

PRO DEX INC
Form 10-K/A
May 06, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A No. 1

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the fiscal year ended June 30, 2010

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 000-14942

PRO-DEX, INC.

(Exact name of registrant as specified in its charter)

Colorado
(State or other jurisdiction of

incorporation or organization)

2361 McGaw Avenue, Irvine, California 92614

(Address of principal executive offices) (Zip Code)

84-1261240
(I.R.S. Employer

Identification No.)

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Registrant's telephone number: (949) 769-3200

Securities registered under Section 12(b) of the Exchange Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, no par value	NASDAQ Capital Market

Securities registered under Section 12(g) of the Exchange Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months, 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 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained in this Form 10-K, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐	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 ☒

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the closing sales price on the Nasdaq Capital Market of such common equity on December 31, 2009: \$3,553,022. For the purpose of this calculation, shares owned by officers, directors and 10% stockholders known to the registrant have been deemed to be owned by affiliates. This determination of affiliate status is not a determination for other purposes.

The number of shares outstanding of each of the issuer's classes of common stock outstanding as of the latest practicable date: 3,251,850 shares of common stock, no par value, as of September 23, 2010.

DOCUMENTS INCORPORATED BY REFERENCE: Part III incorporates by reference certain information from the registrant's definitive proxy statement (the Proxy Statement) for the 2010 Annual Meeting of Shareholders.

EXPLANATORY NOTE

On September 28, 2010, Pro-Dex, Inc. (the Company) filed its Annual Report on Form 10-K for the year ended June 30, 2010 with the Securities and Exchange Commission. This Form 10-K/A No. 1 is being filed to amend the aforementioned Annual Report on Form 10-K for the following:

In Item 9A of the Form 10-K, the conclusions of the Company's principal executive and principal financial officers regarding the effectiveness of the Company's disclosure controls and procedures were made for the quarter ended June 30, 2010, rather than as of June 30, 2010 as required by Item 307 of Regulation S-K. In this Form 10-K/A No. 1, the effective period covered by the conclusions regarding the Company's controls, as described above, has been corrected.

In the Form 10-K, the Company inadvertently failed to include the conformed signature of its independent registered accounting firm on both the Report of Independent Accounting Firm and Exhibit 23.1. In this Form 10-K/A No. 1, the conformed signature of the independent registered accounting firm has been included on both the Report of Independent Accounting Firm and Exhibit 23.1

The last paragraph of the Report of Independent Accounting Firm included in the Form 10-K contained a typographical error in that it referred to each of the two years in the two-year period ended June 30, 2010, rather than referring to each of the years in the two-year period ended June 30, 2010 as required by Item 302(a) of Regulation S-T. In this Form 10-K/A No. 1, this typographical error has been corrected.

In Item 7 and in Note 2 to Notes to Consolidated Financial Statements in the Form 10-K, the Company described its accounting policy for recording owned land and buildings as at the value of their best and highest use. In this Form 10-K/A No. 1, the description of this policy has been clarified to indicate that property, plant, equipment and leasehold improvements is recorded at historical cost.

In Exhibits 31.1 and 31.2 to the Form 10-K, certain wording was not in conformity with the requirements of Exchange Act Rule 13a-14(a). In this Form 10-K/A No. 1, such wording has been corrected.

Other than the changes described in this Explanatory Note, the Company is not amending or updating any information contained within its Annual Report on Form 10-K for the year ended June 30, 2010.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**Property, Plant, Equipment and Leasehold Improvements, Net**

Property, plant and equipment is recorded at historical cost and consists of the following:

	6/30/2010 Audited	6/30/2009 Audited
Land	\$ 279,000	\$ 757,000
Building	\$ 641,000	\$ 1,470,000
Leasehold Improvements	\$ 2,286,000	\$ 2,283,000
Equipment	\$ 6,745,000	\$ 6,620,000
Total	\$ 9,951,000	\$ 11,130,000
Accumulated Depreciation	\$ (5,859,000)	\$ (5,149,000)
Total property, plant & equipment, net	\$ 4,092,000	\$ 5,981,000

Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows: building - 39 years, equipment - 3 to 10 years; and leasehold improvements are depreciated over the shorter of the term of the lease or their estimated useful lives.

