ONCOURSE TECHNOLOGIES INC
Form 10SB12G/A
April 04, 2001

PART F/S

PART III

PART I

PURPOSE OF THE REGISTRATION STATEMENT

The Company is filing this registration statement on a voluntary basis in order to: (1) provide current, public information to the investment community; and (2) to comply with the OTC Bulletin Board Eligibility Rule.

Item 1. DESCRIPTION OF BUSINESS

COMPANY BACKGROUND

OnCourse Technologies, Inc. (the "Company" or "OnCourse") is a Nevada corporation organized on May 28, 1998 to develop internet based business-to-business ("B2B") electronic-commerce sites for use in the procurement of raw materials and tooling for metalworking industries, to acquire specific other businesses, and to raise capital. Metalworking is defined as the process or art of shaping things out of metal. OnCourse currently has four wholly owned subsidiaries. OnCourse subsidiaries develop and or sell and distribute CAD/CAM/CAE software. Computer-Aided Engineering (CAE) is the integration of design and manufacturing into a system under the direct control of digital computers. Software systems written by "the subsidiaries" combine the use of computers in industrial-design work, computer-aided design (CAD), with their use in manufacturing operations, computer-aided manufacturing (CAM). This integrated process is commonly called CAD/CAM. CAD systems generally consist of a computer with one or more terminals featuring video monitors and interactive graphics-input devices; they can be used to design such things as machine parts, patterns for clothing, or integrated circuits. CAM Systems involve the use of numerically controlled machine tools. In a CAE system, drawings developed and revised during the design process are converted directly into instructions for the production machines using computer-assisted part programming that will manufacture the desired object. CAD/CAM systems can create or import the geometrical profile of a required component as, for example, a series of connected points. The position of each point, and the ways in which it can be reached by movements of the tool, is calculated by the computer. After calculating the necessary tool movements, the computer develops a complete machining program for the part to be manufactured on a computer numerical control (CNC) machine tool. CNC is when a computer is used as the controller in an NC (numerical control) machine tool with the program actuated from computer memory. CNC systems are controlled by dedicated mini- or microcomputers developed to enable machine tools to be readily adapted to different jobs by altering the control program or software.

From May 28, 1998 until June 12, 1998, the Company was a wholly-owned subsidiary of Innovation International, Inc. ("Innovation") and conducted no business operations. On June 12, 1998, Innovation authorized the Company to distribute 800,000 common shares of the Company and 400,000 Redeemable Common Stock Purchase Warrants ("Spin-off Shares") pro-rata to the more than 400 individual shareholders of Innovation as a dividend-in-kind. There was no consideration paid in cash or otherwise by Innovation shareholders for either the Common Stock or the Warrants. There was no underwriter, and no commissions or fees that were paid. The securities were issued without registration under the Securities Act of 1933 (the "1933 Act") pursuant to Staff Legal Bulletin No. 4 dated September 16, 1997 and No-Action letters promulgated by the Securities and Exchange Commission ("SEC") relating to a "spin-off" transaction. As a result, the Company became separate from and no longer a subsidiary of Innovation by virtue of a distribution of its shares to shareholders of Innovation. The Company has not and does not conduct business operations directly but operates through wholly owned subsidiaries acquired between 1998 and 2000 as described below. On September 12, 2000, the Warrants, which were to expire September 30, 2000, were extended until June 30, 2001. As of September 30, 2000, 1,046 of the warrants have been exercised for total consideration of $1,569.

Innovation was formed in 1983 and was engaged in the business of computer software, computer manufacturing and foreign trade until 1992 when it ceased all business operations. At the time of the spin-off, it had approximately 460 shareholders.

Wholly-owned subsidiaries of OnCourse and the dates of their acquisition by OnCourse include: Micro Estimating Systems, Inc, a Wisconsin corporation ("Micro Estimating") - July 31, 1998; CAM Solutions, Inc., a Minnesota corporation ("CAM Solutions") - January 1, 1999; Cimtronics, Inc., an Arizona corporation ("Cimtronics") - October 1, 1999; and TekSoft, Inc, an Arizona corporation ("TekSoft") - January 31, 2000.

Micro Estimating designs, develops, and markets computer-aided-engineering ("CAE") software consisting of Windows-based estimating software products and services, including estimating, process planning and layout software for and to customers in diverse manufacturing businesses. Micro Estimating also distributes under an exclusive arrangement in the U.S.A. and Canada the AutoTAS tool management software of a Swedish developer and supplier.

CAM Solutions distributes computer-aided-design/computer-aided-manufacturing ("CAD/CAM") products developed by TekSoft and other CAD/CAM software developers; and Machine Shop Estimating, FabPlan and LayOut Pro products developed by Micro Estimating. CAM Solutions also sells and installs Direct Numerical Control ("DNC") systems for machine tools and systems integration between Micro Estimating's software and other manufacturing enterprise systems. A DNC system is another

variation of a CNC system in that a DNC system involves sending part programs over telecommunications lines from a central computer to individual machine tools in the factory, thus eliminating the use of storing programs on the machines.

Cimtronics distributes CAD/CAM products developed by TekSoft and other CAD/CAM software developers; and Machine Shop Estimating, FabPlan and LayOut Pro products developed by Micro Estimating. Cimtronics also sells and installs DNC systems for machine tools and systems integration between Micro Estimating's software and other manufacturing enterprise systems.

TekSoft designs, develops and markets proprietary CAD/CAM software products used in metal manufacturing. TekSoft distributes its products using distributors both domestically as well as internationally. TekSoft's distributors include CAM Solutions and Cimtronics.

Employees

OnCourse and Micro Estimating have headquarters in New Berlin, Wisconsin. Micro Estimating has a sales office in North Carolina and other subsidiaries have headquarters and operations in Arizona and Minnesota. The OnCourse organization has 47 employees: 46 full-time and 1 part time. In addition, TekSoft uses 16 full-time contract programmers.

The Business of the Company

Subsidiaries of OnCourse have, for five years or more developed and or sold CAD/CAM/CAE software to the metalworking industries. TekSoft has developed and marketed CAD/CAM software since 1981. Micro Estimating has developed and marketed CAE software since 1982. CAM Solutions has been selling CAD/CAM/CAE software since 1989. Cimtronics has been selling CAD/CAM/CAE software since 1993. Both CAM Solutions and Cimtronics have had meaningful CAD/CAM/CAE sales since the years referenced above. The principal market for the subsidiaries' software products consists of an estimated 500,000 small to medium sized metalworking manufacturers. These manufacturers include but are not limited to, Original Equipment Manufacturers (OEM), independent machine shops, contract manufacturers, manufacturers of aerospace, automotive, appliance, and high technology equipment, electronics industry components, as well as other tool and die makers. Tool and die making is the industrial art of manufacturing stamping dies, plastics molds, and fixtures to be used in the mass production of solid objects. Sales are made by direct sales force and subsidiaries (66% in 1999) and through distributors (34% in 1999). Domestic sales accounted for 98% of the Company sales for the years ended December 31, 1999 and 1998.

