PRO DEX INC
Form 10-Q
November 13, 2014

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

FORM 10-Q

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

For the quarterly period ended

SEPTEMBER 30, 2014

OR

o 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 0-14942

PRO-DEX, INC.
(Exact name of registrant as specified in its charter)

COLORADO (State or other jurisdiction of incorporation or organization)	84-1261240 (I.R.S. Employer Identification No.)

2361 McGaw Avenue, Irvine, California 92614
(Address of principal executive offices and zip code)

(949) 769-3200
(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 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 x No o

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 x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	o	Accelerated filer o	Non-accelerated filer	o	Smaller reporting company	x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

Indicate the number of shares outstanding of each of the registrant’s classes of common stock outstanding as of the latest practicable date: 4,169,666 shares of common stock, no par value, as of October 28, 2014.

PRO-DEX, INC. AND SUBSIDIARIES

QUARTERLY REPORT ON FORM 10-Q
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014

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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PRO-DEX, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except share amounts)

		September 30, 2014		June 30, 2014
ASSETS				
Current Assets:				
Cash and cash equivalents	$	3,609	$	3,188
Accounts receivable, net of allowance for doubtful accounts of $34 and $29, respectively		1,094		1,776
Unbilled receivables		1,228		1,073
Other current receivables		20		31
Inventory		2,587		2,600
Prepaid expenses		95		110
Deferred income taxes		115		115
Total current assets		8,748		8,893
Investments		1,082		1,058
Equipment and leasehold improvements, net		1,473		1,575
Intangibles		165		105
Other assets		77		77
Total assets	$	11,545	$	11,708
LIABILITIES AND SHAREHOLDERS’ EQUITY				
Current Liabilities:				
Accounts payable	$	617	$	744
Accrued expenses		1,211		1,090
Deferred revenue		247		232
Income taxes payable		48		53
Capital lease obligations		9		8
Total current liabilities		2,132		2,127
Deferred income taxes		115		115
Deferred rent		232		243
Capital lease obligations, net of current portion		4		7
Total non-current liabilities		351		365
Total liabilities		2,483		2,492
Shareholders’ equity:				
Common shares; no par value; 50,000,000 shares authorized; 4,203,354 and 4,211,019 shares issued and outstanding at September 30, 2014 and June 30, 2014, respectively		18,587		18,582
Accumulated other comprehensive income		213		202

Accumulated deficit	(9,738)	(9,568)
Total shareholders' equity	9,062	9,216
Total liabilities and shareholders' equity	$ 11,545	$ 11,708

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

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PRO-DEX, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(In thousands, except share and per share amounts)

	Three Months Ended September 30, 2014	2013
Net sales	$ 2,595	$ 2,555
Cost of sales	1,767	1,610
Gross profit	828	945
Operating expenses:		
Selling expenses	142	92
General and administrative expenses	491	457
Research and development costs	384	375
Total operating expenses	1,017	924
Operating income (loss)	(189)	21
Other income (expense):		
Interest income	1	—
Interest expense	(2)	(2)
Total other income (expense)	(1)	(2)
Income (loss) from continuing operations before income taxes	(190)	19
Provision (benefit) for income taxes	(9)	1
Income (loss) from continuing operations	(181)	18
Income from discontinued operations, net of income taxes	11	194
Net income (loss)	$ (170)	$ 212
Other comprehensive income, net of tax:		
Unrealized gain from marketable equity investments	12	56
Comprehensive income (loss)	$ (158)	$ 268
Basic and diluted income (loss) per share:		
Net income (loss) from continuing operations	$ (0.04)	$ 0.00
Income from discontinued operations	0.00	0.06
Net income (loss)	$ (0.04)	$ 0.06
Weighted average common shares outstanding - basic	4,208,957	3,344,697
Weighted average common shares outstanding - diluted	4,227,650	3,353,447

