KROGER CO
Form 4
April 18, 2005

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
VAN OFLEN MARY ELIZABETH
(Last) (First) (Middle)
1014 VINE STREET
(Street)
CINCINNATI, OH 45202
(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
KROGER CO [KR]

3. Date of Earliest Transaction (Month/Day/Year)
04/15/2005

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer
(Check all applicable)
_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
V.P. & Corp. Controller

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	04/15/2005		M		4,400	A	$ 6.375	14,223.0243	D	
Common Stock	04/15/2005		F		780	D	$ 0	13,443.0243 (1)	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Non-Qualified Stock Option	$ 6.375	04/15/2005		M			4,400	(2)	04/19/2005	Common Stock	4,40

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
VAN OFLEN MARY ELIZABETH 1014 VINE STREET CINCINNATI, OH 45202			V.P. & Corp. Controller	

Signatures

/s/ Mary Elizabeth Van Oflen, by Bruce M. Gack, Attorney-in-Fact	04/18/2005
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The total amount of securities directly owned by the reporting person includes shares in the Company's employee benefit plans which are deemed to be 'tax-conditioned plans' pursuant to Rule 16b-3, to the extent disclosed on reports received from plan trustees.

(2) These options were granted under an option plan of The Kroger Co. and vest in equal annual installments in whole share amounts over a three-year period, at the rate of one-third per year commencing one year after the date of grant, with the remainder vesting three years from the date of grant.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. 0, 2003, the Company issued 5,291 shares of Series F Convertible Preferred Stock (the “Series F Preferred Stock”) with a stated value of $1,000 per share in consideration of the cancellation of $5,291,000 of its debt owed to Spescom Ltd. and its subsidiary (See Note 3). The Series F Preferred Stock is convertible into the Company’s common stock at a stated conversion price of $0.45 per share, subject to certain adjustments to prevent dilution, representing a total of 11,757,778 shares of the Company’s common stock. Such conversion may occur at the option of the holder until September 30, 2008. On that date, any outstanding Series F Preferred Stock not previously converted will be converted automatically.

The Series F Preferred Stock is entitled to a liquidation preference equal to $1,000 per share, plus accrued but unpaid dividends per share and interest on all accrued but unpaid dividends. The Series F Preferred Stock is also entitled to receive dividends of 5% of the stated value of $1,000 per share per annum, payable on a quarterly basis in cash or common stock (valued on the basis of the average per share market value on the 30 trading days immediately prior to the date on which such dividend is declared by the Board of Directors). Unpaid dividends accrue interest at the rate of 8% per annum. As of June 30, 2007 and September 30, 2006, unpaid dividends were $992,000 and $794,000, respectively, and related accrued interest amounted to $152,000 and $93,000, respectively. As part of the transaction, Spescom Ltd. and its U.K. subsidiary received certain demand and piggyback registration rights with respect to the common stock underlying the Series F Preferred Stock. Each holder of the shares of Series F Preferred Stock is entitled to the number of votes equal to the number of shares of common stock to which such holder would be entitled -upon conversion of the shares of Series F Preferred Stock held by such holder on all matters submitted to the vote of the holders of common stock, and votes as a class with the holders of common stock. In a change of control, merger or sale, the Series F Preferred Stock holders would preserve their conversion rights and would be entitled to the same number and amount of shares immediately prior to such transaction.

Note 8 — Shareholders' Deficit

Exercise of Warrants

On May 9, 2007, the Company settled a dispute arising from claim by its former investment advisor, Cappello Capital Corp. ("Cappello"), asserting that a commission was owed in connection with the license agreement the Company signed with Aveva Solutions Limited in October 2006. Effective May 9, 2007, the Company agreed to pay Cappello $50,000 and issued to that firm an option to purchase 500,000 shares of the Company's common stock at an exercise price of $0.10 per share. On May 23, 2007, Cappello exercised all of the warrants on a cashless basis and the Company issued 289,029 shares of the Company's common stock.

November 2004 Private Placement

On November 5, 2004, the Company completed a financing arrangement whereby the Company issued 2,200 shares of our Series G Preferred Stock along with 2,750,000 common stock warrants for gross proceeds of $2,200,000. The Series G Preferred Stock was convertible into common stock at a price equal to 85% of the volume weighted average price of the Company's common stock during the five trading days immediately preceding the conversion date; however, the conversion price could be no higher than $0.40 per share and no lower than $0.30 per share. The 2,750,000 warrants have an exercise price of $0.44 per share and expire November 5, 2007. The Company incurred $418,000 in expenses related to the transaction and issued 825,000 common stock warrants to an investment consulting firm. The 825,000 warrants were comprised of 550,000 warrants with an exercise price of $0.40 per share which expire November 5, 2009 and 275,000 warrants with an exercise price of $0.44 per share which expired on November 5, 2007. In connection with the financing, the Company recorded a beneficial conversion of $2,200,000 on the Series G Preferred Stock as a deemed dividend for the three months ended December 31, 2004. During fiscal 2005, 750 shares of the Series G Preferred Stock were converted into 2,428,000 shares of common stock. As part of the private placement in October 2005 the Company exchanged the 1,450 remaining shares of Series G Preferred Stock for 1,450 shares of Series H Preferred Stock. Those 1,450 shares of Series H Preferred Stock were exchanged for Series I Preferred Stock in March 2006. The shares of the Series G and H Preferred Stock have been cancelled by the Company. (See Note 7)