As noted above, the value of the Carson City land and building was revalued to its current market value in 2010. The land was reduced to \$279,000 from \$757,000 and the building was reduced to \$641,000 from \$1,470,000.

Item 9A. Controls and Procedures

The Chief Executive Officer and Chief Financial Officer (the principal executive officer and principal financial officer, respectively) conducted an evaluation of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act)). Based on that evaluation as of June 30, 2010, the Chief Executive Officer and the Chief Financial Officer concluded that the disclosure controls and procedures are effective.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework set forth in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of June 30, 2010.

Our internal control over financial reporting is supported by written policies and procedures, that:

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of our company are being made only in accordance with authorizations of our management and directors; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to rules of the SEC that apply to small, non-accelerated filers that permit us to provide only management's attestation in this annual report.

During the quarter ended June 30, 2010, there were no changes in the Company's internal controls over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Report of Independent Registered Public Accounting Firm

The Stockholders and Board of Directors

Pro-Dex, Inc.:

We have audited the accompanying consolidated balance sheets of Pro-Dex, Inc. and Subsidiaries (the Company) as of June 30, 2010 and 2009 and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the two-year period ended June 30, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pro-Dex, Inc. and Subsidiaries as of June 30, 2010 and 2009, and the results of their operations and their cash flows for each of the years in the two-year period ended June 30, 2010 in conformity with accounting principles generally accepted in the United States of America.

/s/ Moss Adams LLP

Irvine, California

September 28, 2010

PRO-DEX, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****June 30, 2010 and 2009****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Property, Plant, Equipment & Leasehold Improvements, Net**

Property, plant, equipment and leasehold improvements is recorded at historical cost and consists of the following as of June 30, 2010 and 2009:

	Fiscal Year Ended June 30,	
	2010	2009
Land	\$ 278,000	\$ 757,000
Building	\$ 641,000	\$ 1,470,000
Leasehold Improvements	\$ 2,287,000	\$ 2,287,000
Equipment	\$ 6,746,000	\$ 6,616,000
Total	\$ 9,952,000	\$ 11,130,000
Accumulated Depreciation	\$ (5,860,000)	\$ (5,149,000)
Total property, plant & equipment, net	\$ 4,092,000	\$ 5,981,000

Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows: Building - 39 years, equipment - 3 to 10 years; and leasehold improvements are depreciated over the shorter of the term of the lease or their estimated useful lives.

We determined a triggering event occurred with the Carson City land and building (the property) due to the expected undiscounted cash flows being below the carrying value of the property, indicating impairment. The land was reduced to \$370,000 from \$757,000 and the building was reduced to \$801,000 from \$1,470,000. (See Note 10 of the consolidated financial statements.)

Index to Exhibits

Exhibit No.	Document
23.1 ^{xx}	Consent Letter of Moss Adams LLP.
31.1 ^{xx}	Certification of the Chief Executive Officer Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2 ^{xx}	Certification of the Chief Financial Officer Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

^{xx} Filed Herewith

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PRO-DEX INC.

/s/ Mark P. Murphy

Mark P. Murphy

President, Chief Executive Officer and Director

(Principal Executive Officer)

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Mark P. Murphy

Mark P. Murphy

President, Chief Executive Officer and Director

(Principal Executive Officer)

May 5, 2011

Date

/s/ Harold A. Hurwitz

Harold A. Hurwitz

Treasurer, Chief Financial Officer & Secretary

(Principal Financial and Accounting Officer)

May 5, 2011

Date

/s/ George J. Isaac

George J. Isaac

Director

May 5, 2011

Date

/s/ William L. Healey

William L. Healey

Director

May 5, 2011

Date

/s/ Michael J. Berthelot

Michael J. Berthelot

Director

May 5, 2011

Date

/s/ David Holder

David Holder

Director

May 5, 2011

Date