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SumTotal Systems Q3 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Thank you. Our first question is coming from Robert Breza of RBC. Please go ahead.

Robert Breza - RBC

Hi, good afternoon. Thanks for taking my questions. One quick question as it relate to the \$4 million restructuring benefit. You said about \$1 million one-time charge, should we expect that to be non-cash or cash; can you kind of help us there? And then Don, as you look at the business you talked about, not sure of the slowdown or customer specifics.

What more investigation I guess, do you need to do to kind of get your arms around the issue. Obviously you are taking the prudent steps in reducing your cost. But what else, do you need to do from your perspective talking to your sales force, partner's, etcetera, that kind of get your hands around the outlook as we go into '08?

Don Fowler

Neil will go first on the restructuring charge.

Neil Laird

All of the cost reductions were people related, and that will all involve cash, I think the timing of which will be most in the current quarter, a little bit probably going into the first quarter.

Don Fowler

And with respect to what we are doing to really get our arms around, is this a slowdown, or is this something unique to customers. We've examined the pipeline that we have very carefully. We have been doing that; we continue to do that, and with each and every situation we try to dig into it and take a hard look. I'll just give you an example. We had a pharmaceutical situation that was going right to the 11th hour. I mean, they told us we had the business. We had exchanged all the red lines and contracts and because of a financial reversal that they are from experienced and announced, we had to defer out a year or so. And so that's clearly reflective of some issues in the pharmaceutical industry that we all know exists. Healthcare has got some industry issues as well.

So, we rushed those things, but financial services and the rest, and we've had some deals that have carried over and cause us concern. We don't see signs of economic weakness there, but we are

watching very carefully and monitoring it. And between that and talking to the partners and sources out there, that's what we are doing.

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