010,842            | 995,135              |

**See accompanying notes to unaudited consolidated financial statements.**



**SOFTTECH, INC. AND SUBSIDIARIES**

**CONSOLIDATED CONDENSED STATEMENTS OF  
COMPREHENSIVE INCOME(LOSS) (UNAUDITED)**

|   | (in thousands)             |                      |
|---|----------------------------|----------------------|
|   | For the Three Months Ended |                      |
|   | February 28,<br>2013       | February 29,<br>2012 |
| Net income(loss)                        | \$ (14)                    | \$ 137               |
| Other comprehensive income:             |                            |                      |
| Foreign currency translation adjustment | 3                          | 14                   |
| Total other comprehensive income        | 3                          | 14                   |
| Comprehensive income(loss)              | \$ (11)                    | \$ 151               |

**See accompanying notes to unaudited consolidated financial statements.**

**SOFTECH, INC. AND SUBSIDIARIES**  
**CONSOLIDATED CONDENSED STATEMENTS OF**  
**COMPREHENSIVE INCOME (UNAUDITED)**

|   | (in thousands)            |                      |
|---|---------------------------|----------------------|
|   | For the Nine Months Ended |                      |
|   | February 28,<br>2013      | February 29,<br>2012 |
| Net income                              | \$ 411                    | \$ 377               |
| Other comprehensive income:             |                           |                      |
| Foreign currency translation adjustment | 9                         | (15)                 |
| Total other comprehensive income        | 9                         | (15)                 |
| Comprehensive income                    | \$ 420                    | \$ 362               |

**See accompanying notes to unaudited consolidated financial statements.**

**SOFTECH, INC. AND SUBSIDIARIES****CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)**

|   | (in thousands)            |                      |
|---|---------------------------|----------------------|
|   | For the Nine Months Ended |                      |
|   | February 28,<br>2013      | February 29,<br>2012 |
| Cash flows from operating activities:   |                           |                      |
| Net income  | \$ 411                    | \$ 377               |
| Adjustments to reconcile net income to net cash provided by operating activities: |                           |                      |
| Depreciation and amortization expense   | 161                       | 106                  |
| Stock-based compensation  | 6                         | 6                    |
| Change in current assets and liabilities:   |                           |                      |
| Accounts receivable   | (420)                     | (340)                |
| Prepaid expenses and other assets   | (228)                     | 104                  |
| Accounts payable, accrued expenses and other liabilities                          | 217                       | (478)                |
| Deferred maintenance revenue  | (187)                     | (60)                 |
| Total adjustments   | (451)                     | (662)                |
| Net cash used in operating activities   | (40)                      | (285)                |
| Cash flows from investing activities:   |                           |                      |
| Collection of note receivable from sale of product line                           | -                         | 134                  |
| Capitalized software development costs  | (207)                     | (139)                |
| Capitalized patent costs  | (6)                       |                      |