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SIMULATIONS PLUS INC
Form 10QSB
January 14, 2008

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-QSB

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

For the quarterly period ended November 30, 2007 or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1937

For the transition period from _____ to _____

Commission file number: 001-32046

SIMULATIONS PLUS, INC.
(Name of small business issuer in its charter)

CALIFORNIA
(State or other jurisdiction of
Incorporation or Organization)

95-4595609
(I.R.S. Employer
identification No.)

42505 10TH STREET WEST
LANCASTER, CA 93534-7059
(Address of principal executive offices including zip code)

(661) 723-7723
(Issuer's telephone number, including area code)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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

The number of shares outstanding of the Issuer's common stock, par value \$0.001 per share, as of January 11, 2008, was 16,161,400.

SIMULATIONS PLUS, INC.
FORM 10-QSB
FOR THE QUARTERLY PERIOD ENDED NOVEMBER 30, 2007

Table of Contents

PART I. FINANCIAL INFORMATION

| Item 1. Financial Statements (Unaudited) | Page |
|---|------|
| | ---- |
| Consolidated Balance Sheet at November 30, 2007 (unaudited) | 2 |

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| | |
|---|----|
| Consolidated Statements of Operations for the three months and three months ended November 30, 2007 and 2006 (unaudited) | 4 |
| Consolidated Statements of Cash Flows for the three months ended November 30, 2007 and 2006 (unaudited) | 5 |
| Notes to Consolidated Financial Statements (unaudited) | 7 |
| Item 2. Management's Discussion and Analysis or Plan of Operations | |
| General | 16 |
| Results of Operations | 21 |
| Liquidity and Capital Resources | 23 |
| Item 3. Quantitative and Qualitative Disclosures about Market Risk | 23 |
| Item 4. Controls and Procedures | 23 |
| PART II. OTHER INFORMATION | |
| Item 1. Legal Proceedings | 24 |
| Item 2. Changes in Securities | 24 |
| Item 3. Defaults upon Senior Securities | 24 |
| Item 4. Submission of Matters to a Vote of Security Holders | 24 |
| Item 5. Other Information | 24 |
| Item 6. Exhibits and Reports on Form 8-K | 24 |
| Signature | 25 |
| Exhibit - Certifications | |

SIMULATIONS PLUS, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
(Unaudited)
November 30, 2006

ASSETS

| | |
|---|-------------|
| CURRENT ASSETS | |
| Cash and cash equivalents | \$4,584,313 |
| Accounts receivable, net of allowance for doubtful accounts and estimated contractual discounts of \$117,050 | 2,379,574 |
| Inventory | 237,167 |
| Prepaid expenses and other current assets | 69,079 |
| Deferred tax asset | 200,954 |
| Total current assets | 7,471,087 |
| CAPITALIZED COMPUTER SOFTWARE DEVELOPMENT COSTS, net of accumulated amortization of \$2,973,764 | 1,585,610 |

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| | |
|---|-------------|
| PROPERTY AND EQUIPMENT, net (note 4) | 77,003 |
| CUSTOMER RELATIONSHIPS, net of accumulated amortization of \$66,328 | 61,714 |
| OTHER ASSETS | 18,445 |
| | ----- |
| TOTAL ASSETS | \$9,213,859 |
| | ===== |

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

2

SIMULATIONS PLUS, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
(Unaudited)
November 30, 2006

LIABILITIES AND SHAREHOLDERS' EQUITY

| | |
|--|------------|
| CURRENT LIABILITIES | |
| Accounts payable | \$ 225,150 |
| Accrued payroll and other expenses | 507,845 |
| Accrued bonuses to officer | 21,339 |
| Accrued warranty and service costs | 35,004 |
| Accrued income tax | 36,513 |
| | ----- |
| Total current liabilities | 825,851 |
| Long-Term liabilities | |
| Deferred tax liability | 313,215 |
| | ----- |
| Total liabilities | 1,139,066 |
| COMMITMENTS AND CONTINGENCIES (note 5) | |
| SHAREHOLDERS' EQUITY (note 6) | |
| Preferred stock, \$0.001 par value | |
| 10,000,000 shares authorized | |
| no shares issued and outstanding | -- |
| Common stock, \$0.001 par value | |
| 20,000,000 shares authorized | |
| 15,981,400 shares issued and outstanding | 4,453 |
| Additional paid-in capital | 5,970,525 |
| Retained Earnings | 2,099,815 |
| | ----- |
| Total shareholders' equity | 8,074,793 |
| | ----- |

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TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY \$9,213,859
=====

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

3

SIMULATIONS PLUS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three Months Ended November 30,
(Unaudited)

| | 2007 ---- | 2006 ---- |
|---|---------------------|--------------------|
| NET SALES | \$ 1,983,809 | \$ 1,456,451 |
| COST OF SALES | 485,940 | 441,440 |
| GROSS PROFIT | 1,497,869 | 1,015,011 |
| OPERATING EXPENSES | | |
| Selling, general, and administrative | 930,291 | 756,777 |
| Research and development | 225,951 | 183,627 |
| Total operating expenses | 1,156,242 | 940,404 |
| INCOME (LOSS) FROM OPERATIONS | 341,627 | 74,607 |
| OTHER INCOME (EXPENSE) | | |
| Interest income | 45,147 | 15,928 |
| Miscellaneous income | 25 | 358 |
| Gain (Loss) on currency exchange | 18,635 | 2,972 |
| Total other income (expense) | 63,807 | 19,258 |
| INCOME (LOSS) BEFORE INCOME TAXES | 405,434 | 93,865 |
| BENEFIT FROM (PROVISION FOR) INCOME TAXES | | |
| Benefit from (provision for) income tax | (162,174) | (20,650) |
| Total benefit from (provision for) income taxes | (162,174) | (20,650) |
| NET INCOME (LOSS) | \$ 243,260 ===== | \$ 73,215 ===== |
| BASIC EARNINGS (LOSS) PER SHARE | \$ 0.02 ===== | \$ 0.00 ===== |

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| | | |
|---|------------|------------|
| DILUTED EARNINGS (LOSS) PER SHARE | \$ 0.01 | \$ 0.00 |
| | ===== | ===== |
| WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING* | | |
| BASIC | 15,911,312 | 14,889,102 |
| | ===== | ===== |
| DILUTED | 18,429,743 | 17,097,120 |
| | ===== | ===== |

* The numbers of shares at November 30, 2007 and 2006 reflect the 2-for-1 stock splits which occurred on both October 1, 2007 and August 14, 2006.

