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MULTI SOFT INC
Form 10QSB
December 21, 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 October 31, 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

MULTI SOFT, INC.

(Exact name of small business issuer as specified in its charter)

NEW JERSEY

22-2588030

(State or other jurisdiction of
incorporation or organization)

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

4262 US Route 1, Monmouth Junction, New Jersey 08852

(Address of principal executive offices)

Issuer's telephone number, including area code: (732) 329-9200

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 October 31, 2001
-----	-----
Common Stock, par value \$.001 per share	13,709,477

Transitional Small Business Format (check one); Yes ___ No

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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 nine and three months ended October 31, 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 nine and three months ended October 31, 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

October 31, 2001 and January 31, 2001

(Unaudited)

	October 31, 2001	January 31, 2001
	-----	-----
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,103	--
Accounts Receivable (net of allowance of \$49,212 and \$49,212 respectively)	156,755	110,224
Prepaid expenses and other current assets	25,038	21,675
	-----	-----
	182,896	131,899
 FURNITURE AND EQUIPMENT		
Research and Development Equipment	8,868	8,868
Office furniture and other equipment	31,209	26,575
	-----	-----
	40,077	35,443
Less: Accumulated Depreciation	(24,337)	(19,999)
	-----	-----
	15,740	15,444
 OTHER ASSETS		
Capitalized software development costs	1,677,768	1,512,489
Less accumulated amortization	(1,008,436)	(892,588)
	-----	-----
	669,332	619,901
Due from Multi Solutions, Inc	349,736	335,559
Due from Freetrek, Inc.	20,761	7,227
Due from NetCast, Inc.	234,592	234,592
	-----	-----
	\$ 1,473,057	\$ 1,344,622

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

	October 31, 2001	January 31, 2001
	-----	-----
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
CURRENT LIABILITIES		
Accrued payroll	\$ 60,530	\$ 14,783
Payroll and other taxes payable	19,011	18,497
Accounts Payable, Accrued expenses and other Current Liabilities	170,466	66,295
Accrued officer compensation	168,042	143,042
Deferred Revenues	148,606	105,214
	-----	-----
	566,655	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	(5,733,133)	(5,642,744)
	-----	-----
	319,797	410,186
	\$ 1,473,057	\$ 1,344,622
	=====	=====

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MULTI SOFT, INC
a 51.3% owned subsidiary of Multi Solutions, Inc.
STATEMENTS OF OPERATIONS
Nine and Three months ended October 31, 2001 and 2000
(Unaudited)

	Nine Months Ended October 31,		Three Months October	
	2001	2000	2001	2000
	-----	-----	-----	-----
REVENUES				
License fees	\$ 42,068	\$ 34,337	\$ 32,370	\$ 45,340
Maintenance fees	119,041	120,101	45,340	

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Consulting and Other fees	290,296	384,213	121,425
	-----	-----	-----
Total revenues	451,405	538,651	199,135
EXPENSES			
Software development and technical support	232,848	315,712	72,843
Selling and administrative	308,946	379,824	88,660
	-----	-----	-----
Total expenses	541,794	695,536	161,503
	-----	-----	-----
Net income (loss)	(\$ 90,389)	(\$ 156,885)	\$ 37,632
	=====	=====	=====
Weighted average shares outstanding	13,709,477	13,709,477	13,709,477
	=====	=====	=====
Income (Loss) per share	(a)	(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
October 31, 2001 and October 31, 2000
(Unaudited)

	Nine Months Ended October 31,	
	2001	2000
	-----	-----
Cash flows from operating activities		
Net (loss)	(\$ 90,389)	\$ (156,885)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	120,186	138,179
Changes in assets and liabilities		
Due to / from Multi Solutions	(14,177)	82,784
Due to / from Freetrek	(13,534)	(1,446)
Accounts receivable	(46,531)	80,140
Prepaid expenses and other current assets	(3,363)	22,653
Accrued payroll	45,747	--
Payroll and other taxes payable	514	(1,425)
Accounts payable and accrued expenses	104,171	(16,292)
Accrued officer compensation	25,000	(18,348)
Deferred revenues	43,392	(62,732)
	-----	-----
Net cash provided by operating activities	171,016	66,628
Cash flows from investing activities		
Capital expenditures	(4,634)	(9,044)
Capitalized software development costs	(165,279)	(87,016)
	-----	-----

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Net cash used in investing activities	(169,913)	(96,060)
Cash flows from financing activities		
Amortization of Stock Grants	--	22,194
	-----	-----
Net cash provided by financing activities	--	22,194
	-----	-----
NET INCREASE IN CASH	1,103	(7,238)
Cash at beginning of year	--	13,205
	-----	-----
Cash at end of period	\$ 1,103	\$ 5,967
	=====	=====