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

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PRO-DEX, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Three Months Ended September 30, 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (170)	$ 212
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	127	132
Gain on sale of real estate held for sale	—	(167)
Share-based compensation	8	20
Allowance for doubtful accounts	5	3
Changes in operating assets and liabilities:		
Accounts receivable and other receivables	688	(8)
Unbilled receivables	(155)	(154)
Inventory	13	(139)
Prepaid expenses and other assets	15	18
Accounts payable, accrued expenses and deferred rent	(18)	(500)
Deferred revenue	15	71
Income taxes payable	(5)	—
Net cash provided by (used in) operating activities	523	(512)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment	(25)	—
Proceeds from sale of real estate held for sale	—	900
Proceeds from sale of equipment	—	6
Increase in intangibles	(60)	(17)
Purchase of investments	(12)	(228)
Net cash provided by (used in) investing activities	(97)	661
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on capital lease	(2)	—
Payments made for common stock rights offering costs	(3)	—
Net cash used in financing activities	(5)	—
Net increase in cash and cash equivalents	421	149
Cash and cash equivalents, beginning of period	3,188	1,680
Cash and cash equivalents, end of period	$ 3,609	$ 1,829
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		

Interest	$	2	$	2
Income taxes	$	8	$	—

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

PRO-DEX, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Pro-Dex, Inc. (“we”, “us”, “our”, “Pro-Dex” or the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Regulation S-K. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. These financial statements should be read in conjunction with the consolidated financial statements presented in our Annual Report on Form 10-K for the fiscal year ended June 30, 2014. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. The results of operations for such interim periods are not necessarily indicative of the results that may be expected for the full year. For further information, refer to the consolidated financial statements and footnotes thereto included in our Annual Report on Form 10-K for the year ended June 30, 2014.

Recent Accounting Standards

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, “Revenue from Contracts with Customers,” which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 requires an entity to recognize revenue depicting the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 also requires enhanced revenue related disclosures. ASU 2014-09 is effective for fiscal years, and interim reporting periods within those years, beginning after December 15, 2016. The Company has not yet determined the impact of ASU 2014-09 on its consolidated results of operations, financial condition, or cash flows.

In April 2014, the FASB issued ASU 2014-08, “Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.” ASU 2014-08 requires that a disposal representing a strategic shift that has (or will have) a major effect on an entity’s financial results or a business activity classified as held for sale should be reported as discontinued operations. ASU 2014-08 also expands the disclosure requirements for discontinued operations and adds new disclosures for individually significant dispositions that do not qualify as discontinued operations. ASU 2014-08 is effective prospectively for fiscal years, and interim reporting periods within those years, beginning after December 15, 2014. The impact of ASU 2014-08 is dependent upon the nature of dispositions, if any, after adoption.

Reclassifications

Certain prior period balances have been reclassified to conform to the current period presentation. The reclassifications have no effect on previously reported results of operations or accumulated deficit.

NOTE 2. COMPOSITION OF CERTAIN FINANCIAL STATEMENT ITEMS

Inventory

Inventory is stated at the lower of cost (first-in, first-out) or market and consists of the following (in thousands):

	September 30, 2014	June 30, 2014
Raw materials /purchased components	$ 820	$ 878
Work in process	750	525
Sub-assemblies /finished components	801	823
Finished goods	216	374
Total inventory	$ 2,587	$ 2,600

PRO-DEX, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Investments

Investments are stated at market value and consist of the following (in thousands):

	September 30, 2014	June 30, 2014
Marketable equity securities	$ 1,082	$ 1,058

Investments at September 30, 2014 and June 30, 2014 had an aggregate cost basis of $869,000 and $857,000, respectively, gross unrealized gains aggregating $231,000 and $208,000, respectively, and unrealized losses of 18,000 and $7,000, respectively.

Intangibles

Intangibles consist of the following (in thousands):

	September 30, 2014	June 30, 2014
Capitalized software development costs	$ 73	$ 37
Patent-related costs	92	68
Total intangibles	$ 165	$ 105

Capitalized software development costs relate to internally developed software, which will be amortized over the estimated product life of the underlying product currently in development. Patent-related costs consist of legal fees incurred in connection with patent applications, and will be amortized over the life of the applicable patent upon its issuance.