Issuance of Warrants to Investor Relations Firm

During November 2005, the Company entered into a six-month engagement with an investment relations firm to develop and implement a marketing program to promote financial market and investor awareness for the Company. Under the engagement agreement, the investor relations firm was entitled to receive, every month the agreement is

effective, a warrant, expiring three years from the date of issuance, to purchase 50,000 shares of the Company's common stock at an exercise price of $0.10 per share for a total of 300,000 shares over the six-month contract. In addition, the investment relations firm was entitled under the agreement to a one time performance warrant to purchase 500,000 shares of the Company's common stock at $0.25 per share, which would vest if, during the term of the agreement, the volume weighted-average price of the Company's common stock were to exceed $0.50 for five consecutive days. On March 31, 2006, the Company issued to the investor relations firm a warrant, expiring on the third anniversary of its date of issuance, for the purchase of 300,000 shares of the Company's common stock at an exercise price of $0.10 per share. The investor relations firm agreed to accept that warrant for 300,000 shares in lieu of all of the warrants issuable to the investor relations firm as monthly compensation during the six-month term of the agreement and in lieu of the performance warrant. Under EITF 96-19 the fair value of the warrant to purchase 300,000 shares of common stock was determined to be $39,000 and has been expensed ratably over the six-month term of the engagement agreement.

Note 9 — Recent Pronouncements

In July 2006, the FASB issued FIN 48, “Accounting for Uncertainty in Income Taxes” which prescribes a recognition threshold and measurement process for recording in the financial statements uncertain tax positions taken or expected to be taken in a tax return. Additionally, FIN 48 provides guidance on derecognition, classification, accounting in interim periods and disclosure requirements for uncertain tax positions. The accounting provisions of FIN 48 will be effective for us beginning October 1, 2007. The Company is in the process of determining the effect, if any, the adoption of FIN 48 will have on our financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards (“SFAS”) No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115” (“SFAS 159”). SFAS 159 expands the use of fair value accounting but does not affect existing standards which require assets or liabilities to be carried at fair value. Under SFAS 159, a company may elect to use fair value to measure accounts and loans receivable, available-for-sale and held-to-maturity securities, equity method investments, accounts payable, guarantees and issued debt. Other eligible items include firm commitments for financial instruments that otherwise would not be recognized at inception and non-cash warranty obligations where a warrantor is permitted to pay a third party to provide the warranty goods or services. If the use of fair value is elected, any upfront costs and fees related to the item must be recognized in earnings and cannot be deferred, e.g., debt issue costs. The fair value election is irrevocable and generally made on an instrument-by-instrument basis, even if a company has similar instruments that it elects not to measure based on fair value. At the adoption date, unrealized gains and losses on existing items for which fair value has been elected are reported as a cumulative adjustment to beginning retained earnings. Subsequent to the adoption of SFAS 159, changes in fair value are recognized in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company has not determined the impact, if any, the adoption of SFAS 159 will have on its financial position and results of operations.

Note 10 — Contingencies

On June 14, 2007, the Company signed a lease addendum with its landlord to reduce the amount of office space in our principal offices in San Diego, California from approximately 12,000 square feet to approximately 7,000 square feet. The amended lease commenced on July 1, 2007 and terminates on June 30, 2012 and carries a monthly rent starting at $13,642, increasing approximately 3.5% each year to $15,640 in year five.

Note 11 — Subsequent Events

On July 31, 2007, the Company executed a new lease agreement primarily for new office furniture in the Company's San Diego offices. The lease, which commenced on July 31, 2007 and terminates on July 30, 2012, carries monthly lease payments of $1,615.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results or anticipated results, including those set forth under "Certain Factors That May Affect Future Results" below and elsewhere in, or incorporated by reference into, this report.

In some cases, you can identify forward-looking statements by terms such as "may," "intend," "might," "will," "should," "co "would," "expect," "believe," "anticipate," "estimate," "predict," "potential," or the negative of these terms, and similar ex are intended to identify forward-looking statements. When used in the following discussion, the words "believes," "anticipates" and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties, which could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The forward-looking statements in this report are based upon management's current expectations and belief, which management believes are reasonable. These statements represent our estimates and assumptions only as of the date of this Quarterly Report on Form 10-Q, and we undertake no obligation to publicly release the result of any revisions to these forward-looking statements, which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

The following discussion should be read in conjunction with the Selected Consolidated Financial Data and the Consolidated Financial Statements, including the Notes thereto.

OVERVIEW

The Company develops, markets, and supports *e*B, its integrated suite of collaborative document, configuration and records management software solutions. The *e*B suite enables organizations in a broad range of industries to create, capture, store, manage, share and distribute critical business information regarding their customers, products, assets and processes in an efficient manner. The *e*B suite also enables them to maintain complete, up-to-date information about the configuration of their products, assets and infrastructures so that they can achieve operational excellence and compliance with regulatory requirements. *e*B provides the capabilities of an Enterprise Content Management (ECM)/Electronic Document Management (EDM) System, but extends these capabilities by also managing the "things" that the content/documents relate to such as products, assets , functions, processes, requirements, projects, organizations, locations, work orders, etc. As a result, *e*B can be used to manage the lifecycle of physical items (e.g. products, equipment or assets), and the requirements (e.g. functional, safety, performance, environmental, etc.) that govern them. It enables intelligent relationships to be defined between these items thereby creating an interdependency model. As a result, the effects of any change on requirements, documents and items can be determined, and change can be managed to effectively ensure information integrity. In particular, *e*B enables organizations with extensive and complex physical infrastructures to efficiently identify, classify, structure, link, and manage documents, physical items, and requirements throughout their lifecycles and ensure that conformance between these is maintained by means of an automated change process.