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MULTI SOFT, INC.
 NOTE TO FINANCIAL STATEMENTS
 October 31, 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 nine and three months ended October 31, 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 nine and three months ended October 31, 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

NINE MONTHS ENDED OCTOBER 31, 2001 COMPARED TO NINE MONTHS ENDED OCTOBER 31,

2000 AND THREE MONTHS ENDED OCTOBER 31, 2001 COMPARED TO THREE MONTHS ENDED

OCTOBER 31, 2000

We generated revenues during the nine months ended October 31, 2001, the first nine months of our fiscal year ending January 31, 2002, of \$451,405 compared to revenues of \$538,651 during the first nine months of fiscal 2001. We believe that the decrease of \$87,246, or approximately 16.2% was due primarily to a decrease in our consulting fees, primarily to our affiliate Freetrek, Inc., offset in part by an increase in license fees. License fee revenue increased 22.5% from \$34,337 in the first nine months of fiscal 2001 to \$42,068 during the first nine months of fiscal 2002. Maintenance fees decreased \$1,060 or approximately 0.9% and consulting and other fees, primarily to our affiliate Freetrek, Inc., decreased \$93,917, or approximately 24.5%.

We generated revenues during the three months ended October 31, 2001, of \$199,135 compared to revenues of \$149,346 during the third quarter of fiscal 2001. We believe that the increase in revenues of \$49,789, or approximately 33.3%, was due primarily to a increase in revenue from license and maintenance fees, offset in part by a decrease in consulting fees, primarily to our affiliate Freetrek, Inc. License fee revenue increased \$12,515, or approximately 63.0%, maintenance fees increased \$42,793, or approximately 1780.0% and consulting and other fees, primarily to our affiliate Freetrek, Inc., decreased \$5,519, or approximately 4.4%.

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Please note that we have included income derived from consulting and administrative charges to our affiliate Freetrek, Inc. in the amount of \$139,500 in revenues for the nine and three months ended October 31, 2000. Previously this income was reported as "Other Income" in the Income Statement. We have restated our Statement of Operations for the nine and three months ended October 31, 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 \$139,500 is included in revenues for the nine and three months ended October 31, 2000.

Our principal sources of revenues were maintenance fees and consulting fees which represented approximately 90.6% or \$409,337 of revenues for the nine months ended October 31, 2001 and approximately 93.6% or \$504,314 of revenues for the nine months ended October 31, 2000. Maintenance fees and consulting fees represented approximately 83.7% or \$166,765 of revenues for the three months ended October 31, 2001 and approximately 86.7% or \$129,491 for the three months ended October 31, 2000.

The increase in licensing fees was due to increased software sales within the quarter ended October 31, 2001.

We believe that the decrease in maintenance fees during the nine month period was due to the non-renewal of older maintenance contracts by customers and that the increase in maintenance fees during the three month period was not due to

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any specific trend. 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."

We continue to work on developing products that extend our line to work on Microsoft's new ".NET" and XML Web services platform; however, progress is slow due to financial constraints.

Our operating expenses were \$541,794 for the nine months ended October 31, 2001 compared to \$695,536 for the comparable nine month period of fiscal 2001, a decrease of \$153,742 or approximately 22.1%. Our operating expenses for the three months ended October 31, 2001 were \$161,503 compared to \$229,220 for the comparable three months ended October 31, 2000, a decrease of \$67,717 or approximately 29.5%. 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, primarily a decrease in compensation to officers and administrative staff, charged to operations for the nine and three month period ending October 31, 2001 compared to the period ending October 31, 2000.

As a result of all of the foregoing, we incurred a net loss for the first nine months of fiscal 2002 of \$90,389 compared to a net loss of \$156,885 for the first nine months of fiscal 2001, a decrease of \$66,496. We incurred a net profit of \$37,632 for the three months ended October 31, 2001 compared to a net loss of \$79,874, a decrease of \$117,506.

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Major Customers

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.

Liquidity and Capital Resources

At October 31, 2001, we had a negative working capital position of (\$383,759) 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

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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.

We need to obtain significantly additional funds from operations and/or from financing activities. Absent such additional funds, we will be forced to further reduce our operating expenses and our business will be further materially adversely affected. We cannot assure that we will be able to obtain the requisite funds.

Working Capital and Current Ratios:

Descriptions	October 31, 2001	January 31, 2001
Working capital (deficiency)	(\$383,759)	(\$215,932)
Current ratios	0.32:1	0.38:1

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Dividend Policy

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 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

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

Item 1. Legal Proceedings

None.

Item 2. Changes in Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

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Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None.

(b) Reports on Form 8-K

None.

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SIGNATURES

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.

MULTI SOFT, INC.

Dated: December 20, 2001

By: /s/ Charles J. Lombardo

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

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