NOTE 3. WARRANTY

The warranty accrual is based on historical costs of warranty repairs and expected future identifiable warranty expenses, and is included in accrued expenses in the accompanying consolidated balance sheets. As of September 30, 2014 and June 30, 2014, the warranty reserve amounted to $213,000 and $237,000, respectively. Warranty expenses are included in cost of sales in the accompanying consolidated statements of operations. Changes in estimates to previously established warranty accruals result from current period updates to assumptions regarding repair costs and warranty return rates, and are included in current period warranty expense. Total warranty expense for the three months ended September 30, 2014 and 2013 was ($5,000) and $13,000, respectively.

Information regarding the accrual for warranty costs for the three months ended September 30, 2014 and 2013 are as follows (in thousands):

	As of and for the Three Months Ended

	September 30,	
	2014	2013
Beginning balance	$237	$321
Accruals during the period	70	49
Changes in estimates of prior period warranty accruals	(75)	(36)
Warranty amortization	(19)	(105)
Ending balance	$213	$229

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PRO-DEX, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 4. NET INCOME (LOSS) PER SHARE

The Company calculates basic net earnings (loss) per share by dividing net income (loss) by the weighted-average number of common shares outstanding during the reporting period. Diluted earnings (loss) per share reflects the effects of potentially dilutive securities, which consist entirely of outstanding stock options.

Potential common shares of 18,693 have been excluded from diluted weighted average common shares for the three months ended September 30, 2014, as the effect would have been anti-dilutive. The following table presents reconciliations of the numerators and denominators of the basic and diluted earnings (loss) per share computations for net income (loss). In the tables below, income (loss) amounts represent the numerator, and share amounts represent the denominator (in thousands, except per share amounts):

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013
Basic:		
Income (loss) from continuing operations	$(181)	$18
Weighted average shares outstanding	4,209	3,345
Basic income (loss) per share from continuing operations	$(0.04)	$0.00
Income from discontinued operations	$11	$194
Weighted average shares outstanding	4,209	3,345
Basic income (loss) per share from discontinued operations	$0.00	$0.06
Net income (loss)	$(170)	$212
Weighted average shares outstanding	4,209	3,345
Basic income (loss) per share	$(0.04)	$0.06
Diluted:		
Income (loss) from continuing operations	$(181)	$18
Weighted average shares outstanding	4,209	3,345
Effect of dilutive securities – stock options	—	8
Weighted average shares used in calculation of diluted earnings per share	4,209	3,353
Basic and diluted loss per share from continuing operations	$(0.04)	$0.00
Income from discontinued operations	$11	$194
Weighted average shares outstanding	4,209	3,345
Effect of dilutive securities – stock options	—	8
Weighted average shares used in calculation of diluted earnings per share	4,209	3,353
Diluted income per share from discontinued operations	$0.00	$0.06
Net income (loss)	$(170)	$212
Weighted average shares used in calculation of diluted earnings per share	4,209	3,353
Diluted earnings (loss) per share	$(0.04)	$0.06

PRO-DEX, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 5. DISCONTINUED OPERATIONS AND REAL ESTATE HELD FOR SALE

In February 2012, we completed the sale of our fractional horsepower motor product line, operating under the name Pro-Dex Astromec ("Astromec") and located in Carson City, Nevada, to SL Montevideo Technology, Inc. ("MTI"), a wholly owned subsidiary of SL Industries, Inc., pursuant to an Asset Purchase Agreement (the "APA").

Under the terms of the APA, we may receive earnout payments based on revenues generated from the sale of (i) Astromec products and (ii) MTI products to Astromec prospects (defined in the APA) (collectively, the "Earnout Sales Base"). Such earnout payments, if and when earned, are paid by MTI to us within 30 days following the end of each of our fiscal quarters during the three years subsequent to the February 2012 closing date, and amount to 6%, 4% and 2% of the Earnout Sales Base in the first, second and third such years, respectively. The earnout payments are recognized in the quarter in which we become entitled to receive them. We recognized income from earnout payments of $21,000 and $29,000 for the three months ended September 30, 2014 and 2013, respectively, and have recognized an aggregate of $372,000 in income from such earnout payments since the February 2012 closing date.