Our revenues in the three months ended June 30, 2007 increased by 15% from the same period in the prior fiscal year primarily due to a large services project for an existing customer in the United Kingdom. Our revenues in the nine months ended June 30, 2007 increased by 34% from the same periods in the prior fiscal year primarily due to one large software license sale sold to Aveva Solutions Limited in the second quarter, while there were no similar large license sales during the same period in the prior year. The Company's license revenue fluctuates from quarter to quarter as reflected by the increase in license sales during the current quarter.

Our revenues are derived from licenses of our software to our customers, services that we provide under maintenance support contracts and our non-maintenance services, consisting primarily of design studies, system implementation and training. Of our total revenues for the three months ended June 30, 2007, license revenues accounted for 7%, maintenance services revenues accounted for 45% and non-maintenance services represented 48%, while, of our total revenue for the nine months ended June 30, 2007, license revenue accounted for 38%, maintenance service revenue accounted for 32% and non-maintenance services represented 30%.

Many of our customers are located outside the United States, with foreign-originated revenues accounting for 56% and 35% of revenues for the three months ended June 30, 2007 and 2006, respectively, and 62% and 37% of revenue for the nine months ended June 30, 2007 and 2006, respectively. Our revenue for the three and nine months ended June 30, 2007 reflected a foreign currency gain of $42,000 and $204,000, respectively, as compared to last year due to the increasing value of the British pound to the dollar.

While revenues increased during the three and nine months ended June 30, 2007, our cost of revenues increased slightly by 2% during the three months ended June 30, 2007 relative to the same period in the prior fiscal year. During the nine months ended June 30, 2007, our cost of revenues decreased by 4% when compared to the same period in the prior fiscal year primarily as a result of lower third party scanning cost related to two large projects. Our operating expenses decreased by 17% for the three months ended June 30, 2007 when compared to the same period of the prior fiscal year due to lower personnel and related costs, including lower costs related to share-based compensation under FAS 123R. Our operating expenses decreased by 6% for the nine months ended June 30, 2007 when compared to the same period of the prior fiscal year due to lower personnel and related costs resulting from the reduction in staff, primarily due to restructuring, in the marketing and sales group.

At June 30, 2007, our principal sources of liquidity consisted of $706,000 of cash, compared to $95,000 at September 30, 2006. During the nine months ended June 30, 2007, we received $2,000,000 from a large license and development transaction with Aveva Solutions Limited.

CRITICAL ACCOUNTING POLICIES

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. As such, management is required to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The significant accounting policies which are most critical to aid in fully understanding and evaluating reported financial results include the following:

Revenue Recognition

The Company's revenues are derived from sales of its document and configuration management systems that are primarily composed of software and services, and include maintenance, training and consulting services, and third party software and hardware. The Company recognizes revenue in accordance with Statement of Position ("SOP") 97-2 "Software Revenue Recognition," SOP 98-9, "Modification of SOP 97-2, Software Revenue Recognition with Respect to Certain Transactions", Staff Accounting Bulletin ("SAB") No. 101, updated by SAB's 103 and 104 "Update of Codification of Staff Accounting Bulletins," and Emerging Issues Task Force No. 00-21 ("EITF 00-21") "Accounting for Revenue Arrangements with Multiple Deliverables." Revenue through the Company's Value Added Resellers ("VARS") are net of any VAR discount in accordance with EITF 99-19 "Reporting Revenue Gross as a Principal versus Net as an Agent."

Software license and third party product revenues are recognized upon shipment of the product if no significant vendor obligations remain and collection is probable. In cases where a significant vendor obligation exists, revenue recognition is delayed until such obligation has been satisfied. For new software products where a historical record has not yet been demonstrated that acceptance is perfunctory, the Company defers recognition of revenue until acceptance has occurred. If an undelivered element of the arrangement exists under the license arrangement, a portion of revenue is deferred based on vendor-specific objective evidence (VSOE) of the fair value of the undelivered element until delivery occurs. If VSOE does not exist for all undelivered elements, all revenue is deferred until sufficient evidence exists or all elements have been delivered. Annual maintenance revenues, which consist of ongoing support and product updates, are recognized on a straight-line basis over the term of the contract. Payments received in advance of performance of the related service for maintenance contracts are recorded as deferred revenue. Revenues from training and consulting services are recognized when the services are performed and adequate evidence of providing such services is available. Contract revenues for long-term contracts or programs requiring specialized systems are recognized using the percentage-of-completion method of accounting, primarily based on contract labor hours incurred to date compared with total estimated labor hours at completion. Provisions for anticipated contract losses are recognized at the time they become known.

Contracts are billed based on the terms of the contract. There are no retentions in billed contract receivables. Unbilled contract receivables relate to revenues earned but not billed at the end of the period.

The Company considers many factors when applying accounting principles generally accepted in the United States of America related to revenue recognition. These factors include, but are not limited to:

- The actual contractual terms, such as payment terms, delivery dates, and pricing of the various product and service elements of a contract
- Availability of products to be delivered
- Time period over which services are to be performed
- Creditworthiness of the customer

- The complexity of customizations to the Company's software required by service contracts
- The sales channel through which the sale is made (direct, VAR, distributor, etc.)
- Discounts given for each element of a contract
- Any commitments made as to installation or implementation of "go live" dates
- Acceptance criteria

Each of the relevant factors is analyzed to determine its impact, individually and collectively with other factors, on the revenue to be recognized for any particular contract with a customer. Management is required to make judgments regarding the significance of each factor in applying the revenue recognition standards, as well as whether or not each factor complies with such standards. Any misjudgment or error by management in its evaluation of the factors and the application of the standards, especially with respect to complex or new types of transactions, could have a material adverse effect on the Company's future operating results.