Principal Products and Markets

CAD/CAM

TekSoft develops and markets Windows and Windows-NT based, CAD/CAM software used in the metal working industries. This subsidiary's flagship CAD/CAM product, ProCAM, has a customer base in excess of 15,000 users in its nine available languages. TekSoft has a total of over 20,000 users for all its products installed at facilities serving the aerospace, computer, and automotive and mold-making industries, among others. According to the 2000 Software Market Assessment by CIMdata Inc., an independent research firm specializing in the NC industry, TekSoft is ranked in the top five based on installed users for CAM companies worldwide.

ProCAM

ProCAM is a CAD/CAM solution designed for use in manufacturing or machining products for the manufacturing industry. The ProCAM for Windows product provides a fully integrated solution for two dimension (2D) CAD/CAM applications and three dimension (3D) applications requiring complex surface modeling and machining. Based on past awards, ProCAM is one of the fastest, easiest to use CAD/CAM products on the market. For example, ProCAM received a 1998 Excellence in Manufacturing Technology Achievement Award for "Innovation" in the software classification by the readers of American Machinist Magazine. ProCAM was also voted a year 2000 Excellence in Manufacturing Technology Achievement Award winner in the software classification titled "User Friendliness" by the readers of American Machinist Magazine. Since 1877, American Machinist has covered significant developments in manufacturing technology. The magazine is dedicated to serving the machine tool market completely and offers readers the most up-to-date information in the methods and practices of metalworking. American Machinist's has a monthly subscription base of 80,000 readers consisting of company management and manufacturing/production managers and engineers in the Metalworking industries.

CAMWorks

CAMWorks is a CAM application that is seamlessly integrated into, and is operated from within a third party application called SolidWorks. According to SolidWorks' website, SolidWorks is a CAD package developed by the SolidWorks Corporation, a Dassault Systems S.A. (NASDAQ:DASTY) company. The SolidWorks Corporation develops and markets 3D mechanical design solutions. CAMWorks incorporates CAM technologies pioneered by TekSoft such as: Associative Machining which allows a user to change the CAD drawing of a part and automatically update the machining parameters without additional user

Page 4

input; and Knowledge Based Machining which allows users to edit or update a predefined set of operational instructions for machining a specific type of feature on a part. This allows the CAMWorks system to automatically select the correct machining parameters for a given feature on a part, therefore dramatically reducing the input required by the end user.

CAMWorks is currently available for Milling and Turning applications. CAMWorks addresses the needs of today's sophisticated manufacturing engineers by delivering CAM solutions critical to success. OnCourse believes it's the most advanced tool available for mainstream engineers to get products to market faster, efficiently and within budget.

CAE

Micro Estimating offers estimating and process planning software for a broad spectrum of the manufacturing industries.

Machine Shop Estimating ("MSE")

MSE is an engineering based cost estimating system for manufacturing companies. MSE calculates machining times and total product costs according to company specific estimating procedures. The software is comprised of 72 machine tool and operation specific software modules to emulate actual machine tool and production cycles. The machine emulation modules will produce calculations within 1% of true production time. The software provides process planning, machine process layouts and comprehensive management functions. It incorporates on-line supplier links, graphical reports, and interfaces seamlessly to numerous factory management and CAD/CAM programs. MSE libraries contain over 1,150 raw materials specifications and incorporate 2 million speeds and feed tooling combinations. The typical customer is a factory owner, estimator or an engineering department in a larger facility. MSE received a 1998 Excellence in Manufacturing Technology Achievement Award as "Readers Choice for User Friendliness" in the software classification by the readers of American Machinist Magazine.

LayOut Pro ("LP")

LP serves as a process planning and machine process layout system, which allows users to easily calculate machining or fabrication times for product production. LP offers users the same basic functionality of the MSE product without the pricing or quoting features. The typical customer is a process planning engineer or manufacturer of metal working equipment. LP is a subset of MSE and contains no manufacturing pricing functions, and is typically purchased by machine tool builders.

FabPlan ("FP")

FabPlan is an engineering based cost estimating system designed for manufacturers that operate fabrication equipment. FP calculates fabrication times and total product costs according to company specific estimating procedures and shop equipment by simulating actual machine tool cycles. The software facilitates process planning and machine tool process layouts, which provides calculations for fabrication times used for production. The system incorporates supplier links, provides graphical reports, and interfaces with numerous factory management and CAD/CAM programs. The typical customer is a factory owner, estimator or an engineering department in a larger facility.

AutoTAS (Sandvik Coromant)

Micro Estimating is the exclusive U.S. and Canadian distributor and systems integrator for AutoTAS, a software product offered by Sandvik/Coromant of Sweden. AutoTAS is a tooling management program that was previously only available in Europe. Tool management software assists companies in the control and replenishment of tooling used in the manufacturing process.

New Products and Services

On behalf of the Company, Micro Estimating has begun development of a business-to-business electronic-commerce service web site called Tools4Mfg.com. The Tools4Mfg.com world-wide-web site is the cornerstone in its strategy to offer the functionality of all the Company's proprietary software products to the world-wide metal working community.

The Company anticipates that electronic-commerce, primarily the Tools4Mfg.com web site, will expand revenues in the markets of electronic-commerce and supply chain management. Supply chain management software provides a system comprised of integrated networks to facilitate managing design, procurement, planning, sales, fulfillment, and service for manufacturing and sales by providing the technologies for communicating efficiently with customers, and suppliers. This primary electronic-commerce revenue generating activity will sell tangible consumable industrial products while providing the related electronic-transaction software. Tools4Mfg.com will be an Internet-based purchasing system for use by manufacturing firms involved in producing, processing, or purchasing custom fabricated and machined products. The target market of Tools4Mfg.com is the smaller manufacturer, which represents 75% of American manufacturers. These smaller manufacturers typically have not been able to implement the expensive and labor intensive supply chain enterprise systems used by firms like the big three automotive companies, and will therefore benefit most from this type of electronic-commerce program. The Company will be positioned as an electronic middleman fulfilling orders for component parts manufacturers.

The site's overall design is approximately 80% complete with respect to the planned layout and functionality. The actual technological feasibility of the site is approximately 15% complete based on its current capabilities. Completed development on the site consists of basic site layout, a material calculation system and the development of a tool that will allow end users the ability to define a component part to the Tools4mfg.com site and then search for contract machining suppliers based on a specific

geographical location. These capabilities are currently available on a non-fee basis. It is management's belief that the Tools4Mfg.com site's functionality, when completed, will fulfill the objective set forth in this segment of the Company's business strategy. Neither the Company nor Micro Estimating have begun marketing or advertising any of the functionality of this site.

The Company believes that it will offer its existing customer base the capability to get raw material pricing and to place orders for raw materials over the Tools4mfg.com site during the third quarter of 2001. This will be accomplished solely by the internal funding of the Company. However, there is no certainty that the Company will be able to generate any revenues from this completed phase of the web site development.