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

4

SIMULATIONS PLUS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended November 30,
(Unaudited)

| | 2007 | 2006 |
|--|------------|-----------|
| | ---- | ---- |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 243,260 | \$ 73,215 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation and amortization of property and equipment | 12,900 | 11,604 |
| Amortization of customer relationships | 6,982 | 8,478 |
| Amortization of capitalized software development costs | 116,171 | 107,178 |
| Bad Debts | 62,947 | -- |
| Deferred tax | 125,661 | 20,650 |
| Stock-based compensation | 5,185 | 6,451 |
| Contribution of Equipment at book value | -- | 774 |
| (Increase) decrease in | | |
| Accounts receivable | (334,849) | 372,475 |
| Inventory | (6,253) | 3,142 |
| Other assets | 4,590 | 24,399 |
| Increase (decrease) in | | |
| Accounts payable | 23,904 | (74,870) |
| Accrued payroll and other expenses | 16,233 | 8,649 |
| Accrued bonuses to officers | (179,950) | (88,323) |
| Accrued income taxes | (34,787) | (1,600) |
| Accrued warranty and service costs | (3,164) | 100 |
| Deferred revenue | -- | 90,213 |
| | ----- | ----- |
| Net cash provided by operating activities | 58,830 | 562,535 |
| | ----- | ----- |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | -- | (18,272) |
| Capitalized computer software development costs | (173,971) | (132,967) |

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| | | |
|--|-----------|------------|
| | ----- | ----- |
| Net cash used in investing activities | (173,971) | (151,239) |
| | ----- | ----- |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from the exercise of stock options | 161,740 | 6,450 |
| | ----- | ----- |
| Net cash provided by financing activities | 161,740 | 6,450 |
| | ----- | ----- |
| Net increase (decrease) in cash and cash equivalents | \$ 46,599 | \$ 417,746 |

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

5

SIMULATIONS PLUS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended November 30,
(Unaudited)

| | | |
|---|--------------|--------------|
| | ----- | ----- |
| | 2007 | 2006 |
| | ---- | ---- |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 4,537,714 | 1,685,036 |
| | ----- | ----- |
| CASH AND CASH EQUIVALENTS, END OF PERIODS | \$ 4,584,313 | \$ 2,102,782 |
| | ===== | ===== |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| INTEREST PAID | \$ -- | \$ -- |
| | ===== | ===== |
| INCOME TAXES PAID | \$ 80,000 | \$ 1,600 |
| | ===== | ===== |

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6

SIMULATIONS PLUS, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS (Unaudited)

Note 1: GENERAL

As contemplated by the Securities and Exchange Commission under Item 310(b) of Regulation S-B, the accompanying financial statements and footnotes have been condensed and therefore do not contain all disclosures required by generally accepted accounting principles. The interim financial data are unaudited; however, in the opinion of Simulations Plus, Inc. ("we", "our", "us"), the interim data includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the interim periods. Results for interim periods are not necessarily indicative of those to be expected for the full year.

Note 2: SIGNIFICANT ACCOUNTING POLICIES

Estimates

Our consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. These estimates and assumptions are affected by management's application of accounting policies. Actual results could differ from those estimates. Significant accounting policies for us include revenue recognition, accounting for capitalized software development costs, and accounting for income taxes.

Principles of Consolidation

The consolidated financial statements include the accounts of Simulations Plus, Inc. and its wholly owned subsidiary, Words+, Inc. All significant intercompany accounts and transactions are eliminated in consolidation.

Revenue Recognition

We recognize revenue related to software licenses and software maintenance in accordance with the American Institute of Certified Public Accountants ("AICPA") Statements of Position (SOP) No. 97-2, "Software Revenue Recognition." Product revenue is recorded at the time of unlocking the software on the customer's computer(s), net of estimated allowances and returns. Post-contract customer support ("PCS") obligations are insignificant; therefore, revenue for PCS is recognized at the same time, and the costs of providing such support services are accrued and amortized over the obligation period.

As a by-product of ongoing improvements and upgrades to our software, some modifications are provided to customers, who have already licensed software, at no additional charge. We consider these modifications to be minimal, as they are not changing the basic functionality or utility of the software, but rather adding convenience, such as being able to plot some additional variable on a

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graph in addition to the numerous variables that had been available before. Such software modifications for any single product have been typically once or twice per year, sometimes more, sometimes less. Thus, they are infrequent. We provide, for a fee, additional training and service calls to our customers and recognize revenue at the time the training or service call is provided.

7

We enter into one-year license agreements with most of our customers for the use of our pharmaceutical software products. However, from time to time, we enter into multi-year license agreements. We now unlock and invoice software one year at a time for multi-year licenses. Therefore, revenue is now recognized one year at a time. This eliminates the extreme variability in our reported revenues and earnings that we experienced in the past caused by booking multi-year license revenues up front.

Cash and Cash Equivalents

For purposes of the statements of cash flows, we consider all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

Accounts Receivable

We maintain an allowance for doubtful accounts for estimated losses that may arise if any of our customers are unable to make required payments. We specifically analyze the age of customer balances, historical bad debt experience, customer credit-worthiness, and changes in customer payment terms when making estimates of the uncollectability of our trade accounts receivable balances. If we determine that the financial conditions of any of our customers deteriorated, whether due to customer-specific or general economic issues, an increase in the allowance may be made. Accounts receivable are written off when all collection attempts have failed.

Inventory

Inventory is stated at the lower of cost (first-in, first-out basis) or market and consists primarily of computers and peripheral computer equipment.

Capitalized Computer Software Development Costs

Software development costs are capitalized in accordance with SFAS No. 86, "Accounting for the Cost of Computer Software to be Sold, Leased, or otherwise Marketed." Capitalization of software development costs begins upon the establishment of technological feasibility and is discontinued when the product is available for sale.

The establishment of technological feasibility and the ongoing assessment for recoverability of capitalized software development costs require considerable judgment by management with respect to certain external factors including, but not limited to, technological feasibility, anticipated future gross revenues, estimated economic life, and changes in software and hardware technologies. Capitalized software development costs are comprised primarily of salaries and direct payroll-related costs and the purchase of existing software to be used in our software products.