Software Development Costs

Software development costs are capitalized when technological feasibility and marketability of the related product have been established. Software development costs incurred solely in connection with a specific contract are charged to cost of revenues. Capitalized software costs are amortized on a product-by-product basis, beginning when the product is available for general release to customers. Annual amortization expense is calculated using the greater of the ratio of each product's current gross revenues to the total of current and expected gross revenues or the straight-line method over the estimated useful life of three to five years.

Allowance for Doubtful Accounts

The Company sells its products directly to end-users, generally requiring a significant up-front payment and remaining terms appropriate for the creditworthiness of the customer. The Company also sells its products to VARs and other software distributors generally under terms appropriate for the creditworthiness of the VAR or distributor. The Company retains no continuing obligations on sales to VARs. Receivables from customers are generally unsecured. The Company continuously monitors its customer account balances and actively pursues collections on past due balances. The Company maintains an allowance for doubtful accounts which is comprised of a general reserve based on historical collections performance plus a specific reserve for certain known customer collections issues. If actual bad debts are greater than the reserves calculated based on historical trends and known customer issues, the Company may be required to book additional bad debt expense which could have a material adverse effect on our business, results of operations and financial condition for the periods in which such additional expense occurs.

Share-Based Payments

The Company recognizes share-based compensation expense as required by the Financial Accounting Standards Board (FASB) under the Statement of Financial Accounting Standards No.123 (revised 2004), "Share-Based Payments" (FAS 123R). The Company adopted the provisions of FAS 123R on October 1, 2005, the first day of the Company's fiscal year 2006. Share-based compensation cost is measured at the date of grant using the Black-Scholes option-pricing model, based on the estimated fair value of the award, and is recognized as expense over the employee's requisite service period. The determination of the fair value of share-based payments on the date of grant using an option-pricing model is affected by our stock price as well as stock volatility over the term of the awards, actual and projected employee stock option exercise behaviors, risk-free interest rate and expected dividends. The Company has no awards with market or performance conditions. The valuation provisions of FAS 123R apply to new awards and to awards outstanding on October 1, 2005 and subsequently modified or cancelled.

RESULTS OF OPERATIONS

The following table sets forth the condensed consolidated statement of operations expressed as a percentage of total revenue for the periods indicated:

	For the three months ended June 30,		For the nine months ended June 30,	
	2007	2006	2007	2006
Revenues:				
Licenses	7%	17%	38%	27%
Services and other	93%	83%	62%	73%
Total revenues	100%	100%	100%	100%
Cost of revenues:				
Licenses	2%	5%	2%	5%
Services and other	34%	35%	26%	33%
Total cost of revenues	36%	40%	27%	38%
Gross profit	64%	60%	73%	62%
Operating expenses:				
Research and development	15%	19%	11%	14%
Marketing and sales	24%	36%	20%	35%
General and administrative	21%	29%	19%	23%

Total operating expenses	60%	84%	50%	72%
Income (loss) from operations	4%	(24)%	22%	(10)%
Interest and other	(3)%	(5)%	(3)%	(3)%
Net income (loss) before income taxes	1%	(29)%	19%	(13)%
Provision for income taxes	—	—	—	—
Net income (loss)	1%	(29)%	19%	(13)%
Deemed dividend	—	—	—	(18)%
Cumulative preferred dividends	(4)%	(6)%	(3)%	(5)%
Net income (loss) available to common shareholders	(3)%	(35)%	17%	(37)%

16

Revenues

License Revenues
(in thousands)

	For the three months ended June 30,			For the nine months ended June 30,		
	2007	2006	Change	2007	2006	Change
License revenues	$ 126	$ 255	(51)%	$ 2,798	$ 1,471	90%
Percentage of total revenues	7%	17%		38%	27%	

License revenues decreased by $129,000, or 51%, to $126,000 from $255,000 for the three months ended June 30, 2007 when compared to the same period a year ago primarily due to smaller sales of expansion software to our existing customers during the current quarter. License revenues increased by $1,327,000, or 90%, from $1,471,000 to $2,798,000 for the nine months ended June 30, 2007 when compared to the same period a year ago due to a large license sale for $2,000,000 to a new customer Aveva Solutions Limited and due to license sales to another new customer ABSA Bank for $173,000 and to existing customer Nuclear Fuel Services for $108,000, and offset by lower license sales primarily to Florida Power and Light of $269,000, Constellation Energy Group of $254,000, DocQnet of $194,000 and W.H. Smith of $163,000. The Company's license revenues fluctuate from quarter to quarter, which is reflected by the decrease in license sales in the current quarter relative to the same quarter in the prior year, during which there were a few large license sales.

We anticipate that the demand for our products will increase if overall economic conditions continue to strengthen leading to an increase in overall demand for enterprise document, configuration and records management software solutions. The Company's license revenues can fluctuate from quarter to quarter, based on the timing of customer orders due to the long sales cycle and changes in customers' internal plans of the rollout of software licenses.

Although the Company has historically generated the majority of its revenues from its direct sales force, the Company has also established a network of third-party VARs, system integrators and OEMs who build and sell systems (with components or complete systems provided by the Company) that address specific customer needs within various industries, including those targeted directly by the Company. Sales through indirect channels, which includes license and maintenance revenue, for the three and nine months ended June 30, 2007 amounted to $137,000, or 8%, and $359,000, or 5%, respectively, compared to $147,000, or 10%, and $668,000, or 12%, respectively, for the same periods in the prior year. The decrease in sales through indirect channels is primarily related to slower sales in the South African market.