The Company expects to continue to fund the development of the site from a combination of internally generated funds and capital contributed by industry partners. The time required for completion of the site will depend upon the Company's ability to generate funds for the remainder of the project. If the Company continues to develop the site without the aid of outside funding, the Company anticipates completing the site in the third quarter of 2002. However, the time line for the completion of the project could be reduced by three to six months if additional funding is secured during the second and third quarters of 2001. To date the Company has not received any capital contributions from its industry partners. Several revenue streams are projected from Tools4Mfg.com. Revenues will be derived from sales commissions on raw materials, component parts, and industrial tooling. The Company also expects to add transaction fees, subscription fees, and online sales of manufacturing software. However, there is significant risk in that the Company may not be able to generate any revenue from this business strategy upon completion of the web site.

According to an article in the October 5, 2000 edition of Purchasing magazine, it is estimated that the annual market for production-grade and metalworking metals is at least $900 billion. Net penetration is estimated at less than 1/100 of 1% of the estimated $900 billion annual global marketplace for production-grade and metalworking metals. The management of OnCourse feels that even a very small percentage of this market earned as commissions and transactions cost would generate $90 million of material transactions in which the Company would receive commissions and transaction fees. In addition, the Company also believes it will be able to generate revenues from tooling and auction sales as well.

The Company believes that revenues and transaction fees could exceed $25 million annually within the next five years. The following table shows the revenue stream for the $25 million of revenues and transaction fees based on management's belief. However, there is significant risk in that the Company may not be able to generate any revenue from this business strategy upon completion of the web site.

RAW MATERIAL AND PERISHABLE TOOLING REVENUES (MILLIONS)

Revenue Source	TOTAL ESTIMATED MARKET	TOOLS4MFG CAPTURES 1/100% OF THE MARKET (.001%)	AVERAGE TRANSACTION FEE OF 2.75%
RAW MATERIALS	$ 900,000	$ 900	$ 24.8
TOOLING	$ 4,000	$ 4	$ 0.6
TOTALS:	$ 904,000	$ 904	$ 25.4

Research and Development

During nine months ended September 30, 2000 and 1999 and the years ended December 31, 1999 and 1998, the subsidiaries have expended $489,000, $13,000, $17,000 and $21,000 respectively, for research and development activities and purchased in-process research and development expenses as part of the TekSoft acquisition. The $489,000 of research and development expended during the nine months ended September 30, 2000 includes $270,000 for the purchased in-process research and development which was written off on February 1, 2000. In addition, the subsidiaries have expended $923,000, $77,000, $114,000 and $112,000 for its capitalized software during the nine months ended September 30, 2000 and 1999 and the years ended December 31, 1999 and 1998 respectively. There have been no material customer sponsored research activities or expenditures.

Governmental Regulation and Approval

The subsidiaries do not require governmental approval for any of its activities and has incurred no cost or expense with respect to compliance with federal, state and local environmental laws. Some of the subsidiaries' customers may incur expenses for environmental compliance, but there has been no effect of any such compliance on the subsidiaries. No single supplier or customer has a material effect in the subsidiaries' operations.

Page 6

Traditional Metal Working Manufacturers as the Subsidiaries' Software Market

Domestic manufacturers are estimated to conduct approximately $3.8 trillion in annual business and these manufacturers employ 17 million people. According to the National Institute of Standards (NIST), 75% of manufacturers employ 50 people or less. OnCourse subsidiaries individually have up to 19 years providing that market with software to make job shops more efficient. The information referenced below provides historical summaries of the products sold by the OnCourse subsidiaries of Micro Estimating and TekSoft:

Users Sold Since Subsidiary was Established (Unaudited)

Subsidiary	Year Established	Users Sold
TekSoft	1981	20,000
Micro Estimating	1982	2,400

Historical Sales by Micro Estimating and TekSoft by Year (Unaudited)

SUBSIDIARY/ACTIVITY	1995	1996	1997	1998	
MICRO ESTIMATING REVENUES	$1,123,225	$1,517,953	$1,580,905	$1,851,151	$1
NEW MICRO ESTIMATING USERS	147	220	185	215	
TEKSOFT REVENUES	2,774,981	$2,668,804	$2,862,826	$2,859,651	$3
NEW TEKSOFT USERS	2,157	2,074	2,225	2,539	
TOTAL REVENUE	$3,898,206	$4,186,757	$4,443,731	$4,710,802	$4
TOTAL OF NEW USERS ADDED	2,304	2,294	2,410	2,754	

Current Environment in the Subsidiaries' Software Market

A dramatic shift in supply chain management is underway in which manufacturers are looking to electronic-commerce solutions for sourcing and supply. Addressing those trends, the Company is developing an Internet-based purchasing system for use by manufacturing firms involved in producing, processing, or purchasing custom fabricated and machined products. The Tools4Mfg site will be positioned as an electronic middleman fulfilling orders for component parts manufacturers. This electronic-commerce system will process electronic Requests for Quotes ("RFQ") and Electronic Purchase requisitions for raw materials, component parts, and related tooling products and ultimately be paid with electronic funds transfers. Coupling this trend with use of the Internet as a software delivery and maintenance mechanism will provide new opportunities and a more efficient means for OnCourse to increase its value to customers.

The Company's Business Strategy

The OnCourse strategy is to build a recognized and respected brand name as the leader in providing software and services that make component manufacturers more efficient and profitable. The Company's products, such as the award winning software systems referenced above under the ProCAM and Machine Shop Estimating ("MSE") headings, are the base of this strategy and will be built upon to create a broader position.

Existing subsidiaries' product lines have demonstrated sales growth over the last five years. When including sales activity prior to OnCourse ownership, net sales for Micro Estimating's products and services has grown from $1.12 million for the year ended December 31, 1995 to pre-consolidated net sales of $1.72 million for the year ended December 31, 1999. When including sales activity prior to OnCourse ownership, net sales for TekSoft's products and services has grown from $2.77 million for the year ended December 31, 1995 to pre-consolidated net sales of $3.16 million for the year ended December 31, 1999.

The Company believes that product sales and services will easily exceed the sales growth in terms of dollars and percentage increases that were realized over the previous five years.

In concert with OnCourse products is an electronic-commerce strategy. OnCourse is creating a business-to-business electronic-commerce site for the metals working industry to purchase products, services, and trade.

OnCourse will use the Internet as a key part of this strategy to deliver software, provide applications while providing a focused trading site to build a loyal customer base. Integrating OnCourse applications with the OnCourse Internet site will lead users to take advantage of the business-to-business electronic-commerce site. Four core internet concepts will be used:

- Integrating Applications with OnCourse Portal

  OnCourse's subsidiaries products will have seamless interfaces to the web portal. One of the first integrations to be done will be with Micro Estimating's software. The MSE and FabPlan software can, via modem, dial out to a supplier of raw materials, access their database and receive current raw material pricing. The web portal is designed to perform this access via the Internet, access a suppliers database, and return current raw material pricing. When possible all OnCourse products will integrate with those areas of the portal that perform similar or complimentary tasks.

- Internet Applications Delivery using Third-party Application Service Providers ("ASP")

  A growing trend for software publishers is to offer their applications via the Internet. In an ASP business model, the customer uses a web browser to access and run a particular software application. The application runs on a third party server and not on their local PC. The ASP model eliminates the need for the software user to purchase and install the applications on their local PC; the software may be run from any compatible browser via the Internet. OnCourse's subsidiaries will provide its software products to customers using the ASP model. Customer acceptance and technology trends will determine if this is a viable business model.