Amortization of capitalized software development costs is provided on a product-by-product basis on the straight-line method over the estimated economic life of the products (not to exceed five years). Amortization of software development costs amounted to \$116,171 and \$107,178 for the three months ended

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November 30, 2007 and 2006, respectively. We expect future amortization expense to vary due to increases in capitalized computer software development costs.

We test capitalized computer software costs for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable within a reasonable time.

Property and Equipment

Property and equipment are recorded at cost, less accumulated depreciation and amortization. Depreciation and amortization are provided using the straight-line method over the estimated useful lives as follows:

8

| | |
|------------------------|--------------|
| Equipment | 5 years |
| Computer equipment | 3 to 7 years |
| Furniture and fixtures | 5 to 7 years |
| Leasehold improvements | 5 years |

Maintenance and minor replacements are charged to expense as incurred. Gains and losses on disposals are included in the results of operations.

Fair Value of Financial Instruments

For certain of our financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, accrued payroll and other expenses, accrued bonuses to officers, and accrued warranty and service costs, the carrying amounts approximate fair value due to their short maturities.

Shipping and Handling

Shipping and handling costs, recorded as cost of sales, amounted to \$22,507 and \$22,679 for the three months ended November 30, 2007 and 2006, respectively.

Research and Development Costs

Research and development costs are charged to expense as incurred until technological feasibility has been established. These costs consist primarily of salaries and direct payroll-related costs. It also includes purchased software which was developed by other companies and incorporated into, or used in the development of, our final products.

Income Taxes

The Company utilizes SFAS No. 109, "Accounting for Income Taxes," which requires the recognition of deferred tax assets and liabilities for expected future tax consequences of events that have been included in the financial statements or tax returns.

Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year-end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. The provision for income taxes represents the tax payable for the period and the change during the period in deferred tax assets and liabilities.

The evaluation of the deferred tax assets is based on our history of generating

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taxable profits and our projections of future profits as well as expected future tax rates to determine if the realization of the deferred tax asset is more-likely-than-not. Significant judgment is required in these evaluations, and differences in future results from our estimates could result in material differences in the realization of these assets.

Customer relationships

The Company purchased customer relationships as a part of the acquisition of certain assets of Bioreason, Inc. in November 2005. Customer relationships was recorded at a cost of \$128,042, and is being amortized over 78 months under the sum-of-the-years'-digits method. Amortization expense for the three months ended and accumulated amortization as of November 30, 2007 and 2006 amounted to \$66,328 and \$36,156, respectively.

9

Earnings per Share

The Company reports earnings per share in accordance with SFAS No. 128, "Earnings per Share." Basic earnings per share is computed by dividing income available to common shareholders by the weighted-average number of common shares available. Diluted earnings per share is computed similar to basic earnings per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. The components of basic and diluted earnings per share for the three months ended November 30, 2007 and 2006 were as follows (the number of shares at 11/30/2006 reflects the effect of 2-for-1 stock splits on October 1, 2007 and August 14, 2006 for comparison purposes):

| | 11/30/2007 | 11/30/2006 |
|--|------------|------------|
| | ----- | ----- |
| Numerator | | |
| Net income attributable to common shareholders | \$ 243,260 | \$ 73,215 |
| Denominator | | |
| Weighted-average number of common shares outstanding during the year | 15,911,312 | 14,889,102 |
| Dilutive effect of stock options | 2,518,431 | 2,208,018 |
| Common stock and common stock equivalents used for diluted earning per share | 18,429,743 | 17,097,120 |

Stock-Based Compensation

Effective September 1, 2006, we adopted SFAS No. 123R using the modified prospective method. Under this method, compensation cost recognized during the three months ended November 30, 2007 includes: (1) compensation cost for all share-based payments granted prior to, but not yet vested as of September 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123 amortized over the options' vesting period, and (2) compensation cost for all share-based payments granted subsequent to September 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123R amortized on a straight-line basis over the

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options' vesting period. As a result of adopting SFAS No. 123R on September 1, 2006, our stock-based compensation were \$5,185 and \$6,451 for the three months ended November 30, 2007 and 2006, respectively, and included in the condensed consolidated statements of operations as Consulting, and Research and development expense.

Concentrations and Uncertainties

International sales accounted for 30% and 29% of net sales for the three months ended November 30, 2007 and 2006, respectively. For Simulations Plus, Inc., three customers accounted for 41%, 8%, and 7% of net sales during the three months ended November 30, 2007, compared with one customer accounting for 22% of net sales during the same period in FY06. For Words+, Inc., two government agencies accounted for 22% and 7% of net sales during the three months ended November 30, 2007, compared with one government agency accounting for 27.9% of net sales during the same period in FY06.

The Company operates in the computer software industry, which is highly competitive and changes rapidly. The Company's operating results could be significantly affected by its ability to develop new products and find new distribution channels for new and existing products.

10

For Simulations Plus, three customers comprised 50%, 7%, and 6% of its accounts receivable at November 30, 2007, and four customers comprised 41%, 13%, 11% and 10% of accounts receivable at November 30, 2006. The accounts receivable balance of Simulations Plus increased \$802,000, or 198.5%, to \$1,207,000 at November 30, 2007 from \$404,000 at November 30, 2006. This is due primarily a large order that came in mid November. For Words+, two government agencies comprised 35% and 10%, and one insurance agency comprised 9% of its accounts receivable at November 30, 2007, and one government agency comprised 30% of its accounts receivable at November 30, 2006.

The Company's subsidiary, Words+, Inc., purchases components for its main computer products from three manufacturers. Words+, Inc. also uses a number of pictographic symbols that are used in its software products which are licensed from a third party. The inability of the Company to obtain computers used in its products or to renew its licensing agreement to use pictographic symbols could negatively impact the Company's financial position, results of operations, and cash flows.

Recently Issued Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109" ("FIN 48"), which clarifies the accounting for uncertainty in income tax positions. The provisions of FIN 48 were effective for the Company on September 1, 2007. The adoption of FIN 48 did not have a material impact on our consolidated financial statements.