A small number of customers have typically accounted for a large percentage of the Company's annual revenues. Network Rail accounted for 28% of revenue for the three months ended June 30, 2007, while Constellation Energy Group accounted for 14% for the three months ended June 30, 2006. For the nine months ended June 30, 2007, Aveva Solutions Limited and Network Rail accounted for 30% and 12%, respectively, of revenue, while Constellation Energy Group accounted for 15% of revenue for the nine months ended June 30, 2006. The Company's reliance on relatively few customers could have a material adverse effect on the results of its operations on a quarterly basis.

Services and Other Revenues
(in thousands)

	For the three months ended June 30,			For the nine months ended June 30,		
	2007	2006	Change	2007	2006	Change
	$ 1,638	$ 1,278	28%	$ 4,474	$ 3,954	13%

Services and other revenues				
Percentage of total revenues	93%	83%	62%	73%

Services and other revenues are comprised of maintenance and non-maintenance services. Non-maintenance services typically relate to business process studies, implementation of systems and training which vary with the level of license revenues while maintenance revenue is primarily dependent on customers renewing their annual maintenance support contracts.

Services and other revenues increased $360,000, or 28%, from $1,278,000 to $1,638,000 for the three months ended June 30, 2007 compared to the same period a year ago. The non-maintenance portion of service revenue increased by $344,000, or 70% from $494,000 to $838,000 primarily due to more expansion services for new and existing customers during the current quarter. Also in this quarter, maintenance revenue increased slightly by $16,000, or 2% from $784,000 to $800,000, primarily due to the increase in software license sales in fiscal year 2006.

Services and other revenues increased $520,000, or 13%, from $3,954,000 to $4,474,000 for the nine months ended June 30, 2007 compared to the same period a year ago. The non-maintenance portion of service revenue increased by $415,000, or 25% from $1,715,000 to $2,130,000 primarily due to a large service project with Network Rail upgrading their system to the latest version of the Company's software, while maintenance revenue increased $105,000, or 5% from $2,239,000 to $2,344,000, when compared to the same period a year ago primarily due to the increase in software license sales in fiscal year 2006.

We anticipate that service and other revenues will fluctuate primarily due to sales to new customers because they require more services that typically include a business process study, integration with other business systems and training. In addition, service and other revenues will continue to fluctuate from quarter to quarter based on the timing of customer orders.

17

Cost of Revenues

Cost of License Revenues

(in thousands)

	For the three months ended June 30,			For the nine months ended June 30,		
	2007	2006	Change	2007	2006	Change
Cost of license revenues	$ 30	$ 78	(62)%	$ 127	$ 272	(53)%
Percentage of total revenues	2%	5%		2%	5%	

Cost of license revenues consists of costs associated with reselling third-party products and amortization of capitalized software development costs.

Cost of license revenues decreased by $48,000, or 62%, from $78,000 to $30,000 for the three months ended June 30, 2007 compared to the same period a year ago. The decrease is primarily due to a decrease in the proportion of license revenue being attributed to third-party software products, which typically have a higher associated cost than the Company's own proprietary software. The decrease in third-party costs resulted in an increase in the gross profit percentage of license revenues to 76% for the three months ended June 30, 2007 as compared to 69% for the same period a year ago.

Cost of license revenues decreased by $145,000, or 53%, from $272,000 to $127,000 for the nine months ended June 30, 2007 compared to the same period a year ago. The decrease is primarily due to a decrease in the proportion of license revenue being attributed to third-party software products, which typically have a higher associated cost than the Company's own proprietary software. The decrease in third-party costs resulted in an increase in the gross profit percentage of license revenues to 95% for the nine months ended June 30, 2007 as compared to 82% for the same period a year ago.

We expect the cost of license revenues to fluctuate based on fluctuations in license revenues and in customer requirements for third-party software products since the cost of meeting these customer requirements have the largest impact on cost of license revenues.

Cost of Services and Other Revenues

(in thousands)

	For the three months ended June 30,			For the nine months ended June 30,		
	2007	2006	Change	2007	2006	Change
Cost of services and other revenues	$ 605	$ 542	12%	$ 1,869	$ 1,803	4%
Percentage of total revenues	34%	35%		26%	33%	

Cost of services and other revenues consists primarily of personnel-related costs in providing consulting services, training to customers and support. It also includes costs associated with reselling third-party hardware and maintenance, which includes telephone support costs.

Cost of services and other revenues increased $63,000, or 12%, from $542,000 to $605,000 for the three months ended June 30, 2007 compared to the same period a year ago. The increase was primarily due to the increase in services and other revenue for customer projects. The gross profit from services and other revenue as a percentage of

services and other revenues increased to 63% for the three months ended June 30, 2007 as compared to 58% for the same period a year ago primarily due to higher utilization of the current professional service staff.

Cost of services and other revenues remained relatively flat, increasing slightly from $1,803,000 to $1,869,000 for the nine months ended June 30, 2007 compared to the same period a year ago. The gross profit from services and other revenue as a percentage of services and other revenues increased to 58% for the nine months ended June 30, 2007 as compared to 54% for the same period a year ago.

We expect the cost of services and other revenues to fluctuate in absolute dollar amounts and as a percentage of total revenues as the related service revenue fluctuates.

Operating Expenses

Research and Development
(in thousands)

	For the three months ended June 30,			For the nine months ended June 30,		
	2007	2006	Change	2007	2006	Change
Research and development expenses	$ 257	$ 289	(11)%	$ 820	$ 774	6%
Percentage of total revenues	15%	19%		11%	14%	

Research and development expenses consist of salaries and benefits for software developers as well as an allocation of corporate expenses, calculated on the basis of headcount, such as corporate insurance, facilities, telephone and other.

