

Edgar Filing: MULTI SOFT INC - Form 10QSB

MULTI SOFT INC  
Form 10QSB  
June 19, 2001

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended April 30, 2001

OR

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: 0-15976  
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MULTI SOFT, INC.  
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(Exact name of small business issuer as specified in its charter)

NEW JERSEY  
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22-2588030  
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(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

4262 US Route 1, Monmouth Junction, New Jersey 08852  
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(Address of principal executive offices)

Issuer's telephone number, including area code: (732) 329-9200  
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Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date.

Class -----	Outstanding at April 30, 2001 -----
Common Stock, par value \$.001 per share	13,709,477

Transitional Small Business Format (check one); Yes  No

PART I. FINANCIAL INFORMATION  
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### ITEM 1. FINANCIAL STATEMENTS

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The accompanying financial statements are unaudited for the interim periods, but include all adjustments (consisting only of normal recurring accruals) which we consider necessary for the fair presentation of our results for the three months ended April 30, 2001.

Moreover, these financial statements do not purport to contain complete disclosure in conformity with generally accepted accounting principles and should be read in conjunction with our audited financial statements at, and for the fiscal year ended January 31, 2001.

The results reflected for the three months ended April 30, 2001 are not necessarily indicative of the results for the entire fiscal year.

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MULTI SOFT, INC.  
a 51.3% owned subsidiary of Multi Solutions, Inc.  
BALANCE SHEETS  
April 30, 2001 and January 31, 2001  
(Unaudited)

	April 30, 2001	January 31, 2001
	-----	-----
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ --	--
Accounts Receivable (net of allowance of \$49,212 and \$49,212 respectively)	49,681	110,224
Prepaid expenses and other current assets	16,095	21,675
	-----	-----
	65,776	131,899
 <b>FURNITURE AND EQUIPMENT</b>		
Research and Development Equipment	8,869	8,868
Office furniture and other equipment	31,209	26,575
	-----	-----
	40,078	35,443
Less: Accumulated Depreciation	(21,600)	(19,999)
	-----	-----
	18,478	15,444
 <b>OTHER ASSETS</b>		
Capitalized software development costs	1,559,586	1,512,489
Less accumulated amortization	(931,204)	(892,588)
	-----	-----
	628,382	619,901
Due from Multi Solutions, Inc	337,265	335,559
Due from Freetrek, Inc.	10,329	7,227
Due from NetCast, Inc.	234,592	234,592
	-----	-----
	\$ 1,294,822	\$ 1,344,622
	=====	=====

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MULTI SOFT, INC.  
a 51.3 % owned subsidiary of Multi Solutions, Inc.  
BALANCE SHEETS  
April 30, 2001 and January 31, 2001  
(Unaudited)

	April 30, 2001	January 31, 2001
	-----	-----
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
CURRENT LIABILITIES		
Accrued payroll	\$ 14,783	\$ 14,783
Payroll and other taxes payable	17,540	18,497
Accounts Payable, Accrued expenses and other Current Liabilities	102,734	66,295
Accrued officer compensation	143,042	143,042
Deferred Revenues	133,242	105,214
	-----	-----
	411,341	347,831
Deferred compensation due officer /shareholders	586,605	586,605
STOCKHOLDERS' DEFICIENCY		
Common stock, authorized 30,000,000 shares \$.001 par value, issued and outstanding 13,709,477 respectively	13,709	13,709
Additional paid-in capital, net of deferred compensation \$0 and \$25,257 respectively	6,039,221	6,039,221
Accumulated deficit	(5,756,054)	(5,642,744)
	-----	-----
	296,876	410,186
	\$ 1,294,822	\$ 1,344,622
	=====	=====

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MULTI SOFT, INC  
a 51.3% owned subsidiary of Multi Solutions, Inc.  
STATEMENTS OF OPERATIONS  
April 30, 2001 and April 30, 2000  
(Unaudited)

	Three Months Ended April 30,	
	2001	2000
	-----	-----
REVENUES		
License fees	\$ --	\$ 12,485
Maintenance fees	27,720	65,820
Consulting and Other fees	66,442	146,199
	-----	-----

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Total revenues	94,162	224,504
EXPENSES		
Software development and technical support	83,378	88,628
Selling and administrative	124,094	153,051
	-----	-----
Total expenses	207,472	241,679
	-----	-----
Net income (loss)	(\$ 113,310)	(\$ 17,175)
	=====	=====
Weighted average shares outstanding	13,709,477	13,709,477
	=====	=====
Income (Loss) per share	(a)	(a)
	=====	=====