Note 3: PROPERTY AND EQUIPMENT

Furniture and equipment as of November 30, 2007 consisted of the following:

| | |
|------------------------|------------|
| Equipment | \$ 163,121 |
| Computer equipment | 334,605 |
| Furniture and fixtures | 61,498 |
| Automobile | 21,769 |

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| | |
|---|-----------|
| Leasehold improvements | 53,898 |
| | ----- |
| Sub total | 634,891 |
| Less: Accumulated depreciation and amortization | (557,888) |
| | ----- |
| Net Book Value | 77,003 |
| | ===== |

Note 4: COMMITMENTS AND CONTINGENCIES

Employee Agreement

On August 9, 2007, the Company entered into an employment agreement with its President/Chief Executive Officer that expires in August 2009. The employment agreement provides for an annual salary of \$250,000. At the CEO's request, this new agreement does not include an annual bonus, which has ranged up to \$150,000 in all previous agreements. Thus, a savings to the Company of up to \$75,000 per year may be realized as a result of this new agreement. The agreement also provides that the Company may terminate the agreement upon 30 days' written notice if termination is without cause. The Company's only obligation would be to pay its President the greater of a) 12 months salary or b) the remainder of the term of the employment agreement from the date of notice of termination.

11

Litigation

On April 6, 2006 we received notice from a liquidator for the former French subsidiary of Bioreason (Bioreason SARL), saying that the liquidator had initiated legal action against Simulations Plus in the French courts with respect to ClassPharmer distribution rights to European customers, and is claiming commissions and legal fees with respect to European customers. We have been working through our U.S. attorneys and a law firm in Paris. We filed a counterclaim for our rights and lost sales against Bioreason SARL's assets by sending a debt recovery declaration to the liquidator on June 15, 2006.

On May 23, 2007, we received an e-mail from our French Lawyer that we had received a proposal for an amicable settlement, in which we would give up our claims if Bioreason SARL would agree to waive any claims against Simulations Plus. This proposal was accepted by phone by the lawyer of Bioreason SARL, and now we have signed the agreement which has been submitted to French court.

On July 13, 2007, we received another e-mail from our French Lawyer that the agent in charge of the liquidation of Bioreason SARL requested the hearing to be postponed until October 11, 2007, and her request was accepted by the French supervisory judge.

On October 31, 2007, our French lawyer informed us that the hearing was again postponed until November 2007.

As of today, we are still waiting for the approval of the settlement agreement from the commercial division of French Ordinary Court.

Note 5: STOCKHOLDERS' EQUITY

Stock Option Plan

In September 1996, the Board of Directors adopted and the shareholders approved

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the 1996 Stock Option Plan (the "Option Plan") under which a total of 250,000 shares of common stock had been reserved for issuance. In March 1999, the shareholders approved an increase in the number of shares that may be granted under the Option Plan to 500,000. In February 2000, the shareholders approved an increase in the number of shares that may be granted under the Option Plan to 1,000,000. In December 2000, the shareholders approved an increase in the number of shares that may be granted under the Option Plan to 1,250,000. Furthermore, in February 2005, the shareholders approved additional 250,000 shares, resulting to the total number of shares that may be granted under the Option Plan to 1,500,000. All of the preceding numbers of options are based on numbers of options prior to the two-for-one stock split on August 14, 2006. The 1996 Stock Option Plan terminated in September 2006 by its term.

On February 23, 2007, the Board of Directors adopted and the shareholders approved the 2007 Stock Options Plan under which a total of 500,000 shares of common stock had been reserved for issuance.

The following table summarizes the stock option transactions. All of the numbers of options reflect a 2-for-1 stock split on August 14, 2006 and another 2-for-1 stock split on October 1, 2007.

12

| | Number of Options | Weighted-Average Exercise Price Per Share |
|--------------------------------|----------------------|---|
| | ----- | ----- |
| Outstanding, August 31, 2007 | 3,209,736 | \$ 0.68 |
| Granted | -- | \$ -- |
| Exercised | (220,000) | \$ 0.74 |
| Expired/Cancelled | (202,000) | \$ 0.59 |
| Outstanding, November 30, 2007 | 2,787,736 | \$ 0.69 |
| | ----- | ----- |
| Exercisable, November 30, 2007 | 2,687,736 | \$ 0.69 |
| | ===== | ===== |

Options Outstanding & Unvested at November 30, 2007

| | Number Outstanding | Remaining Contractual Life (in years) | *Weighted Average Fair Market Price |
|----------------------------|-----------------------|---|---|
| | ----- | ----- | ----- |
| Non Vested before 9/1/2007 | 170,000 | | \$ 0.86 |
| Granted | - | | \$ - |
| Vested | (42,000) | | \$ 0.32 |
| Cancelled | - | | \$ - |
| Non Vested at 11/30/2007 | 128,000 | 7.87 | \$ 0.32 |

*Weighted Average Fair Market Price was calculated by using the Black-Scholes option valuation model, which was developed for use in estimating the fair value of traded options and do not have vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly

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subjective assumptions, including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

The weighted-average remaining contractual life of options outstanding issued under the Plan was 4.2 years at November 30, 2007. The exercise prices for the options outstanding at November 30, 2007 ranged from \$0.27 to \$1.24, and the information relating to these options is as follows:

| Exercise Price | Stock Options Outstanding | Stock Options Exercisable | Weighted-Average Remaining Contractual Life of Options Outstanding | Weighted-Average Exercise Price of Options Outstanding |
|----------------|------------------------------|------------------------------|--|--|
| \$0.27 - 0.50 | 1,033,936 | 1,033,936 | 2.7 years | \$ 0 |
| \$0.50 - 0.75 | 861,200 | 861,200 | 2.2 years | \$ 0 |
| \$0.75 - 1.24 | 892,600 | 764,600 | 7.8 years | \$ 1 |
| | 2,787,736 | 2,659,736 | | |

13

Other Stock Options

As of November 30, 2007, the independent members of the Board of Directors hold options to purchase 52,824 shares of common stock at exercise prices ranging from \$0.30 to \$6.68, which options were granted on or before November 30, 2007.

| | Number of Options | Weighted average exercise price |
|---------------------|-------------------|---------------------------------|
| Options Outstanding | 52,824 | \$ 1.55 |
| Options exercisable | 40,024 | \$ 0.58 |

Note 6: SEGMENT AND GEOGRAPHIC REPORTING

We account for segments and geographic revenues in accordance with SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information." Our reportable segments are strategic business units that offer different products and services. Results for each segment and consolidated results are as follows for the three months ended November 30, 2007 and 2006:

| | November 30, 2007 | | | |
|-------------------------------|--------------------------|---------------|--------------|-----------|
| | Simulations Plus, Inc | Words +, Inc. | Eliminations | Total |
| Net Sales | 1,438,426 | 545,383 | | 1,983,809 |
| Income (loss) from operations | 489,505 | (147,878) | | 341,627 |
| Identifiable assets | 8,964,153 | 2,108,881 | (1,859,175) | 9,213,859 |
| Capital expenditures | - | - | | - |