Research and development expenses decreased by $32,000, or 11%, from $289,000 to $257,000 for the three months ended June 30, 2007 compared to the same period a year ago. Research and development expenses increased $46,000, or 6%, from $774,000 to $820,000 for the nine months ended June 30, 2007 primarily due to higher personnel and related costs, a result of more developers working on research and development projects and no capitalized labor cost during the current fiscal year.

We believe that continued investment in research and development is a critical factor in maintaining our competitive position and we expect research and development costs to remain at the current levels in absolute dollar amounts in the next several quarters.

18

Marketing and Sales
(in thousands)

	For the three months ended June 30,			For the nine months ended June 30,		
	2007	2006	Change	2007	2006	Change
Marketing & sales expenses	$ 430	$ 553	(22)%	$ 1,471	$ 1,891	(22)%
Percentage of total revenues	24%	36%		20%	35%	

Marketing and sales expenses consist of salaries, cost of benefits, sales commissions and other expenses related to the direct sales force, as well as allocation of overall corporate expenses, calculated on the basis of headcount, related to items such as corporate insurance, facilities, telephone and other.

Marketing and sales expenses decreased $123,000, or 22%, from $553,000 to $430,000 for the three months ended June 30, 2007 compared to the same period a year ago. The decrease in marketing and sales expenses is a result of lower personnel and related expenses of $120,000 with fewer employees currently in the department due primarily to restructuring, when compared to the same period a year ago.

Marketing and sales expenses decreased $420,000, or 22%, from $1,891,000 to $1,471,000 for the nine months ended June 30, 2007 compared to the same period a year ago. The decrease in marketing and sales expenses is a result of lower personnel related expenses of $520,000 with fewer employees currently in the department, primarily due to restructuring, when compared to the same period a year ago. This decrease was offset by commission expense of $100,000 relating to the license sale to the Aveva Solutions Limited.

We expect marketing and sales expense to decrease in absolute dollar amounts and as a percentage of total revenue in the current fiscal year.

General and Administrative
(in thousands)

	For the three months ended June 30,			For the nine months ended June 30,		
	2007	2006	Change	2007	2006	Change
General and administrative expenses	$ 373	$ 441	(15)%	$ 1,365	$ 1,235	11%
Percentage of total revenues	21%	29%		19%	23%	

General and administrative expenses consist primarily of personnel costs for finance, information technology, human resources and general management, as well as outside professional services and an allocation of overall corporate expenses, calculated on the basis of headcount, such as corporate insurance, facilities, telephone and other.

General and administrative expenses decreased by $68,000, or 15%, from $441,000 to $373,000 for the three months ended June 30, 2007 compared to the same period a year ago. The decrease was due to lower personnel and related cost of $90,000, and was offset by other expenses of $22,000.

General and administrative expenses increased by $130,000, or 11%, from $1,235,000 to $1,365,000 for the nine months ended June 30, 2007 compared to the same period a year ago. The increase was due to higher legal and professional fees of $203,000 in connection with public filings and related to the Aveva license sale, and was offset by

lower personnel and related cost of $79,000.

We expect that general and administrative expenses will remain relatively constant in absolute dollars.

Interest Expense and Other Expense

Interest expense and other expense consists primarily of fixed interest obligations on our outstanding debt to Spescom Ltd. as well as interest paid on capital lease obligations. Interest expense was $55,000 and $72,000, respectively, for three month periods ended June 30, 2007 and June 30, 2006. Interest expense was $170,000 for the nine months ended June 30, 2007, while interest expense was $177,000 for the nine months ended June 30, 2006. The decrease is due primarily to decreased debt balances owed to Spescom Ltd. on outstanding notes payable. For the three and nine months ended June 30, 2007, other expense consist of $2,000 and $12,000, respectively, of losses on foreign translations adjustments from our United Kingdom subsidiary.

Deemed Preferred Dividends

In October 2005, the Company completed a financing arrangement whereby the Company issued 1,950 shares of our Series H Preferred Stock along with 925,926 common stock warrants for gross proceeds of $500,000 and the exchange and cancellation of 1,450 shares of Series G Convertible Preferred Stock. In accordance with EITF 00-27 "Application of Issue No 98-5 to Certain Convertible Instruments," the Company calculated using the Black—Scholes method the intrinsic value of the convertible instruments issued and determined that there was a deemed preferred dividend equal to the gross proceeds received of $500,000.

In March 2006 the Company completed another financing arrangement whereby the Company issued 2,450 shares of Series I Convertible Preferred Stock along with 925,926 common stock warrants for gross proceeds of $500,000 and the exchange and cancellation of 1,950 shares of Series H Convertible Preferred Stock. In accordance with EITF 00-27 "Application of issue No 98-5 to Certain Convertible Instruments," the Company calculated using the Black—Scholes method the intrinsic value of the convertible instruments issued and determined that there was a deemed preferred dividend equal to the gross proceeds received of $500,000.

In fiscal 2005 the Company also had a deemed dividend in connection with a financing arrangement whereby the Company issued 2,200 shares of Series G Convertible Preferred Stock along with 2,750,000 common stock warrants for gross proceeds of $2,200,000. The Company calculated using the Black—Scholes method the intrinsic value of the convertible instruments issued and determined that there was a deemed preferred dividend equal to the gross proceeds received of $2,200,000.