In addition, as a result of the sale of the Astromec product line, we listed for sale the land and building constituting the facility in Carson City, Nevada, which was presented as real estate held for sale in the June 30, 2013 consolidated balance sheet with an aggregate carrying amount of $733,000. On July 5, 2013, we completed the sale of the Carson City facility to Aesthetic and Reconstructive Technologies, Inc., a Nevada corporation. The sales price of the property was $980,000, of which we received net proceeds of $900,000, after deductions for expenses related to the sale, primarily consisting of broker commissions and fees, aggregating approximately $80,000, resulting in a gain of $167,000.

Based on the foregoing, and in conformity with applicable accounting guidance, the Astromec product line qualifies as a discontinued operation. Accordingly, financial results of Astromec have been reported as discontinued operations in the accompanying consolidated statements of operations for all periods presented. Information regarding revenue and operating results of Astromec included in discontinued operations is as follows (in thousands):

	Three Months Ended September 30,	
	2014	2013
Revenues	$ 21	$ 29
Income before provision for income taxes of $7,000 and $0, respectively	$ 18	$ 194

Information regarding Astromec assets and liabilities included in the accompanying consolidated balance sheets is as follows (in thousands):

	September 30, 2014	June 30, 2014
Accounts receivable	$ 21	$ 17
Prepaid expenses	$ —	$ 3
Accrued expenses	$ 2	$ 2

NOTE 6. INCOME TAXES

Deferred income taxes are provided on a liability method whereby deferred tax assets and liabilities are recognized for temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

PRO-DEX, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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Significant management judgment is required in determining our provision for income taxes and the recoverability of our deferred tax assets. Such determination is based primarily on our historical taxable income or loss, with some consideration given to our estimates of future taxable income or loss by jurisdictions in which we operate and the period over which our deferred tax assets would be recoverable. Due to cumulative taxable losses during the past three years, we maintained a valuation allowance of $3.5 million against our deferred tax assets as of June 30, 2014.

As of September 30, 2014, we have accrued $366,000 of unrecognized tax benefits related to federal and state income tax matters. The amount that would reduce the Company's income tax expense if recognized and result in a corresponding decrease in the Company's effective tax rate is $47,000.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

Balance at July 1, 2014	$363
Additions based on tax positions related to the current year	3
Balance at September 30, 2014	$366

We recognize accrued interest and penalties related to unrecognized tax benefits when applicable. As of September 30, 2014, no interest or penalties applicable to our unrecognized tax benefits have been accrued since we have sufficient tax attributes available to fully offset any potential assessment of additional tax.

The Company and its subsidiaries are subject to U.S. federal income tax, as well as income tax of multiple state tax jurisdictions. We are currently open to audit under the statute of limitations by the Internal Revenue Service for the years ended June 30, 2011 and later. Our state income tax returns are open to audit under the statute of limitations for the years ended June 30, 2010 and later. We do not anticipate a significant change to the total amount of unrecognized tax benefits within the next 12 months.

NOTE 7. COMMON STOCK

Rights Offering

On December 17, 2013, we publicly announced plans to complete a rights offering to existing holders of our common stock, and we commenced the rights offering on March 24, 2014, pursuant to a registration statement on Form S-3 filed with the Securities and Exchange Commission ("SEC'). The rights offering was made through the distribution to our existing shareholders as of March 20, 2014 of non-transferable subscription rights to purchase their pro rata portion of newly issued shares of our common stock (the "Subscription Privilege") at a price of $1.90 per share (the "Subscription Price"). The subscription period for exercise of the rights commenced on March 24, 2014 and expired on April 25, 2014.

Upon completion of the rights offering, we received gross proceeds of approximately $1.65 million, before expenses of $140,000, through shareholder subscriptions for 868,732 shares of common stock.

Of the total amount of shares issued, 317,231 and 156,189 shares were issued to AO Partners I, LP (“AO Partners”) and Farnam Street Partners, L.P. (“Farnam Street Partners”), respectively, the Company’s two largest shareholders, who each exercised its full pro-rata allotment of rights in the offering. AO Partners, LLC is the General Partner of AO Partners, and Nicholas J. Swenson, a director of the Company, is the Managing Member of AO Partners, LLC. Raymond E. Cabillot, also a director of the Company, is the CEO of Farnam Street Partners.