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| | | | |
|-------------------------------|---------|--------|---------|
| Depreciation and Amortization | 118,165 | 17,888 | 136,053 |
|-------------------------------|---------|--------|---------|

November 30, 2006

| | Simulations Plus, Inc | Words +, Inc. | Eliminations | Total |
|-------------------------------|--------------------------|---------------|--------------|-----------|
| Net Sales | 824,303 | 632,148 | | 1,456,451 |
| Income (loss) from operations | 109,089 | (34,482) | | 74,607 |
| Identifiable assets | 6,515,286 | 1,793,374 | (1,774,914) | 6,533,746 |
| Capital expenditures | 5,874 | 12,398 | | 18,272 |
| Depreciation and Amortization | 93,153 | 34,107 | | 127,260 |

In addition, the Company allocates revenues to geographic areas based on the locations of its customers. Geographical revenues for the three months ended November 30, 2007 and 2006 were as follows (in thousands):

November 30, 2007

| | North America | Europe | Asia | Oceania | South America | Total |
|------------------------|------------------|--------|------|---------|------------------|-------|
| Simulations Plus, Inc. | 859 | 417 | 162 | -0- | -0- | 1,439 |
| Words+, Inc. | 519 | 14 | 11 | 1 | -0- | 545 |
| Total | 1,379 | 430 | 173 | 1 | -0- | 1,984 |

14

November 30, 2006

| | North America | Europe | Asia | Oceania | South America | Total |
|------------------------|------------------|--------|------|---------|------------------|-------|
| Simulations Plus, Inc. | 471 | 173 | 180 | -0- | -0- | 824 |
| Words+, Inc. | 563 | 49 | 18 | -0- | 2 | 632 |
| Total | 1,034 | 222 | 198 | -0- | 2 | 1,456 |

Note 7: EMPLOYEE BENEFIT PLAN

We maintain a 401(K) Plan for all eligible employees. We make matching contributions equal to 100% of the employee's elective deferral, not to exceed 4% of total employee compensation. We can also elect to make a profit-sharing contribution. Contributions by the Company to this Plan amounted to \$18,037 and

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\$14,703 for the three months ended November 30, 2007 and 2006, respectively.

Note 8: SUBSEQUENT EVENT

Since December 1, 2007, an additional 180,000 stock options to purchase shares have been exercised by employees that generated \$172,425 in proceeds.

15

Item 2. Management's Discussion and Analysis or Plan of Operations

FORWARD-LOOKING STATEMENTS

CERTAIN STATEMENTS IN THIS QUARTERLY REPORT ON FORM 10-QSB, OR THE "REPORT," ARE "FORWARD-LOOKING STATEMENTS." THESE FORWARD-LOOKING STATEMENTS INCLUDE, BUT ARE NOT LIMITED TO, STATEMENTS ABOUT THE PLANS, OBJECTIVES, EXPECTATIONS AND INTENTIONS OF SIMULATIONS PLUS, INC., A CALIFORNIA CORPORATION (REFERRED TO IN THIS REPORT AS THE "COMPANY") AND OTHER STATEMENTS CONTAINED IN THIS REPORT THAT ARE NOT HISTORICAL FACTS. FORWARD-LOOKING STATEMENTS IN THIS REPORT OR HEREAFTER INCLUDED IN OTHER PUBLICLY AVAILABLE DOCUMENTS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, OR THE "COMMISSION," REPORTS TO OUR STOCKHOLDERS AND OTHER PUBLICLY AVAILABLE STATEMENTS ISSUED OR RELEASED BY US INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH COULD CAUSE OUR ACTUAL RESULTS, PERFORMANCE (FINANCIAL OR OPERATING) OR ACHIEVEMENTS TO DIFFER FROM THE FUTURE RESULTS, PERFORMANCE (FINANCIAL OR OPERATING) OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. SUCH FUTURE RESULTS ARE BASED UPON MANAGEMENT'S BEST ESTIMATES BASED UPON CURRENT CONDITIONS AND THE MOST RECENT RESULTS OF OPERATIONS. WHEN USED IN THIS REPORT, THE WORDS "EXPECT," "ANTICIPATE," "INTEND," "PLAN," "BELIEVE," "SEEK," "ESTIMATE" AND SIMILAR EXPRESSIONS ARE GENERALLY INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS, BECAUSE THESE FORWARD-LOOKING STATEMENTS INVOLVE RISKS AND UNCERTAINTIES. THERE ARE IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED OR IMPLIED BY THESE FORWARD-LOOKING STATEMENTS, INCLUDING OUR PLANS, OBJECTIVES, EXPECTATIONS AND INTENTIONS AND OTHER FACTORS.

GENERAL

BUSINESS

Simulations Plus, Inc. (the "Company" or "Simulations Plus", or "we" or "our") and its wholly owned subsidiary, Words+, Inc. ("Words+") produce different types of products: (1) Simulations Plus, incorporated in 1996, develops and produces software for use in pharmaceutical research and for education, and also provides contract research services to the pharmaceutical industry, and (2) Words+, founded in 1981, produces computer software and specialized hardware for use by persons with disabilities, as well as a personal productivity software program called Abbreviate! for the retail market. For the purposes of this document, we sometimes refer to the two businesses as "Simulations Plus" when referring to the business that is primarily pharmaceutical software and services, and "Words+" when referring to the business that is primarily assistive technologies for persons with disabilities.

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SIMULATIONS PLUS

PRODUCTS

We currently offer four software products for pharmaceutical research: ADMET Predictor(TM), ClassPharmer(TM), DDDPlus(TM), and GastroPlus(TM).