- Draw Customers with Content

  OnCourse will draw customers with content by offering current industrial news pertaining to the metal working industries, and by providing user forums to exchange manufacturing ideas and problems, post questions, create topics, check employment listings and find ideas for innovations and improvements. There also will be several databases developed by OnCourse allowing easy calculations and allowing the look up of common metal working information. Customers will also be given the technology to easily exchange or share drawings and relevant manufacturing files. Customers will also be given the opportunity to create and use individual mailboxes and filing systems to organize any communications and file exchanges done through the site.

- Value Added Trading Site

  The proposed value added functionality at the OnCourse portal, Tools4Mfg.com, is in several areas. There will be an online area for shopping for industry leading software and finding information about software companies serving the metal working industry. Online calculators will be provided that run in an internet browser that will simplify some routines and time consuming manufacturing calculations. Online databases will allow the look up of common metal working information. There will be an online auction for selling and buying both new and used manufacturing items. Customers will be able to shop online for the best prices and delivery from several raw material suppliers in real time. A facilities locator named; The Machine Shop Selector allows for detailed and specific production facilities searches both geographically and by specific production capabilities and provides the communication technologies to contact multiple manufacturers for pricing or information. Manufacturer of custom components will have the ability to receive Requests for Quotations (RFQ's) pre-defined that match their capabilities and preferred type of work and online forums will allow the exchange of manufacturing ideas and problems.

Risk Factors That May Impact the Shareholder's Investment

Shareholders of the Company should be aware that the ownership of the Company's shares involves certain investment considerations and risk factors, including those described below and elsewhere in this registration statement, which could adversely affect the value of their holdings. Neither the Company nor any other person is authorized to make any representations as to the future market value of the Company's stock.

Any Forward-looking statements contained in this registration document should not be relied upon as predictions of future events. Such statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise and that may be incapable of being realized. Investors are hereby notified that such information reflects the opinions of Company management as to the future. Investors should use their own judgment as to the significance of this information to their individual investment decisions.

Investment in the Company's Common Stock must be considered speculative due to a number of risk factors including, but not limited to, the limited history of trading in the Company's Common Stock in any Public Market. See "DESCRIPTION OF SECURITIES."

Control by the Management Might Limit Independent, Public Shareholder Influence

The Chief Executive Officer and the President of the Company beneficially own approximately 62% of the outstanding common stock of the Company. The remaining directors and other executive officers own approximately 30% of the outstanding common stock of the Company. Accordingly, the Chief Executive Officer and President together, or along with the Board of Directors and other executive officers, will exercise control over the Company, including control over the election of directors, the appointment of officers, and the business policies, investments and future acquisitions, if any, of the Company. Public shareholders' interests may not be fully represented alongside the differing interests of management shareholders, if any. The large percentage of shares owned by these persons will have a limiting effect on the number of shares available for trading in the secondary market, which could have an adverse effect on price and liquidity.

Absence of Necessary Financing Could Disrupt Operations, Product Development, Growth Plans

The Company intends to obtain the necessary interim and long-term financing necessary to continue operations, to fund present and future product development, and to maintain the competitive position of its software products in their manufacturing markets. There is no guarantee that the Company will have the financial ability to meet all of those goals. The Company expects to raise additional capital from time to time by private placements of the Company's securities and capital contributed by industry partners. To date the Company has not received any capital contributions from its industry partners. There can be no assurances that there will be any market for the Company's securities or that sufficient capital can be raised by any such private placements. If capital is not available, it may not be possible for the subsidiaries to develop new products, to grow existing product revenues or to operate profitably in any market. In such event, shareholders could lose their entire investment. See "MANAGEMENT'S DISCUSSION AND ANALYSIS AND RESULTS OF OPERATIONS - Liquidity and Capital Resources".

Anticipated Revenues From Purchased In-process Research & Development May Not Be Realized

The Company acquired $270,000 of CAMWorks in-process research and development as part of the TekSoft acquisition on January 31, 2000. It is possible that the Company may not complete the development related to the CAMWorks project ahead of its competition or before technology changes in the market place that may render the technology obsolete. As a result, the Company may not realize the expected revenues that management believes will result from this acquired in-process technology.

Competitors' Strengths Could Force Price Reductions, Damage Profit Prospects

The markets for the subsidiaries' products are intensely competitive. The CAM industry for example has more than 200 competitors in which TekSoft is referenced as one of the top five worldwide software providers according to the above-mentioned CIMdata research. The estimating products offered by Micro Estimating have a dramatically different number of competitors. There is only one other competitor in the estimating field and that is Manufacturers Technologies, Inc. Limited information is available on this company as they are a privately held organization. Many of the subsidiaries' present or prospective competitors have or may have substantially greater financial, technical, marketing and sales resources than the Company. There can be no assurance that the subsidiaries will be able to compete effectively in the future. If the subsidiaries are unable to compete effectively, shareholders could have a lower return on their investment or lose their entire investment.

Limited Prior Public Market and Restrictions on Free Sale of Stock May Adversely Affect Stock Value and Liquidity

There is presently a limited public market for the Company's common stock and there can be no assurance that an active market will develop. The prices at which the shares trade will be determined by the market place and could be subject to significant fluctuations in response to many factors, including, among others, variations in the Company's quarterly operating results, changing economic conditions in the industries in which the subsidiaries participate, and changes in government regulations. In addition, the general stock market has in recent years experienced significant price fluctuations, often unrelated to the operating performance of the specific companies whose stock is traded. Market fluctuations, as well as economic conditions, may adversely affect the market price of the Company common stock. In the event of declining stock values and diminished liquidity, shareholders could lose their entire investment. See "MARKET PRICE OF AND DIVIDENDS ON THE COMPANY'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS."

Dependence on Operating Environments Imposes Obsolescence, Diminished Revenues and Profit Exposures

The subsidiaries' software is designed for use with computers running in the Microsoft WindowsTM and Windows NTTM operating environments. The successful introduction of new operating systems or significant changes in existing operating systems could adversely affect the Company's operating results. Failure by the subsidiaries to develop new products for any such changed operating environments could result in the Company's inability to maintain sufficient margins in which to continue its business.

Rapid Technological Change Exposes Subsidiaries To Competitive Disadvantages, Reductions in Sales, Profits, Growth Rates, Market Acceptance

The market for the subsidiaries' products is characterized by rapid technological advances, evolving industry standards, changes in end-user requirements and frequent new product introductions and enhancements. The introduction of hardware or software products embodying new technologies and the emergence of new standards could have an adverse effect on the subsidiaries' present products or any products under development. For instance, the Company believes that TekSoft's CAMWorks product is an example of rapid technological change. The CAMWorks product in the last two to three years has changed the way CAM is being done in the manufacturing community. CAMWorks' ability to analyze a solid model and generate machine code to produce the piece part automatically will change the way parts will be manufactured in the future. The subsidiaries' future success will depend upon its ability to enhance its present products as well as introduce new products that are responsive to technological developments and end-user requirements and development market appeal. Any failure by the subsidiaries to develop new products and enhancements in a timely manner will have an adverse effect on the results of the Company's operations and could result in the Company's failure and the loss of shareholders' investment.

