

MAI SYSTEMS CORP
Form 10-Q
November 06, 2003

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the period ended September 30, 2003 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: 1-9158

MAI Systems Corporation
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

22-2554549
(IRS Employer Identification No.)

26110 Enterprise Way, Lake Forest, CA 92630
Address of principal executive offices

Registrant's telephone number including area code **(949) 598-6000**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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

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Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the common stock held by non-affiliates of the registrant, based upon the last sale price of the Common Stock reported on the National Association of Securities Dealers Automated Quotation National Market System on October 20, 2003 was \$1,487,575.

The number of shares of common stock issued, outstanding and subscribed as of October 20, 2003 was 14,875,752.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

MAI SYSTEMS CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

	(in thousands, except share data)	
	As of December 31, 2002	As of September 30, 2003 (unaudited)
<u>ASSETS</u>		
Current assets:		
Cash	\$ 545	\$ 161
Receivables, less allowance for doubtful accounts of \$336 in 2002 and \$338 in 2003	1,834	1,715
Inventories	60	77
Notes receivable	250	
Prepays and other assets	628	618
Total current assets	3,317	2,571
Furniture, fixtures and equipment, net	843	821
Intangibles, net	1,823	2,601
Other assets	194	44
Total assets	\$ 6,177	\$ 6,037
<u>LIABILITIES AND STOCKHOLDERS' DEFICIENCY</u>		
Current liabilities:		
Current portion of long-term debt	\$ 3,289	\$ 3,506
Accounts payable	1,077	864
Customer deposits	1,811	1,963
Accrued liabilities	2,007	2,466
Income taxes payable	89	87
Unearned revenue	3,693	3,483
Total current liabilities	11,966	12,369

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Long-term debt	7,234	7,193
Other liabilities	1,759	1,026
Total liabilities	20,959	20,588
Commitments and contingencies		
Stockholders' deficiency:		
Preferred Stock, par value \$0.01 per share; 1,000,000 shares authorized, none issued and outstanding		
Common Stock, par value \$0.01 per share; authorized 24,000,000 shares; 14,675,752 and 14,875,752 shares issued, outstanding and subscribed at December 31, 2002 and September 30, 2003, respectively.	150	152
Additional paid-in capital	218,251	218,112
Accumulated other comprehensive loss:		
Minimum pension liability	(918)	(918)
Foreign currency translation	(31)	(2)
Unearned Compensation	(91)	(62)
Accumulated deficit	(232,143)	(231,833)
Total stockholders' deficiency	(14,782)	(14,551)
Total liabilities and stockholders' deficiency	\$ 6,177	\$ 6,037

The accompanying notes are an integral part of these condensed consolidated financial statements.

MAI SYSTEMS CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	(Unaudited) For the Three Months Ended September 30, (in thousands, except per share data)		(Unaudited) For the Nine Months Ended September 30, (in thousands, except per share data)	
	2002	2003	2002	2003
	Revenue:			
Software	\$ 1,396	\$ 842	\$ 3,787	\$ 3,098
Network and computer equipment	328	104	731	339
Services	3,987	3,868	12,413	11,315
Total revenue	5,711	4,814	16,931	14,752
Direct costs:				
Software	158	167	507	425
Network and computer equipment	276	73	569	238
Services	1,366	1,109	4,485	3,384
Total direct costs	1,800	1,349	5,561	4,047
Gross profit	3,911	3,465	11,370	10,705