ADMET PREDICTOR

ADMET (Absorption, Distribution, Metabolism and Excretion and Toxicity) Predictor consists of a library of statistically significant numerical models that predict various properties of chemical compounds from just their molecular structures. This capability means a chemist can merely draw a molecule diagram and get estimates of these properties, even though the molecule has never existed. Drug companies search through millions of such "virtual" molecular

16

structures as they attempt to find new drugs. The vast majority of these molecules are not suitable as medicines for various reasons. Some have such low solubility that they will not dissolve well, some have such low permeability through the intestinal wall that they will not be absorbed well, some degrade so quickly that they are not stable enough to have a useful shelf life, some bind to proteins (like albumin) in blood to such a high extent that little unbound drug is available to reach the target, and some will be toxic in various ways. Identification of such properties as early as possible enables researchers to eliminate poor compounds without spending time and money to make them and then run experiments to identify these weaknesses. Today, many molecules can be eliminated on the basis of computer predictions, such as those provided by ADMET Predictor.

Several studies have now been published that compare the predictive accuracy of software programs like ADMET Predictor. In each case, out of more than a dozen programs, ADMET Predictor has been ranked first in accuracy over all other programs (it was ranked second in one study, but that study was later redone with a more difficult set of test compounds and a newer version of ADMET Predictor, and it was then ranked first). No other software product was consistently in the top 4 in these studies. This is a remarkable accomplishment, considering the greater size and resources of many of our competitors.

ADMET Predictor includes ADMET Modeler. ADMET Modeler was first released in July of 2003 as a separate product, and was integrated into ADMET Predictor in 2006. This powerful program automates the generation of predictive models used in ADMET Predictor in a small fraction of the time once required to build these models. For example, new toxicity models were developed in a matter of a few hours once we completed the tedious effort of "cleaning up" the databases (which seem to always contain a significant number of errors). Prior to the availability of ADMET Modeler, we would have needed as much as three months after cleaning the databases for each new model to obtain similar results.

Pharmaceutical companies spend enormous amounts of money conducting a wide variety of experiments on new molecules each year. Using such data to build predictive models provides a second return on this investment; however, in the past, model-building has traditionally been a tedious activity that required a specialist. With ADMET Modeler, scientists without model-building experience can now use their own experimental data to quickly create high quality predictive models.

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During this reporting period, improvement of ADMET Predictor/Modeler has continued. We completed Phase I of our NIH SBIR (Small Business Innovation Research) grant and we finalized our Phase II proposal, which was submitted on December 5, 2007. Our Phase I study clearly demonstrated that we are able to generate partial atomic charges within molecules with excellent accuracy at a rate of millions of molecules per day, compared with traditional methods that require about one day per molecule. Because of this success, we are optimistic about our Phase II proposal for an additional \$750,000 over two years. However, there can be no assurances that we will receive a Phase II award, nor that if we do receive one, that it will be in the amount of \$750,000 for the two-year period of performance.

Another improvement to ADMET Predictor has been the development of predictive models for metabolism of new compounds by a certain class of enzymes known as Cytochrome P450 enzymes. This work, which began in 2006, has been done in collaboration with Enslein Research, Inc. ("Enslein") of Rochester, New York. We announced in a press release on September 20, 2007 that we had signed an agreement with Enslein that gives Simulations Plus exclusive access to Enslein's database of metabolism measurements that had been developed under a National Institutes of Health Small Business Innovation Research grant. We are currently awaiting final results from our beta testers in the pharmaceutical industry to release this product.

17

ADMET Predictor is compatible with the popular Pipeline Pilot(TM) software offered by SciTegic, a subsidiary of Accelrys. This software serves as a tool to allow chemists to run several different software programs in series to accomplish a set workflow for large numbers of molecules. In early discovery, chemists often work with hundreds of thousands or millions of "virtual" molecules - molecules that exist only in a computer. The chemist tries to decide which few molecules from these large "libraries" should be made and tested. Using Pipeline Pilot with ADMET Predictor (and ClassPharmer - see below), perhaps in conjunction with other software products, the chemist can create and screen very large libraries faster and more efficiently than running each program by itself.

Modifications that provide enhanced user convenience and data analysis capabilities continue to be added to both ADMET Predictor and ADMET Modeler. We are developing improved methods for selecting the best molecular descriptors for modeling a particular molecular property. We have updated our HIV-1 Integrase prediction models. We are investigating additional toxicity databases to extend the number of toxicity predictions provided in ADMET Predictor. A dynamic linked library (dll) module that provides a limited version of ADMET Predictor allows both GastroPlus and ClassPharmer to call ADMET Predictor directly for further convenience. We expect that this new capability will increase sales of ADMET Predictor to users who want the combined capabilities of GastroPlus or ClassPharmer with ADMET Predictor, but who do not need the full capabilities of ADMET Predictor/ADMET Modeler. These new capabilities were demonstrated in Sendai, Japan at the International Society for the Study of Xenobiotics meeting in October 2007.

ClassPharmer

ClassPharmer improvements during the first quarter were focused on incorporating new features requested by users around the world, as well as adding other new capabilities identified in-house. In October 2007, we announced the release of a new version of ClassPharmer (4.4) that further enhances the ability of the program to design new molecules. This new capability provides a way for chemists to automatically generate large numbers of novel chemical structures based on

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the known chemistry from compounds that have already been synthesized and tested. We have also begun a tight integration with our ADMET Predictor software that will enable rapid and convenient generation and evaluation of new chemical structures to dramatically accelerate the drug discovery process for medicinal chemists. We added export of results in Microsoft Excel(TM) format as well as other convenient file formats requested by users. We further enhanced the new molecule design capabilities of ClassPharmer to make this expanded capability more flexible and powerful.

DDDPlus

DDDPlus sales have continued to grow as formulation scientists recognize the value of this one-of-a-kind simulation software in their work. Improvements have been added to further enhance the value of this product to our customers. Numerous user convenience features have been added, as well as more sophisticated handling of dosage forms that incorporate multiple polymers for controlled release. Work on DDDPlus was limited during this quarter in favor of other projects; however, the list of built-in excipients was expanded and a few features were improved.

GastroPlus

GastroPlus continues to enjoy its "gold standard" status in the industry for its class of simulation software. It is used from early drug discovery through preclinical development and into early clinical trials. The information provided through GastroPlus simulations guides project decisions in various ways. Among the kinds of knowledge gained through such simulations are: (1) the best "first dose in human" for a new drug prior to Phase I trials, (2) whether a potential

18

new drug compound is likely to be absorbed at high enough levels to achieve the desired blood concentrations needed for effective therapy, (3) whether the absorption process is affected by certain enzymes and transporter proteins in the intestinal tract that may cause the amount of drug reaching the blood to be very different from one region of the intestine to another, (4) when certain properties of a new compound are probably adequately estimated through computer ("IN SILICO") predictions or simple experiments rather than through more expensive and time-consuming IN VITRO or animal experiments, (5) what the likely variations in blood and tissue concentration levels of a new drug would be in a large population, in different age groups or in different ethnic groups, and (6) whether a new formulation for an existing approved drug is likely to demonstrate "bioequivalence" (equivalent blood concentration versus time) to the currently marketed dosage form in a human trial.