Absence of a Market For The Company's Electronic-Commerce Products Increases Risks of Loss on Investment, Failure to Achieve Growth Targets, Difficulty in Meeting Debt Service Requirements, Diminished Investor Confidence

A market for the Company's electronic-commerce and other business-to-business products may not develop. If a significant market for internet-based electronic-commerce and business-to-business products does not develop, the Company's business may not grow according to the Company's expectations and shareholder's prospects for capital gain will be diminished.

Competitive Pricing Pressures May Increase The Risk of Loss of Investment

Competitive pricing pressures might bring about a reduction in the average price of the subsidiaries' products, resulting in a decrease in revenues and gross margins. Changes in product mix and other factors might also influence prices. If price reductions occur, the Company's revenues will decline unless it is able to offset these decreases by increasing its sales volumes. In addition, in order to maintain its gross margins, the subsidiaries must develop and introduce new products and product enhancements, and it must continue to reduce the development and distribution costs of its products. There is no assurance that the Company will succeed in implementing corrective action if any of these declines occur. Failure by the subsidiaries to implement successful pricing strategies and/or to develop new products to meet these competitive pressures and/or to increase unit volumes could result in the Company's failure and the loss of shareholder's investment.

New Products May Contain Undetected Hardware and Software Errors, Increase Risk of Loss of Investment

New products the subsidiaries develop may contain undetected hardware and software errors, which could require significant expenditures of time and money to correct, harm its relationships with existing customers and negatively impact its reputation in the industry. In addition, the subsidiaries' products are combined with products from other vendors. If such problems occur, it may be difficult to identify the source of the problem. If such problems should occur, and if the Company is unable to rapidly correct any such problems, there may be consequences such as:

- Delay or loss of market acceptance of the subsidiaries' products
- Significant warranty or other liability claims
- Diversion of engineering and other resources from product development efforts
- Significant customer relations problems
- Loss of credibility in the market
- Inability to sell its products until any errors are corrected

Any one or any combination of these consequences could result in a significant loss in value of shareholders' investment.

Quarterly Fluctuations May Place Additional Burden on Working Capital, Need For Additional Investment

Management believes that OnCourse's sales will fluctuate based on the manufacturing communities purchasing trends. The Company's quarterly revenues and operating results have varied significantly in the past and are likely to vary significantly in the future. For example using an average of the last five years sales activity, Micro Estimating's sales on a quarterly basis has ranged from 20% of annual sales to as high as 30% of annual sales. TekSoft's average quarterly sales for the same five-year period have fluctuated from 23% of annual sales to 26% of annual sales. A typical sales pattern will start the year with new budget spending through the first four months. Then there will be a three-month slowdown during the summer months, which reflects reduced production and plant shutdowns. This is then followed by an increase in sales volume through the end of the year as companies complete their fiscal years, typically spending remaining budgetary monies and in some cases, based on taxation issues, purchase smaller capital expenditures to reduce tax liabilities. Other factors that may affect quarterly results include the following:

- The overall strength of the economy, timing, size and terms of customer orders
- Changes in customer buying patterns
- Uncertainties associated with the introduction of any new product or product enhancement

- The timing of the announcement and introduction of new products by the subsidiaries or its competitors
- The mix of products sold and the mix of distribution channels through which products are sold
- Deferrals of customer orders in anticipation of new products, services or product enhancement introduced by the Company or its competitors
- Technological developments affecting the electronic-commerce, business-to-business, and manufacturing software markets

Any failure by the Company to obtain sufficient lines of credit to support these quarterly fluctuations, if any, could result in a decline in profitability and a loss of shareholder value.

Management of Future Acquisitions and Growth Will Require Additional Investment, May Exceed Company's Ability to Manage This Growth

The Company has embarked upon an ambitious growth plan including the acquisition of one or more businesses and the accumulation of capital to finance existing and acquired businesses. It will be necessary for the subsidiaries to attract, hire and maintain new employees at many levels, including senior management in order to achieve and support growth. The Company expects to include the public market for its securities as a basis for the development of key employee incentive compensation, savings, investment and retirement plans. There can be no assurance that the Company will be successful in any of these efforts, the failure of which could result in slower growth, a decline in profitability and a loss of shareholder value. See "MARKET PRICE OF AND DIVIDENDS ON THE COMPANY'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS."

Loss of Key Personnel or Inability to Hire Additional Qualified Personnel Might Result in Failure of the Company to Implement its Plans

Loss of the services of key management employees or inability to attract and retain qualified personnel or delays in hiring required personnel, particularly programmers and sales personnel, could delay the development and introduction of, and negatively impact the subsidiaries' ability to sell its products. In addition to key management personnel, the Company's success depends on its ability to attract and retain highly skilled technical, managerial, marketing and other personnel. Competition for these personnel is intense. In recent years, there has been a strong demand for qualified skilled and unskilled employees in the Wisconsin, Minnesota and Arizona areas, where the subsidiaries' main operations are located, and in other areas where it operates. There is a risk that it will be unsuccessful in attracting and retaining the personnel it needs for its business. Failure to attract and retain such personnel could result in a decline in the Company's revenues and profits and a loss of investment by shareholders.

Reliance on Contract Programmers For Development of Subsidiaries' Software Products

The subsidiaries use domestic and foreign contract programmers to program its software products. Competition for these resources may cause a shortage of contract programmers or increase the cost of these services to the point where the Company's profitability declines. This decline in profitability could slow product development efforts which in turn could prevent the subsidiaries from being competitive in its markets.

Reliance on Distribution Channel Increases Exposure From Competitors Strengths, Company's Financial Constraints

The Company relies on direct sales and independent distributors to sell its products. In 1999, 34% of the Company's total revenues were generated by its independent distributors when excluding sales of subsidiaries that were previously independent distributors. Distributors also represent other products that may either complement or compete directly with those of the subsidiaries. Independent choices by distributors concerning which products receive their principal attention, the development of new or enhanced products by competitors, the subsidiaries' relative ability to compete effectively with others in time-to-market comparisons and a large number of factors under the control of competitors and independent distributors may adversely effect the Company's future operating results. Failure to attract and retain good distributors and/or to implement more direct marketing efforts could result in a decline in the Company's revenues and profits and a loss of investment by shareholders.

Asset Encumbrances, Operating Losses, Contingent Stock Issuances Might Increase Shareholder Dilution While Values Could Decline

Substantially all of the Company's assets are pledged to secure bank indebtedness subject to compliance with certain financial ratio tests. The Company's earned surplus deficit and continuing operating losses might reduce the availability of such credit facilities in the future under those ratio tests. At the same time, revenue and net income increases, if any, will obligate the Company to issue additional shares under acquisition agreements. Taken as a whole, these factors increase the risk of dilution in shareholder value and impose a risk of complete loss of shareholder value unless those trends are reversed or offset by the infusion of new capital.