(a) less than \$.01 per share

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MULTI -SOFT, INC.  
a 51.3 % owned subsidiary of Multi Solutions, Inc.  
STATEMENTS OF CASH FLOWS  
April 30, 2001 and April 30, 2000  
(Unaudited)

	Three Months Ended April 30,	
	2001	2000
	-----	-----
Cash flows from operating activities		
Net income (loss)	(\$ 113,310)	\$ (17,175)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	40,217	47,286
Changes in assets and liabilities		
Due to / from Multi Solutions	(1,706)	18,378
Due to / from Freetrek	(3,102)	--
Accounts receivable	60,543	37,617
Prepaid expenses and other current assets	5,580	(302)
Accrued payroll	--	--
Payroll and other taxes payable	(957)	(1,242)
Accounts payable and accrued expenses	36,439	(28,425)
Accrued officer compensation	--	--
Deferred revenues	28,028	(61,974)
	-----	-----
Net cash provided by operating activities	51,732	(5,837)
Cash flows from investing activities		
Capital expenditures	(4,635)	--
Capitalized software development costs	(47,097)	(19,636)
	-----	-----
Net cash used in investing activities	(51,732)	(19,636)

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Cash flows from financing activities	--	
Amortization of Stock Grants	--	6,354
	-----	-----
Net cash provided by financing activities	--	6,354
	-----	-----
NET (DECREASE) IN CASH	--	(19,119)
Cash at beginning of year	--	13,205
	-----	-----
Cash at end of period	\$ --	\$ (5,914)
	=====	=====

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MULTI SOFT, INC.  
 NOTE TO FINANCIAL STATEMENTS  
 April 30, 2001  
 (Unaudited)

### RECLASSIFICATION OF OTHER INCOME TO REVENUE FROM CONSULTING AND OTHER FEES

Consulting, rent and administrative fees charged to Freetrek, Inc., an affiliate, were reflected on prior financial statements as "Other Income" in the category "Other Income (Expense)" on the Statement of Operations. During the three months ended April 30, 2001, these fees have been included in "Consulting and Other Fees" in the "Revenues" category on the Statements of Operations. For purposes of comparison, the Statements of Operations for the three months ended April 30, 2000 have been restated accordingly.

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### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND ----- RESULTS OF OPERATIONS -----

#### CAUTIONARY STATEMENT -----

This quarterly report on form 10-QSB contains certain forward-looking statements regarding, among other things, our anticipated financial and operating results. For this purpose, forward-looking statements are any statements contained in this report that are not statements of historical fact and include, but are not limited to, those preceded by or that include the words, "believes," "expects," or similar expressions. In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, we are including this cautionary statement identifying important factors that could cause ours or our affiliates' actual results to differ materially from those projected in forward looking statements made by, or on behalf of, us. These factors, many of which are beyond our control or the control of our affiliates, include our ability to:

- o receive royalties from our existing licensing and consulting arrangements,

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- o develop additional marketable software and technology,
- o compete with larger, better capitalized competitors and
- o reverse ongoing liquidity and cash flow problems.

### Results of Operations

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Three months ended April 30, 2001 compared to Three months ended April 30, 2000

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We generated revenues during the three months ended April 30, 2001, the first three months of our fiscal year ending January 31, 2002, of \$94,162 compared to revenues of \$224,504 during the first three months of fiscal 2001. We believe that the decrease of \$130,342, or approximately 58.1%, was due primarily to a decrease in our license and maintenance fees and consulting fees, primarily to our affiliate Freetrek, Inc. License fee revenue decreased 100% from \$12,485 in the first quarter of fiscal 2001 to -0- during the first quarter of fiscal 2002. Maintenance fees decreased \$38,100, or approximately 57.9% and consulting and other fees, primarily to our affiliate Freetrek, Inc., decreased \$79,757, or approximately 54.6%.

Please note that we have included income derived from consulting and administrative charges to our affiliate Freetrek, Inc. in the amount of \$57,440 in revenues for the three months ended April 30, 2000. Previously this income was reported as "Other Income" in the Income Statement. We have restated our Statement of Operations for the three months ended April 30, 2000 to reflect this change. As a result of this restatement, income derived from consulting and administrative charges to Freetrek, Inc. in the amount of \$146,199 is included in revenues for the three months ended April 30, 2000.