In this reporting period we improved the PDPlus(TM) Module to enhance the programs' capabilities in this area in order to attempt to capture a greater audience working in clinical trial data analysis. We added a new sophisticated kidney model to simulate how drugs are cleared in urine. And we added a number of convenience features requested by our users. We are also enhancing the graphics capabilities in GastroPlus to provide users with greater insight into the results they obtain with the program.

Our marketing intelligence indicates that GastroPlus enjoys a dominant position in the number of users worldwide. In addition to virtually every major pharmaceutical company, licenses include a growing number of smaller pharmaceutical and biotech companies, generic drug companies, and drug delivery companies (companies that design the tablet or capsule for a drug compound that was developed by another company). Although these companies are smaller than the

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pharmaceutical giants, they can also save considerable time and money through simulation. We believe this part of the industry, which includes many hundreds of companies, represents major growth potential for GastroPlus. Our experience has been that the number of new companies adopting GastroPlus shows steady growth, adding to the base of annual licenses each year.

We are aware that other companies have developed competitive software; however, based on customer feedback, we believe that the competitive threat to GastroPlus is limited. We continue working on improving GastroPlus under the two-year (one full-time equivalent) contract we announced on August 31, 2006, as well as through our own internal product improvement efforts.

CONTRACT RESEARCH AND CONSULTING SERVICES

Our recognized expertise in oral absorption and pharmacokinetics is evidenced by the fact that our staff members have been speakers or presenters at over 40 prestigious scientific meetings worldwide in the past three years. We frequently conduct contracted studies for customers who prefer to have studies run by our scientists rather than to license our software and train someone to use it. The demand for our consulting services has been increasing steadily, and we expect this trend to continue. Consulting contracts serve both to showcase our technologies and as a way to build relationships with new customers, as well as strengthening relationships with our existing customers.

For example, during this reporting period we further improved our ability to simulate absorption through the oral cavity (lingual, sublingual, and buccal delivery) as part of a funded study contract begun in the previous fiscal quarter. This new route of administration required a significant amount of scientific investigation, programming changes, and actual data to validate the model equations. The customer provided the data and the program modifications

19

provided valuable insight to the customer about how an oral spray for a particular drug was being absorbed and metabolized in human. The customer now licenses GastroPlus.

GOVERNMENT-FUNDED RESEARCH

We completed our Phase I SBIR effort and our proposal for a Phase II follow-on grant on the order of \$750,000. SBIR grant funds provide the ability to expand staff and grow the product line without adversely affecting earnings, because the expenses associated with the efforts in the studies are funded largely, if not completely, through the grants.

WORDS+ SUBSIDIARY

PRODUCTS

Our wholly owned subsidiary, Words+, Inc. has been an industry pioneer and technology leader for over 25 years in introducing and improving augmentative and alternative communication and computer access software and devices for disabled persons. We intend to continue to be at the forefront of the development of new products. We will continue to enhance our major software products, E Z Keys(TM) and Say-it! SAM(TM), as well as our growing line of hardware products. We are also considering acquisitions of other products, businesses and companies that are complementary to our existing augmentative and alternative communication and computer access business lines. We purchased the

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Say-it! SAM technologies from SAM Communications, LLC of San Diego in December 2003. This acquisition gave us our smallest, lightest augmentative communication system, which is based on a Hewlett-Packard iPAQ personal digital assistant (PDA). PDA-based communication devices have been very successful in the augmentative communication market, and this technology purchase has enabled us to move into this market segment faster and at lower cost than developing the product ourselves. SAM-based products now account for a significant share of our growing Words+ revenues. Since the acquisition of the Say-it! SAM technologies, we have continued to add new functionality to the SAM software and to offer it on additional hardware platforms.

During this reporting period, we completed the final design for our new PDA-based (personal digital assistant based) Say-it! SAM augmentative communication device, including a completely new PDA and a custom injection-molded case available in multiple colors. This new device includes a new audio amplifier and speaker system as well. It was demonstrated at the Closing the Gap conference in Minneapolis in October 2007 and received strong interest from those in attendance. We have now begun shipping these units after a lull of about three months in which the supply of the previous PDA was depleted, resulting in lower sales for Words+ during this reporting period.

20

RESULTS OF OPERATIONS

COMPARISON OF THREE MONTHS ENDED NOVEMBER 30, 2007 AND 2006.

The following table sets forth our consolidated statements of operations (in thousands) and the percentages that such items bear to net sales:

| | Three Months Ended | | | |
|-------------------------------------|--------------------|-------|----------|-------|
| | 11/30/07 | | 11/30/06 | |
| Net sales | \$ 1,984 | 100% | \$ 1,456 | 100% |
| Cost of sales | 486 | 24.5 | 441 | 30.3 |
| Gross profit | 1,498 | 75.5 | 1,015 | 69.7 |
| Selling, general and administrative | 930 | 46.9 | 757 | 52.0 |
| Research and development | 226 | 11.4 | 183 | 12.6 |
| Total operating expenses | 1,156 | 58.3 | 940 | 64.6 |
| Income from operations | 342 | 17.2 | 75 | 5.1 |
| Other income | 63 | 3.2 | 19 | 1.3 |
| Net income before taxes | 405 | 20.4 | 94 | 6.4 |
| (Provision for) income taxes | (162) | (8.2) | (21) | (1.4) |
| Net income | \$ 243 | 12.3% | \$ 73 | 5.0% |

NET SALES

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Our consolidated net sales increased \$527,000, or 36.2%, to \$1,984,000 in the first fiscal quarter of 2008 (1QFY08) from \$1,456,000 in the first fiscal quarter of 2007 (1QFY07). Sales from pharmaceutical software and services increased approximately \$614,000, or 74.5%; and our Words+, Inc. subsidiary's sales decreased approximately \$87,000, or 13.8%, for the quarter. We attribute the increase in pharmaceutical software sales primarily to a large order that came in during the first quarter this year that had been received in the second fiscal quarter of last fiscal year, as well as new customers and for new modules and additional licenses to renewal customers. Revenues from contract services also increased in 1QFY08 compared with 1QFY07. Because of this large order in November, the accounts receivable balance at November 30, 2007 increased significantly.