Company's Bank Indebtedness Has Floating Interest Rates

Page 11

The majority of the Company's existing bank indebtedness has interest rate pricing that fluctuates with changes in the bank's prime rate. Significant increases in the bank's prime interest rate could reduce the Company's operating profits. A reduction in profitability will make it more difficult to implement the Company's growth plans and to develop the products necessary to remain competitive.

Year 2000 Compliance

During 1999 the Company had analyzed the Year 2000 readiness issues related to its business systems. All systems critical to managing the business were Year 2000 compliant. As of the date of this Registration Statement, the Company has not experienced any problems with Year 2000 Compliance.

FORWARD-LOOKING STATEMENTS

This Registration Statement of OnCourse Technologies, Inc. includes forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 (the "1934 Act"). These statements are based on management's beliefs and assumptions, and on information currently available to management. Forward-looking statements include statements in which words such as "expect," "anticipate," "intend," "plan," "believe," "estimate," "consider," or similar expressions are used.

Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions. The Company's future results and stockholder values may differ materially from those expressed in these forward-looking statements. Many of the factors that will determine these results and values are beyond the Company's ability to control or predict. For these statements, the Company claims the protection of the safe harbor for forward-looking statements contained in Section 21E of the 1934 Act1. This protection does not apply to statements made in an initial public offering. The Company will comply with its reporting requirements after this registration statement becomes effective.

Reports to Security Holders

The Company intends to provide all of its shareholders with an annual report of the Company's operations including comparative audited financial statements for the years ended December 31, 2000 and 1999.

The public may read and copy any materials that the Company has on file with the Securities and Exchange Commission ("SEC") at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at (800) SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The SEC's Internet site address is http://www.sec.gov. Prior to the date of this registration, the Company has not filed reports with the Securities and Exchange Commission. However, the Company will file such reports following the effectiveness of this registration statement.

The Company's Internet site address is http://www.oncoursetechnologies.com.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS AND RESULTS OF OPERATIONS

Overview

The following discussion and analysis should be read in conjunction with the Company's Consolidated Financial Statements and the financial statements of CAM Solutions, Inc., Cimtronics, Inc. and TekSoft, Inc. and notes, thereto and the other financial information appearing elsewhere in this filing. In addition to historical information, the following discussion and other parts of this filing contain forward-looking information that involves risks and uncertainties. The Company's actual results could differ materially from those anticipated by such forward-looking information due to competitive factors, risks associated with the Company's expansion plans and other factors discussed herein.

Since the Company's incorporation on May 28, 1998, the Company's mission has been to become the collaborative business partner for the metal working industry by providing technology products and services that improve the profitability and efficiency of metal component manufacturers. This mission is carried out under three objectives consisting of: acquiring specific other businesses; developing Internet based, business-to-business electronic-commerce sites for use in the procurement of customer components, raw materials, and tooling for the metalworking industries; and raising capital and maximizing shareholder value. The Company is on course relative to these objectives by executing strategies that focus on a balance of three priorities: growth, profitability and liquidity.

During the nine months ended September 30, 2000 and the year ended December 31, 1999, the Company acquired three companies: TekSoft on January 31, 2000; Cimtronics on October 1, 1999; and CAM on January 1, 1999. Each of these

acquisitions has moved the Company closer to its goal of becoming a business partner for the metal working industry. These acquisitions also helped complement its existing product offerings as well as broaden the base necessary for implementing its Internet strategy utilizing a business-to-business electronic-commerce site. The Company, through its Micro Estimating subsidiary, also forged an exclusive arrangement to be the U.S. and Canadian distributor and systems integrator for a tool management system offered by one of Europe's largest tooling manufacturers that enables companies to increase machine up-time and reduce inventory.

In addition to the above acquisitions, the subsidiaries have devoted significant resources to upgrading its computer-aided-manufacturing and computer-aided-engineering products and developing its business-to-business electronic-commerce site. During the nine months ended September 30, 2000, the Company invested over 37% of net sales or $1,412,000 of net sales in capitalized software and internal and purchased research and development activities combined. This is a significant increase over the approximate 5% and 7% of net sales, respectively, that the Company invested during each of the fiscal years ended December 31, 1999 and 1998 and the 5% for the nine months ended September 30, 1999. The percentage increase can be largely attributed to the $1,322,000 investment level in internal and purchased research and development and capitalized software by TekSoft since it was acquired on January 31, 2000.

The Company acquired both developed and in-process technologies as part of the TeckSoft acquisition on January 31, 2000. An appraisal was performed on the TekSoft computer-aided-design and computer-aided-manufacturing software product lines: ProCAM 2000, CAMWorks 99 and CAMWorks 2000. The developed technology was valued at $4,300,000. This was comprised of $3,150,000 for the current completed ProCAM 2000 software and $1,150,000 for the CAMWorks 1999 software. An estimated useful life of five years was determined to be reasonable for the TekSoft's developed technologies.

Generally, in-process research and development is distinguished from developed technology based upon whether "technological feasibility" has been achieved. The technological feasibility of a product is established when the enterprise has completed all planning, designing, testing, and sampling activities that are necessary to establish that the product can be produced to meet its design specifications including functions, applications, and technical performance requirements. The in-process technology was determined to be $270,000 for the CAMWorks software. For approximately five months prior to the valuation date, the engineering staff had begun the work on the release version CAMWorks 2000. At the date of acquisition, the release had not yet reached the beta stage.

At the date of acquisition, TekSoft planned the release of a new version of the CAMWorks software for May of 2000. Very little of the code base, comprising the existing basic infrastructure, would be rewritten for this release or for the next several releases. The next release is scheduled for early 2001. The 2001 release will be added to the then existing core code and, based on the historical pattern, will add an estimated 20% in features and functionality to the base. The CAMWorks 2000 project will include 90 or more enhancements.

The significant acquisition and product development activity during the nine months ended September 30, 2000 and the year ended December 31, 1999 helps to explain the change in the results of operations when comparing the nine months ended September 30, 2000 and 1999 and the years ended December 31, 1999 and 1998.

RESULTS OF OPERATIONS

NINE MONTHS ENDED SEPTEMBER 30, 2000 AND 1999

During the nine months ended September 30, 2000, the Company continued to focus on growth. The two acquisitions made on October 1, 1999 (Cimtronics) and January 31, 2000 (TekSoft) helped increase net sales by $2,016,000 to $3,737,000 for the nine months ended September 30, 2000 from $1,721,000 for the same period in 1999. The Company's deferred revenue of $1,689,000 as of September 30, 2000 reflects an increase of $733,000 over the deferred revenues of $956,000 for OnCourse as of December 31, 1999 due to the inclusion of TekSoft effective February 1, 2000.

Cost of goods sold was $1,250,000 for the nine months ended September 30, 2000 as compared to the $362,000 for the nine months ended September 30, 1999. The increase is attributed to the Cimtronics acquisition on October 1, 1999 and the TekSoft acquisition on January 31, 2000.

