

DOCUMENT CAPTURE TECHNOLOGIES, INC.

Form 10-Q

May 24, 2010

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

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2010

☐ 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: 000-25839

DOCUMENT CAPTURE TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

80-0133251  
(I.R.S. Employer  
Identification Number)

1798 Technology Drive  
Suite 178  
San Jose, California 95110  
(Address of principal executive offices, Zip code)

408-213-3707  
(Registrant's telephone number, including area code)

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 preceding 12 months (or for such 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 ☐

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" 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 Act). Yes    ☐  
No    ☒

The number of shares of Common Stock outstanding as of May 12, 2010 was 19,406,270.

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### SPECIAL NOTE ON FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 2 of Part I of this report include forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by forward-looking statements.

In some cases, you can identify forward-looking statements by terminology such as "may," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "proposed," "intended," or "continue" or the negative of these terms or other comparable terminology. You should read statements that contain these words carefully, because they discuss our expectations about our future operating results or our future financial condition or state other "forward-looking" information. There may be events in the future that we are not able to accurately predict or control. Before you invest in our securities, you should be aware that the occurrence of any of the events described in this Quarterly Report could substantially harm our business, results of operations and financial condition, and that upon the occurrence of any of these events, the trading price of our securities could decline and you could lose all or part of your investment. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, growth rates, levels of activity, performance or achievements. We are under no duty to update any of the forward-looking statements after the date of this Quarterly Report to conform these statements to actual results.

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FORM 10-Q

FOR THE QUARTER ENDED MARCH 31, 2010

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## PART I. FINANCIAL INFORMATION

## Item 1 - Financial Statements

DOCUMENT CAPTURE TECHNOLOGIES, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(in thousands)

	March 31, 2010 (unaudited)	December 31, 2009 *
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 165	\$ 328
Trade receivables	2,027	1,497
Inventories, net	1,530	1,674
Prepaid expenses and other current assets	118	132
Total current assets	3,840	3,631
Restricted cash	5	5
Fixed assets, net	159	176
Total assets	\$ 4,004	\$ 3,812
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Line of credit	\$ 236	\$ 202
Trade payables to related parties	348	341
Trade payables and other accrued expenses	405	440
Accrued compensation and benefits	65	124
Deferred revenue and customer deposits	90	111
Total current liabilities	1,144	1,218
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Preferred stock \$.001 par value, 2,000 authorized, 0 issued and Outstanding March 31, 2010 and December 31, 2009		
Common stock \$.001par value, 50,000 authorized, 19,406 shares issued and outstanding at March 31, 2010 and December 31, 2009	19	19
Additional paid-in capital	35,907	35,697
Accumulated deficit	(33,066)	(33,122)
Total stockholders' equity	2,860	2,594
Total liabilities and stockholders' equity	\$ 4,004	\$ 3,812

\*Amounts derived from the audited financial statements for the year ended December 31, 2009.

DOCUMENT CAPTURE TECHNOLOGIES, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)  
(in thousands, except per share amounts)

	Three Months Ended March 31,	
	2010	2009
Net sales	\$ 3,428	\$ 2,015
Cost of sales	2,103	1,237
Gross profit	1,325	778
Operating expenses:		
Selling, general and administrative	966	1,189
Research and development	265	231
Total operating expenses	1,231	1,420
Operating income (loss)	94	(642)
Non-operating income (expense)	(36)	-
Net income (loss) before income taxes	58	(642)
Provision for income taxes	2	-
Net income (loss)	56	(642)