Cumulative Preferred Dividends

The outstanding Series F Convertible Preferred Stock was entitled to receive dividends of 5% of the stated value of $1,000 per share per annum, payable on a quarterly basis in cash or common stock (valued on the basis of the average per share market value on the 30 trading days immediately prior to the date on which such dividend is declared by the Board of Directors). Cumulative preferred dividends earned for both three month periods ended June 30, 2007 and June 30, 2006 were $66,000, while cumulative preferred dividends earned for both nine month periods ended June 30, 2007 and June 30, 2006 were $198,000. Unpaid dividends accrue interest at the rate of 8% per annum. As of June 30, 2007, unpaid dividends and accrued interest amounted to $992,000 and $152,000, respectively.

The outstanding Series I Convertible Preferred Stock ("Series I Preferred Stock") was entitled to receive dividends of 6.75% of the stated value of $1,000 per share per annum, payable on a monthly basis in cash or common stock accrued through the July 10, 2006 effective date of the registration statement filed by the Company that included the common stock issuable under the Series I Preferred Stock. There were no cumulative preferred dividends earned for the three and nine months ended June 30, 2007, compared to $41,000 for both the three and nine months ended June 30, 2006. Unpaid dividends did not accrue interest. As of June 30, 2007, unpaid dividends amounted to $46,000.

Prior to the exchange on March 10, 2006 of all the outstanding Series H Convertible Preferred Stock ("Series H Preferred Stock") for Series I Preferred Stock, the Series H Preferred Stock was entitled to receive dividends of 6.75% of the stated value of $1,000 per share per annum, payable monthly in arrears on the last day of each month based on the number of shares of Series H Preferred Stock outstanding as of the first day of each such month. For fiscal year 2006 dividends on the Series H Preferred Stock totaled $44,000 and there was no Series H Preferred Stock outstanding during the prior year. A total of 325,966 shares of common stock were issued on March 31, 2006 based on a $0.13 per share fair market price in payment of Series H Preferred Stock dividends due as of March 10, 2006, when the Series H Preferred Stock was exchanged for Series I Preferred Stock.

The outstanding Series G Convertible Preferred Stock (the "Series G Preferred Stock") was entitled to receive dividends of 5% of the stated value of $1,000 per share per annum, payable monthly in arrears on the last day of each month based on the number of shares of Series G Preferred Stock outstanding as of the first day of each such month until the

common shares under the Series G Preferred Stock was registered. Prior to the associated registration statement being declared effective in March 2005 by the Securities and Exchange Commission, the Company issued 82,050 shares of common stock with a value of $37,000 as a dividend on the Series G Preferred Stock. In connection with the Series G Preferred Stock financing in November 2004, the Company recorded a beneficial conversion of $2,200,000 as a preferred deemed dividend, as discussed above.

20

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2007, our principal sources of liquidity consisted of $706,000 of cash and cash equivalents compared to $95,000 at September 30, 2006. Our liquidity could be negatively impacted by a decrease in demand for our products, which are subject to rapid technological changes, reductions in capital expenditures by our customers and intense competition, among other factors.

In past years, the Company has received loans from Spescom Ltd. to meet its obligations. The outstanding balance of its demand notes owed to Spescom Ltd. including interest was $675,000 at June 30, 2007 as compared to $664,000 at September 30, 2006. Spescom Ltd. has agreed not to call the notes prior to October 1, 2007. The Company had a payable to Spescom Ltd. of $550,000 at September 30, 2006, which was paid during the nine months ended June 30, 2007.

Cash provided by operating activities was $695,000 during the nine months ended June 30, 2007 related to the increase in our net profit for the current fiscal year of $1,413,000 and the decrease in accounts receivable of $183,000, and offset by reductions in a payable to Spescom Ltd. of $569,000, in accounts payable of $367,000, in deferred revenue of $196,000, and in accrued liabilities of $173,000. The operating loss was adjusted for non-cash activities of $423,000 comprised primarily of $130,000 in depreciation and amortization, $83,000 for the period charge of share-based compensation related to employee stock options, $155,000 in unpaid interest on notes payable to Spescom Ltd., and $55,000 in options granted to consultant. We used cash in operating activities of $625,000 during the nine months ended June 30, 2006 primarily related to a net loss during the nine month period of $723,000 and reductions in deferred revenue and accrued liabilities of $385,000 and $307,000, respectively.

Cash used in investing activities was $62,000 for the nine months ended June 30, 2007 for purchases of property and equipment primarily for development services for a new corporate website design. Our investing activities used $77,000 for the nine months ended June 30, 2006 primarily relating to the capitalization of software development costs associated with the Company's release of its *e*B product with a new architecture.

Cash used in financing activities was $21,000 for the nine months ended June 30, 2007 for payments on capital lease obligations of $30,000, offset by proceeds of $9,000 from the exercise of stock options. Financing activities provided $732,000 for the nine months ended June 30, 2006 primarily from the issuance of preferred stock through private placements on October 25, 2005 and March 10, 2006. (See "October 2005 Private Placement" and "March 2006 Private Placement" in Note 7 to the Consolidated Financial Statements for further information regarding those private placements.)

The Company believes its capital requirements will continue to vary greatly from quarter to quarter, depending on, among other things, capital expenditures, fluctuations in its operating results, financing activities, and investments and third party products and receivables management. The Company's future liquidity will depend on its ability to generate new system sales of its *e*B product suite in the near term, which cannot be assured. Failure to generate sufficient system sales to meet the Company's cash flow needs including payment of the Company's outstanding notes to Spescom Ltd., the outstanding balance of which on June 30, 2007 including interest was $675,000 and which may be called beginning on October 1, 2007, would likely have a material adverse effect on the Company's business, results of operations, and financial condition. While management believes that the Company's current cash and receivables and cash and receivables that may be generated from operations will be sufficient to meet its short-term needs for working capital for at least the next year, the Company would be subject to a significantly greater risk of insufficient cash resources in the event of a decision by Spescom Ltd. to call the Company's indebtedness to it. Moreover, the Company may not be able to obtain sufficient orders to enable the Company to achieve and maintain operations on a cash flow break-even level, which is necessary for the Company to continue operations in the absence of further financing. In that event, the availability of any additional equity or debt financing for the Company would be subject to substantial uncertainty. Future equity financings, if available to the Company, would likely be substantially dilutive to the existing holders of the Company's common stock. Future debt financings, if available to the Company, would

likely involve restrictive covenants and other terms that are adverse to the Company.

