

Form 10QSB for VERTICA SOFTWARE INC/CA

16-Aug-2004

Quarterly Report

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

Some of the statements contained in this Form 10-QSB 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-QSB 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-QSB 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-KSB, with amendments, for the year ended December 31, 2003 and in the Company's other filings with the Securities and Exchange Commission.

About Vertica: Vertica Software produces HAZWEB with iComply(TM) regulatory compliance solutions and Web enabling technologies for the hazardous materials and hazardous waste industries. The company targets a wide variety of companies and organizations with its products, including oil & gas, chemical, petrochemical, hazardous waste, transportation and governmental agencies and municipal bodies. www.hazweb.com was designed to serve needs of companies and individuals that produce, use process, transport or dispose of all types of hazardous materials. The site provides news, information and application services that help address the environmental concerns of hazardous material professionals.

Results of operations:

The Company realized a net loss from operations of \$67,002 and \$290,891 for the six months ended June 30, 2004 and 2003. The Company has realized, since January 1, 1996 (inception) to June 30, 2004, a cumulative net loss from operations of \$5,235,061. The Company had \$0 in sales from operations for the six months ended June 30, 2004, and cumulatively \$107,887 for the period January 1, 1996 (Date of Inception) through June 30, 2004.

Plan of operation:

Loss on operations for the Company for the six months ended June 30, 2004 and 2003(decreased)increased (77%) and 35%, 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.

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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 our 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 six months ended June 30, 2004, 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.

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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.