Selling expenses increased to $1,841,000 for the nine months ended September 30, 2000 as compared to the $777,000 for the nine months ended September 30, 1999. The increase is largely related to the additional selling expenses for the Cimtronics and TekSoft businesses acquired as well as selling expenses due to an increase in sales of the Micro Estimating and CAM subsidiaries.

Research and development expense was $219,000 and $13,000 for the nine months ended September 30, 2000 and 1999, respectively. The increase is attributed to the research and development activities of TekSoft.

The Company acquired $270,000 of in-process research and development as part of the TekSoft acquisition. This non-recurring amount was written off immediately in accordance with APB No. 16, "Accounting for Business Combinations."

General and administrative expense including goodwill and other intangible amortization increased to $2,256,000 for the nine months ended September 30, 2000 compared to the $624,000 for the nine months ended September 30, 1999. The largest contributing factor for this increase was the $687,000 of goodwill amortization for the nine months ended September 30, 2000 compared to the $3,000 for 1999. The increase in goodwill is related to the Cimtronics and TekSoft acquisitions. Another contributing factor towards the increase relates to $103,000 of amortization expense incurred for the nine months ended September 30, 2000 for the amortization of the Assembled Work Force, Trade Names and Distribution Network intangible assets resulting from the TekSoft acquisition. There was $0 incurred for the nine months ended September 30, 1999. The remaining increase can be attributed to the expenses of the Cimtronics and TekSoft businesses since acquisition.

Operating expenses, excluding goodwill and other intangible asset amortization, were $3,796,000 for the nine months ended September 30, 2000 as compared to $1,411,000 for the nine months ended September 30, 1999. Total operating expenses including goodwill and other intangible asset amortization totaled $4,586,000 for the nine months ended September 30, 2000 compared to $1,414,000 in 1999. This resulted in a pre-tax loss of $2,165,000 for the nine months ended September 30, 2000 as compared to the $77,000 loss in 1999.

Net loss after tax benefits were $1,760,000 and $52,000 for the nine months ended September 30, 2000 and 1999, respectively.

YEARS ENDED DECEMBER 31, 1999 AND 1998

Net sales for the year ended December 31, 1999 were $2,482,000 compared to $1,851,000 in 1998. The Company's increase in revenues can be attributed to revenues generated by the CAM and Cimtronics subsidiaries. Micro Estimating's computer-aided-engineering software products and services in 1999 were flat compared to 1998 largely due to the Year 2000 cautiousness that affected potential customer's buying decisions. Despite Micro Estimating's products being Y2K compliant, the Company believes that its customers exhausted their capital expenditure budgets because of the significant expenditures made in upgrading their core manufacturing and financial systems to ensure compliance.

Cost of goods sold is mostly comprised of purchased software and material purchases, freight and amortization of capitalized software. Cost of goods sold for 1999 was $636,000 compared to $419,000 in 1998. Cost of goods sold as a percentage of net sales increased to 25.6% in 1999 from 22.6% in 1998. The increase is largely attributed to the impact that the distributor-based sales (higher cost of goods sold percentage of net sales) generated by the 1999 acquisitions had relative to the proprietary software sales only in 1998. Also contributing to the increase was a $31,000 (1.2% of net sales) write-off of the remaining unamortized capitalized software from 1995 capitalized costs.

Gross profit of $1,847,000 in 1999 increased 28.9% over the $1,433,000 in 1998. Gross profit as a percentage of net sales was 74.4% in 1999 compared to 77.4% in 1998. The gross profit dollars increase can be attributed to higher sales due to the addition of the CAM and Cimtronics subsidiaries. However, the higher cost of goods sold content of the added distributor-based sales in 1999 caused gross profit as a percentage of net sales to decrease.

Selling expenses increased to $1,110,000 for the year ended December 31, 1999 as compared to the $735,000 for the year ended December 31, 1998. The increase is largely related to the additional selling expenses for the CAM and Cimtronics businesses acquired in 1999. In addition, staff was added in 1999 to open an office in North Carolina, to develop a market for Micro Estimating's exclusive distribution agreement of new tool management software, and to expand the customer support function. These positions, which were mostly related to sales or sales support activities, caused selling expenses to increase to 44.7% of net sales in 1999 from 39.7% of net sales in 1998. These added costs are expected to decline as a percentage of net sales if these investments generate the sales increases as expected.

Research and development expense declined slightly to $17,000 in 1999 from $21,000 in 1998.

General and administrative expense increased to $954,000 for the year ended December 31, 1999 as compared to the $669,000 for the year ended December 31, 1998. The largest contributing factor for this increase was the expenses of the CAM and Cimtronics businesses acquired. The Company had $26,000 of goodwill amortization in 1999 resulting from the two acquisitions in 1999. There was no goodwill amortization in 1998.

The Company generated a loss from operations of $234,000 in 1999 compared to operating income of $8,000 in 1998. The loss is mostly attributed to goodwill amortization and professional fees related to the Company's acquisitions and staff additions described above coupled with the lower than expected sales volumes in the fourth quarter of 1999 due to the Y2K issue.

Interest expense for 1999 totaled $31,000 compared to $17,000 in 1998. The Company incurred higher interest expense in 1999 due to the financing of the higher sales volume and staffing additions made in 1999.

The Company's provision for income taxes in 1999 was a $95,000 tax benefit compared to a $69,000 tax provision in 1998.

Net loss was $170,000 in 1999 compared to a net loss of $79,000 in 1998 or 6.9% and 4.2% of net sales, respectively.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position as of September 30, 2000 was approximately $120,000 as compared to $26,000 as of September 30, 1999. During the nine months ended September 30, 2000, net cash provided by operating activities was $665,000 versus $51,000 for the nine months ended September 30, 1999.

The Company's working capital as of September 30, 2000 was a negative $1,454,000 as compared to the negative working capital of $393,000 as of December 31, 1999. The increase in the negative working capital as of September 30, 2000 over December 31, 1999 is largely attributed to increased deferred revenues, and improved cash collections on accounts receivables and increases in short-term lines of credit that were used to finance the investment of $1,025,000 in capitalized software and fixed assets.

Subsequent to September 30, 2000, the Company consolidated its bank debt by replacing the Micro Estimating and TekSoft lines of credit and substantially all of the existing bank term debt. The new debt facility consists of a $400,000 term loan due on October 1, 2005 and a $1,100,000 three-year revolving line of credit agreement due October 9, 2003. The revolving line of credit is limited to a borrowing base calculated as a specified percentage of qualifying accounts receivable, property, plant and equipment and net capitalized software. The interest rate for the term loan and revolving line of credit is 9.25% and prime (9.5% at September 30, 2000), respectively. The monthly term debt payment of $6,500 is based on a seven-year amortization schedule. The three-year revolving line of credit agreement as well as the term loan will be classified as long-term debt. The debt facility will be secured by all assets of the Company and its subsidiaries.