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Our principal sources of revenues were maintenance fees and consulting fees. Maintenance fees represented approximately \$27,720 or 29.4% of revenues for the three months ended April 30, 2001 and approximately \$65,820 or 29.3% of revenues for the three months ended April 30, 2000. Consulting fees represented approximately \$66,442 or 70.6% of revenues for the three months ended April 30, 2001 and approximately \$146,199 or 65.1% of revenues for the three months ended April 30, 2000.

The decrease in licensing fees was due to reduced software sales. We believe that reduced sales resulted from a decline in market acceptance of our existing products due to a shift from mainframe/PC access towards internet access. We have been working on developing products that extend our line to work on Microsoft's new ".NET" and XML Web services platform.

We believe that the decrease in maintenance fees was due to the non-renewal of older maintenance contracts by customers. We believe that the decrease in consulting and other fees was due to a reduction in charges for consulting and administrative fees to our affiliate Freetrek, Inc. This reduction in consulting and administrative fees from Freetrek resulted from a decrease in funds available to Freetrek from its financing activities. See the discussion below under "Major Customers."

Our operating expenses were \$207,472 for the three months ended April 30, 2001 compared to \$241,679 for the comparable three month period of fiscal 2000, a decrease of \$34,207 or approximately 14.2%. We believe that the decrease was a result of both lower levels of software development costs as well as a reduction in selling and administrative costs charged to operations for the three month period ending April 30, 2001 compared to the period ending April 30, 2000.

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As a result of all of the foregoing, we incurred a net loss for the first three months of fiscal 2002 of \$113,110 compared to a net loss of \$17,175 for the first three months of fiscal 2001, an increase of \$96,135.

### Major Customers

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No individual customer accounted for a significant portion of revenues. We have generated revenues from our affiliate, Freetrek, for work related to the prior and ongoing development, maintenance and enhancement of Freetrek's products. However, Freetrek is a development stage company and, although it is marketing its products and services, it has yet to make its first sale. Fees paid by Freetrek have come from the proceeds of private placements of Freetrek's securities and of Multi Solutions' securities. If Freetrek is unable to generate substantial revenues or continue to raise funds, revenues received by us from Freetrek most likely will decrease and eventually cease.

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### Liquidity and Capital Resources

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At April 30, 2001, we had a negative working capital position of (\$345,565) compared to a negative working capital position of (\$215,932) on January 31, 2001. We continue to experience significant cash flow problems.

We have taken various step to correct this situation, including:

- o significantly cutting overhead costs through staff reduction;
- o extending our product line to operate within the internet environment;
- o performing work for our affiliate, Freetrek, related to the prior and ongoing development, maintenance and enhancement of Freetrek's products: and
- o performing contract consulting services for others.

We intend to remain a technology provider of products and services and search out multiple distribution channels, with increasing emphasis on the use of the Internet for marketing, rather than to try and grow via an expensive direct sales force. This allows the focus to stay on technology, with a low overhead cost for each distribution channel used. However, if we obtain additional funds from operations or otherwise, we plan to expand in-house marketing activities by advertising in trade publications and by conducting targeted mailing.

### Working Capital and Current Ratios:

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Descriptions	April 30, 2001	January 31, 2001
Working capital (deficiency)	(\$345,565)	(\$215,932)
Current ratios	0.16:1	0.38:1

### Dividend Policy

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We have not declared or paid any dividends on our common stock since inception and we do not anticipate that we will declare or pay cash dividends in the foreseeable future. We intend to retain earnings, if any, to finance the development and expansion of our business. Future dividend policy will be

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subject to the discretion of the board of directors and will be contingent upon future earnings, if any, our financial condition, capital requirements, general business conditions and other factors. Therefore, we cannot assure that dividends of any kind will ever be paid.

Effect of Inflation  
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We believe that inflation has not had a material effect on our operations for the periods presented.

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PART II - OTHER INFORMATION  
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Item 1. Legal Proceedings  
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None.

Item 2. Changes in Securities and Use of Proceeds  
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None.

Item 3. Defaults Upon Senior Securities  
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None.

Item 4. Submission of Matters to a Vote of Security Holders  
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None.

Item 5. Other Information  
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None.

Item 6. Exhibits and Reports on Form 8-K  
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(a) Exhibits

None.

(b) Reports on Form 8-K

None.

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



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MULTI SOFT, INC.

Dated: June 19, 2001

By: /s/ Charles J. Lombardo

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Charles J. Lombardo, Chief Executive Officer,  
Chief Financial Officer and Treasurer