Off-Balance Sheet Arrangements

At June 30, 2007 and September 30, 2006, we did not have any relationships with unconsolidated entities or financial partnerships, including entities often referred to as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Therefore, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we were engaged in such relationships.

Inflation

The Company believes that inflation has not had a material effect on its operations to date. Although the Company enters into fixed-price contracts, management does not believe that inflation will have an adverse material impact on its operations for the foreseeable future, as the Company takes into account expected inflation in its contract proposals and is generally able to project its costs based on forecasted contract requirements.

Contractual Obligations and Commercial Commitments

The following summarizes our contractual obligations and other commitments at June 30, 2007, and the effect such obligations could have on our liquidity and cash flow in future periods:

	Amount of Commitment Expiring by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	Over 5 Years
Notes and Accounts Payable to Spescom Ltd.	$ 675,000	$ 675,000	—	—	—
Lease commitments – Operating Leases	1,194,000	251,000	$ 518,000	$ 425,000	—
Lease commitments – Capital Leases	30,000	30,000	-	—	—
Total	$ 1,899,000	$ 956,000	$ 518,000	$ 425,000	—

On June 14, 2007, the Company signed a lease addendum with our landlord to reduce the amount of office space in our principal offices in San Diego, California from approximately 12,000 square feet to approximately 7,000 square feet. The amended lease commenced on July 1, 2007 and terminates on June 30, 2012 and carries a monthly rent starting at $13,642, increasing approximately 3.5% each year to $15,640 in year five.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

The Company's exposure to market rate risk for changes in interest rates relates primarily to the Company's investment portfolio. The Company does not use derivative financial instruments in its investment portfolio. The Company places its investment with high quality issuers and follows internally developed guidelines to limit the amount of credit exposure to any one issuer. Additionally, in an attempt to limit interest rate risk, the Company follows guidelines to limit the average and longest single maturity dates. The Company is adverse to principal loss and ensures the safety and preservation of its invested funds by limiting default, market and reinvestment risk. As of June 30, 2007 and September 30, 2006, the Company did not have any investments in money market accounts.

Foreign Currency Exchange Risk

The Company's geographic markets are primarily in the United States and Europe, with some sales in other parts of the world. For the three months ended June 30, 2007, revenues recorded in the United States were 44% of total revenues, while revenues from Europe and other locations were 56% of total revenues. This compares to 65% and 35% for the same period a year ago. For the nine months ended June 30, 2007, revenues recorded in the United States were 38% of total revenues, and revenues from Europe and other locations were 62% of total revenues. This compares to 63% and 37% for the same period a year ago.

Revenues from our United Kingdom subsidiary can fluctuate from quarter to quarter based on the timing of customer orders. The increase in revenue for the nine months ended June 30, 2007 versus the same period in the prior year was increased by a foreign currency gain of $204,000 due to a weaker dollar value compared to the British pound. Changes in foreign currency rates, the condition of local economies, and the general volatility of software markets may result in a higher or lower proportion of foreign revenues in the future. Although the Company's operating and pricing strategies take into account changes in exchange rates over time, future fluctuations in the value of foreign currencies may have a material adverse effect on the Company's business, operating results and financial condition.

ITEM 4. CONTROLS AND PROCEDURES

The Company carried out an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of June 30, 2007 pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, we have concluded that as of June 30, 2007, the Company's disclosure controls and procedures are effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and (ii) accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

During the last fiscal quarter, there was no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1 — LEGAL PROCEEDINGS

The Company is involved from time to time in litigation arising in the normal course of business. Management believes that any liability with respect to such routine litigation, individually or in the aggregate, is not likely to be

material to the Company's consolidated financial position or results of operations.

ITEM 5 — OTHER INFORMATION

On June 14, 2007, the Company signed a lease addendum with our landlord, Mesa Ridge Center, LLC ("Mesa Ridge"), which amended the lease between the Company and Mesa Ridge dated April 1, 2003. Prior to execution of the addendum, the Company leased approximately 12,000 square feet of office space comprising its principal offices in San Diego, California under the lease, which carried a monthly rent of $20,650 and, pursuant to a notice provided by the Company to Mesa Ridge on January 30, 2007, was to terminate on August 31, 2007. The addendum served to create a new lease term, which commenced on July 31, 2007 and terminates on June 30, 2012, and to reduce the amount of office space under the lease to approximately 7,000 square feet. The amended lease carries a month rent starting at $13,642, increasing approximately 3.5% each year to $15,640 in year five.

ITEM 6 — EXHIBITS

10.1 Second Addendum to Lease between Enterprise Informatics Inc. and Mesa Ridge Center, LLC, dated June 14, 2007.

31.1 Certification by the Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification by the Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification by the Chief Executive Officer and the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Signature	Title	Date
/s/ Alan Kiraly Alan Kiraly	Director and Chief Executive Officer (Principal Executive Officer)	August 14, 2007
/s/ John W. Low John W. Low	Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)	August 14, 2007