

Form 10KSB/A for VERTICA SOFTWARE INC CA

23-Jun-2004

Annual Report

Item 6. Management's Discussion and Analysis or Plan of Operation.

Some of the statements contained in this Form 10-KSB are forward-looking statements, including but not limited to those specifically identified as such, that involve risks and uncertainties. The statements contained in this Form 10-KSB that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including, without limitation, statements regarding our expectations, beliefs, intentions or strategies regarding the future. All forward-looking statements included in this Form 10-KSB are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results to differ materially from those implied by the forward-looking statements. In some cases, you can identify forward-looking statements

by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of these terms or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Important factors that may cause actual results to differ from expectations include those discussed in "Risk Factors" under Item 1 above. Additional information concerning factors that may cause actual results to differ materially from those in the forward-looking statements are in the Company's Registration Statement on Form 10-SB, with amendments, for the year ended December 31, 2003 and in the Company's other filings with the Securities and Exchange Commission.

Vertica Software, Inc. is a development-stage company that is developing Internet-based software products, e-commerce marketplace, and online resources intended to serve industries that are impacted by government regulation of hazardous materials, hazardous wastes and other environmental laws and regulations. We are developing software products designed to assist companies

with their environmental regulation compliance and related activities for common industrial applications.

On November 1, 2000, we released our Hazweb e-commerce marketplace platform for beta-testing. Hazweb Marketplace offers an industry-specific marketplace for the purchase, sale and exchange of hazardous materials-related goods and services. It includes a customizable directory of industry products and services, and features tools for online price management and customer notification. Marketplace includes customer-specific quotes and order processing services that are interfaced with the iComply Inventory and Transporter products, thereby providing an integrated e-commerce and hazardous materials management system.

Results of operations:

The Company realized a net loss from operations of \$405,143 for the year ended December 31, 2003, compared to a realized net loss from operations of \$503,531 for the year ended December 31, 2002. The Company has realized, since January 1, 1996 (inception) to December 31, 2003, a cumulative net loss from operations of \$5,168,059. The Company had \$50,000 in sales from operations for the year ended December 31, 2003, and cumulatively \$107,887 for the period January 1, 1996 (Date of Inception) through December 31, 2003.

Plan of operation:

Loss on operations for the Company for the years ended December 31, 2003 and 2002 (decreased) increased (20%) and (64)%, respectively, from the prior years for the same periods. These losses are attributed to the Company's development, marketing and general expenses. The Company will, over the next 12 months, rely on additional funding through the sale of promissory notes convertible to common stock, the sale of common stock, and sales from company products.

The Company has reduced its monthly operating expenses by eliminating salaries and overhead related to the development stage of its products. The Company also moved its Application Service Provider hardware and software platform to a lower cost, higher performance computer co-location facility.

The resulting efforts has allowed the Company to focus more on marketing the products and developing strategic alliances with similar companies, and companies desiring to add Vertica's products to their business line.

Liquidity and Capital Resources:

To date, our activities have been financed primarily through the sale of four common stock and promissory notes convertible into our common stock. We currently estimate that we will need approximately \$500,000 in funds, in order to satisfy our estimated cash requirements over the next twelve months. We cannot assure you however, that we will be able to raise the necessary capital to fund the next twelve months of operations.

Operating revenues are expected to be generated, but such revenues may not be substantial or in the amounts we expect. We anticipate that we will need these additional funds to implement our sales strategies, and to establish strategic alliances with other companies. We intend to raise such funds primarily through the sale of our equity or debt securities. There can be no assurance that we will be able to obtain such additional financing due to the recent downturn in the financial market, or whether the terms of such financing will be favorable to us. Failure to obtain such financing or failure to generate sufficient operating revenues from the sale of our initial products would have a material adverse effect on our business, financial condition and results of operations.

During the year ended December 31, 2003, we received no funds from the issuance of common stock.

We are currently recasting the Company's personnel structure in order to enter the marketing phase of operations. The Company has engaged one key former employee, on a consulting basis, familiar with its products to implement marketing plan. The Company plans to outsource all other technical support required.

Research and Development:

We have released the following products and modules, which are available for licensing to potential customers:

iComply Inventory module (released for licensing February 2000) iComply Communicator (released for licensing February 2000) iComply Transporter (released for licensing July 2000) Hazweb E-Commerce Marketplace

The development of iComply Processor has been suspended until future profitability from the existing products is obtained.

While marketing these products, we will also be developing strategic alliances within our industry through target marketing opportunities and advertising. Web site maintenance expenses for the next twelve months are expected to be approximately \$38,000.

Purchase of Significant Equipment:

The Company does not expect to expend any funds for the purchase of equipment over the next twelve months.

Significant Change in Number of Employees

If we are successful in obtaining additional funding, we intend to hire, during the next twelve months, one additional employee and outsource our marketing expenses which we have budgeted at \$85,000.