In connection with the rights offering, we entered into a Standby Purchase Agreement with AO Partners, LLC and Farnam Street Capital, Inc. (each a beneficial shareholder of our common stock; each a “Standby Purchaser” and collectively the “Standby Purchasers”) pursuant to which the Standby Purchasers agreed to purchase, at the Subscription Price, any and all shares of common stock not subscribed for by shareholders in connection with the rights offering, subject to reduction by us as described below. No fees or other consideration were paid by us to

PRO-DEX, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

the Standby Purchasers in exchange for their commitment to purchase any and all unsubscribed shares of common stock following the rights offering.

In the event that the exercise by a shareholder of the Subscription Privilege or the purchase of our common stock under the Standby Purchase Agreement could, in our sole discretion, have potentially resulted in a limitation of our ability to utilize our tax attributes, such as the annual utilization of net operating loss or tax credit carry forwards (see Note 6), we had the ability to reduce the exercise by such shareholder of the Subscription Privilege or the amount purchased under the Standby Purchase Agreement to such number of shares of our common stock as we determined advisable in order to preserve our ability to utilize such tax attributes. On the basis of the Company's analysis of tax attributes, the Company did not reduce the subscriptions of any shareholder in the rights offering, but did reduce to zero the number of shares the Standby Purchasers could have otherwise purchased pursuant to the Standby Purchase Agreement. As a result, no shares were issued to AO Partners, LLC or Farnam Street Capital, Inc. pursuant to the Standby Purchase Agreement.

We intend to use the net proceeds of the rights offering to pursue strategic opportunities that may present themselves from time to time or, if not used to pursue strategic opportunities, for working capital and general corporate purposes, including to fund ongoing research and development and product initiatives. Also, to the extent the net proceeds are not deployed, some of the funds may be invested in accordance with the terms of our Surplus Capital Investment Policy.

Share Repurchase Program

In September 2013, our Board approved a share repurchase program authorizing the Company to repurchase up to 750,000 shares of our common stock. In accordance with, and as part of, this share repurchase program, our Board approved, on September 23, 2014, the adoption of a prearranged share repurchase plan intended to qualify for the safe harbor under Rule 10b5-1 under the Securities Exchange Act of 1934, as amended ("10b5-1 Plan"). The 10b5-1 Plan became effective on September 24, 2014 and terminates on March 23, 2015, unless terminated sooner in accordance with its terms. Through September 30, 2014, we repurchased 7,665 shares at an aggregate cost of $17,000 under the terms of the 10b5-1 Plan, which purchases settled in October, 2014. Repurchases under the 10b5-1 Plan are administered through an independent broker.

NOTE 8. SHARE-BASED COMPENSATION

As discussed further below, until June 2014 we had two equity compensation plans, the Second Amended and Restated 2004 Stock Option Plan (the "Employee Stock Option Plan") and the Amended and Restated 2004 Directors' Stock Option Plan (the "Directors' Stock Option Plan") (collectively, the "Stock Option Plans"), pursuant to which (i) options to purchase shares of common stock, or (ii) restricted shares of common stock, could be granted up to an aggregate amount of 1,333,333 common shares, with 1,066,667 and 266,666 shares distributed between the Employee Stock Option Plan and the Directors' Stock Option Plan, respectively. The Stock Option Plans were substantially similar, providing for a strike price equal to the closing price for a share of our common stock as of the last business day immediately prior to the grant date, vesting periods as determined by the Board for the Employee Stock Option Plan and six months for the Directors' Stock Option Plan, and terms of up to ten years, subject to forfeit 30 days after

the holder ceases to be an employee or 90 days after the holder ceases to be a director, as the case may be.
Share-based compensation expense under the Stock Option Plans for the three months ended September 30, 2014 and 2013 was $8,000 and $20,000, respectively.

Stock Options

No options were granted during the three months ended September 30, 2014 and 2013.

As of September 30, 2014, there was an aggregate of $6,000 of unrecognized compensation cost under the Stock Option Plans related to 6,667 non-vested outstanding stock options with a per share weighted average value of $1.98. The unrecognized expense is anticipated to be recognized on a straight-line basis over a weighted average period of 11.5 months. Following is a summary of stock option activity for the three months ended September 30, 2014 and 2013:

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PRO-DEX, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)