The new debt facility significantly improves the working capital position of the Company. While the Company will still have negative working capital given the $1,689,000 of deferred revenues as of September 30, 2000, the new debt facility replaces the short-term lines of credit totaling $425,000 as of September 30, 2000. It also replaces the $300,000 September 30, 2000 balance of a short-term bank note that was due September 30, 2000, the $140,000 September 30, 2000 balance of a long-term note payable that is due July 21, 2001, and the $40,000 equipment term note that is due August 4, 2002. Management believes that the new debt facility will support its working capital needs throughout 2001.

In addition to the above mentioned lines of credit and term debt as of September 30, 2000, the Company has several notes payable due to current and former shareholders and employees of the Company and its subsidiaries totaling $172,000 with a current portion of $42,000 as of September 30, 2000. These notes have interest rates that range from 7% to 16.5%. The principal and interest payment structures vary for these notes. Please refer to the accompanying consolidated financial statements and footnotes for details.

Shareholder's Equity increased to $10,340,000 as of September 30, 2000 compared to $476,000 and $45,000 deficit as of December 31, 1999 and December 31, 1998, respectively. The increase in Shareholder's Equity since December 31, 1999 is attributed to the acquisition of TekSoft for $10,755,000, $265,000 in additional proceeds from the sale of common stock and $601,000 of common stock issued for services. Offsetting these increases for the nine months ending September 30, 2000 was the $1,760,000 loss realized for the nine months ended September 30, 2000.

In addition, the Company recorded a reduction to retained earnings to reflect the accounting treatment for extending the expiration date of the 1998 warrants from March 31, 2000 to September 30, 2000. The same warrants were further extended to June 30, 2001 on September 12, 2000. Generally accepted accounting principles required that the warrants be classified as equity and accreted to the estimated redemption value based on the terms of the warrants. At the time of original issuance the warrants were not assigned an initial value or any accretion as their estimated fair market value approximated zero. The extension resulted in a new measurement date and the incremental value of the warrants was accounted for as a dividend to the shareholders. The value of the remeasured warrants was determined using the Black-Scholes pricing model. See "RECENT SALES OF UNREGISTERD SECURITIES".

The Company invested $923,000 in capitalized software for the nine months ended September 30, 2000. This compares to $114,000 and $112,000 for the years ended December 31, 1999 and 1998, respectively. The significant investment during the nine months ended September 30, 2000 can be mostly attributed to feature enhancements to TekSoft's computer-aided-manufacturing software. The Company also made expenditures for plant and equipment and other assets during the nine months ended September 30, 2000 of $102,000 and $111,000, respectively, compared to the $81,000 and $0 for the year ended December 31, 1999. The increase in other assets is largely related to license fees for third-party technology used in TekSoft's CAM software products.

Management believes that cash on hand together with funds available under the existing and proposed lines of credit and projected cash generated from operations will be sufficient to satisfy its short term 2000 and 2001 operating requirements in the present mode of operation. In order to meet long-term cash flow requirements and to increase the levels of expenditure relating to product development of its software products and Internet strategy and sales promotion activities, the Company is seeking to raise an aggregate of $5,000,000 through a private placement of shares of the Company's common stock. There can be no assurances that this effort to raise additional working capital will be successful and in the event that the Company is not successful, its ability to aggressively market its family of engineering and manufacturing software products will be limited. Any failure by the Company to develop new products and enhancements in a timely manner will have an adverse affect on the results of the Company's operations and could result in the Company's failure and the loss of Shareholders' investment.

Item 3. DESCRIPTION OF PROPERTY

All of the operations of the Company and its subsidiaries are conducted from office space leased from non-related party landlords except as noted for TekSoft. TekSoft leases office space with a related party that is renewable in five-year increments for a period of twenty-five years. TekSoft subleases a significant portion of this related party lease as office space to other tenants. See "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS."

The following table sets forth information concerning the operating facilities:

Tenant	Size In Square Feet	Lease Expires	Monthly Rent As of October 1, 2000

OnCourse Technologies, Inc./ Micro Estimating Systems, Inc. 3106 South 166th Street New Berlin, WI 53151	4,672	11/30/2002	$3,238
CAM Solutions, Inc. (1) 1631 East 79th Street Suite 134 Bloomington, MN 55425	1,122	1/31/2003	$1,311
CAM Solutions, Inc. (2) 2121 W. Army Trail Road Suite 102 Addison, IL 60101	413	7/16/2001	$548
Cimtronics, Inc. 7434 East Stetson Drive Suite C-165 Scottsdale, AZ 85251	1,550	8/31/2004	$2,196
TekSoft, Inc. 16121 North 78th Street Scottsdale, AZ 85260	8,800	7/14/2003	$20,570

Item 4. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

As of September 30, 2000, the authorized capital stock of the Company consists of fifty million (50,000,000) shares of common stock, par value one tenth of a cent ($.001) per share, of which seventeen million two hundred two thousand three hundred ninety one (17,202,391) shares are validly issued, fully paid, non-assessable and outstanding and none of which are issued in violation of the preemptive rights of any shareholder.

The Company issued in 1998 four hundred thousand (400,000) Redeemable Common Stock Purchase Warrants entitling each Warrant Holder to purchase on or before June 30, 2001, one (1) share of Company common stock per Purchase Warrant for the sum of one dollar and fifty cents ($1.50). Of the 400,000 warrants issued, 1,046 have been exercised as of September 30, 2000.

During 1999 and the nine months ended September 30, 2000, the Company offered and issued on various dates one hundred sixty four thousand nine hundred thirty nine (164,939) units of the Company's common stock. The units include one share of Company common stock, one Company Class A common stock purchase warrant expiring three years from the unit purchase date and one Company Class B common stock purchase warrant expiring five years from the unit purchase date. All of the

329,878 combined Class A and Class B common stock purchase warrants are outstanding as of September 30, 2000. See "RECENT SALES OF UNREGISTERED SECURITIES".

In addition, pursuant to acquisition agreements, the Company had reserved three million eight hundred three thousand eight hundred forty six (3,803,846) shares of its voting common stock for issuance to management shareholders if defined revenue and profit goals are attained. Of these shares, 400,000 shares were earned in each of the years ended December 31, 1999 and 1998, after attaining defined revenue goals. Four hundred thousand (400,000) shares have been earned during the nine months ended September 30, 2000. The acquisition agreement that the Company has with each of its subsidiaries, TekSoft, Cimtronics, CAM and

Micro Estimating, contains a change in control provision that causes the Company to issue additional shares of common stock to the former subsidiary shareholders should a change in control occur in the Company or that subsidiary. See "RECENT SALES OF UNREGISTERED SECURITIES".

The following table sets forth, as of September 30, 2000, the beneficial ownership of the Company's outstanding shares of Common Stock by (i) the only persons who own of record or are known to own, beneficially, more than 5% of the Company's Common Stock; (ii) each director of the Company, (iii) each executive officer of the Company; and (iv) all directors and executive officers as a group. All numbers of shares set forth in the table below and elsewhere in this Statement reflect a one-for-two split in the Company's Common Stock effective as of October 31, 1999, the TekSoft, Inc. acquisition as of January 31, 2000, and additional private placement share sales through September 30, 2000.

Name of Beneficial Owner and Address	Relationship	Amount an Nature o Beneficia Ownershi
Bernard A. Woods, III (1)		