

RAINING DATA CORP
Form 10QSB
February 14, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

**Quarterly Report under Section 13 or 15(d) of the Securities
Exchange Act of 1934**

For the quarterly period ended December 31, 2006

**Transition Report Pursuant to Section 13 or 15(d) of the
Exchange Act**

**For the transition period from _____ to _____
Commission File number 0-16449**

RAINING DATA CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

94-3046892
(IRS Employer Identification No.)

**25A Technology Drive
Irvine, CA 92618**

(Address of principal executive offices)

(949) 442-4400

(Registrant's telephone number)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes No

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

As of December 31, 2006, there were 21,148,837 shares of registrant's Common Stock, \$.10 par value, outstanding.

Transitional Small Business Disclosure Format (Check one): Yes No

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

RAINING DATA CORPORATION AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2006 (In thousands)	March 31, 2006
ASSETS		
Current assets		
Cash and cash equivalents	\$ 10,532	\$ 10,789
Trade accounts receivable, less allowance for doubtful accounts of \$306 in 2006 and \$182 in 2005	2,191	2,019
Other current assets	585	355
Total current assets	13,308	13,163
Property, furniture and equipment-net	1,030	1,055
Goodwill	26,788	26,845
Other assets	101	96
Total assets	\$ 41,227	\$ 41,159
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable	\$ 230	\$ 399
Accrued liabilities	2,409	2,885
Deferred revenue	5,005	4,886
Total current liabilities	7,644	8,170
Long-term debt-net of discount	23,835	22,893
Total liabilities	31,479	31,063
Commitments and contingencies		
Stockholders' equity		
Preferred stock		
Common stock	2,115	2,064
Additional paid-in-capital	101,102	99,341
Accumulated other comprehensive income	1,418	1,234
Accumulated deficit	(94,887)	(92,543)
Total stockholders' equity	9,748	10,096
Total liabilities and stockholders' equity	\$ 41,227	\$ 41,159

See accompanying notes to the unaudited condensed consolidated financial statements.

RAINING DATA CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2006	2005	2006	2005
Net revenues				
Licenses	\$ 1,793	\$ 2,334	\$ 5,133	\$ 6,271
Services	2,983	2,965	8,911	8,930
Total net revenues	4,776	5,299	14,044	15,201
Operating expenses				
Cost of license revenues	28	27	68	78
Cost of service revenues	442	542	1,583	1,745
Selling and marketing	1,387	1,337	4,204	3,923
Research and development	2,175	2,429	7,052	7,062
General and administrative	962	986	2,843	2,823
Total operating expenses	4,994	5,321	15,750	15,631
Operating loss	(218)	(22)	(1,706)	(430)
Other expense				
Interest expense-net	(205)	(239)	(636)	(728)
Other (expense) income-net	19	(7)	55	(79)