We attribute the decrease in Words+ sales primarily to a decrease in sales of the PDA version of our "Say-it! SAM" speech output device. Our inventory of the discontinued previous PDA was depleted during the previous quarter, resulting in an inability to accept orders for these units until the new device was close to production. These units have now started to ship in quantity as of December 2007 and the product is receiving excellent feedback from those who have received them. Although revenues from our "Freedom" products increased, some declines in sales of other products outweighed this increase.

COST OF SALES

Consolidated cost of sales increased \$45,000, or 10.1%, to \$486,000 in 1QFY08 from \$441,000 in 1QFY07; however, the percentage of cost of sales in 1QFY08 decreased 5.8% to 24.5% from 30.3% in 1QFY07. For Simulations Plus, cost of sales increased \$71,000, or 60.7%; however, as a percentage of revenue, cost of sales decreased to 13.1% in 1QFY08 from 14.2% in 1QFY07. A significant portion of cost of sales for pharmaceutical software products is the systematic amortization of capitalized software development costs, which is an independent fixed cost rather than a variable cost related to sales. This amortization cost increased as more new products became available for sale, by approximately

21

\$26,000, or 33.0%, in 1QFY08 compared with 1QFY07. Another significant portion of cost of sales is Royalty expense, which is determined by the revenues generated from GastroPlus basic program without modules. Royalty expense increased approximately \$44,000, or 120.7%, in 1QFY08 compared with 1QFY07 due to growth in GastroPlus license sales.

For Words+, cost of sales decreased \$26,000, or 8.1%; however, as a percentage, cost of sales increased 3.4% between the first fiscal quarter of FY08 and FY07. We attribute the percentage increase in cost of sales for Words+ primarily to the special discount provided for the dealer demo units on new "Say-it! SAM" units, lower total revenues for the quarter, and shipping material cost increases.

GROSS PROFIT

Consolidated gross profit increased \$483,000, or 47.6%, to \$1,498,000 in 1QFY08 from \$1,015,000 in 1QFY07. We attribute this increase to the increase in sales of pharmaceutical software, contract studies, which outweighed decrease in Word+ gross profit.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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Consolidated selling, general and administrative (SG&A) expenses increased \$173,000, or 22.9%, to \$930,000 in 1QFY08 from \$757,000 in 1QFY07. For Simulations Plus, SG&A increased \$114,000, or 25.8%. As a percentage of sales, SG&A decreased to approximately 38.5% in 1QFY08 from approximately 53.3% in 1QFY07. The major increases in SG&A expenses were travel, trade shows, investor relations, accrued bonus to a Secretary, professional fees, salaries and payroll-related expenses such as health insurance, 401K and payroll taxes, which outweighed decreases in commission expense and equipment rentals.

For Words+, SG&A expenses increased \$60,000, or 18.9%, due primarily to increases in travel, trade shows, bad debts, marketing consultant fees and salaries. These increases outweighed decreases in commissions, telephone and supplies.

RESEARCH AND DEVELOPMENT

We incurred approximately \$400,000 of research and development costs for both companies during the 1QFY08. Of this amount, \$174,000 was capitalized and \$226,000 was expensed. In 1QFY07, we incurred \$317,000 of research and development costs, of which \$134,000 was capitalized and \$183,000 was expensed. The increase of \$83,000, or 26.2%, in total research and development expenditures from the 1QFY07 to the 1QFY08 was due primarily to increases in salaries because of new hires and salary increases to existing staff.

OTHER INCOME (EXPENSE)

Net other income (expense) in 1QFY08 increased by \$44,000, or 231.3%, to \$63,000 in 1QFY08 from \$19,000 in 1QFY07. This is due primarily to increased interest revenue from Money Market accounts.

PROVISION FOR INCOME TAXES

The provision for income taxes increased by \$141,000, or 685.3%, to \$162,000 in 1QFY08 from \$21,000 in 1QFY07 due to higher income. The expiration of the Extraterritorial Income Exclusion resulted in an increase of our overall combined tax rate. In addition, Congress did not extend the Research and Development Tax Credit, which expired on December 31, 2007. As a result, we are projecting a tax rate of 40% going forward. However, there is a bill, H.R. 2138, currently under consideration by the House of Representatives, which would extend the Research and Development Tax Credit permanently. If this bill passes, we will re-evaluate our enacted tax rates at that time to determine if a change in our estimated tax rate is necessary.

22

NET INCOME

Consolidated net income increased by \$170,000, or 234.4%, to \$243,000 in 1QFY08 from \$73,000 in 1QFY07. We attribute this increase in profit primarily to the increases in revenue from pharmaceutical software and services and other income, which outweighed increases in cost of sales, selling, and general and administrative expenses, research and development expenses, provision for income taxes and the net loss from Words+ operations.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of capital have been cash flows from our operations. We have achieved continuous positive operating cash flow in the last six fiscal years. We believe that our existing capital and anticipated funds from operations will be sufficient to meet our anticipated cash needs for working

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capital and capital expenditures for the foreseeable future. Thereafter, if cash generated from operations is insufficient to satisfy our capital requirements, we may open a revolving line of credit with a bank, or we may have to sell additional equity or debt securities or obtain expanded credit facilities. In the event such financing is needed in the future, there can be no assurance that such financing will be available to us, or, if available, that it will be in amounts and on terms acceptable to us. If cash flows from operations became insufficient to continue operations at the current level, and if no additional financing was obtained, then management would restructure the Company in a way to preserve its pharmaceutical and disability businesses while maintaining expenses within operating cash flows.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our risk from exposure to financial markets is limited to foreign exchange variances and fluctuations in interest rates. We may be subject to some foreign exchange risks. Most of our business transactions are in U.S. dollars, although we generate significant revenues from customers overseas. The exception is that we were compensated in Japanese yen by some Japanese customers and one European customer. As a result, we experienced a small gain from currency exchange in the first three months of FY08. In the future, if foreign currency transactions increase significantly, then we may mitigate this effect through foreign currency forward contracts whose market-to-market gains or losses are recorded in "Other Income or expense" at the time of the transaction. To date, exchange rate exposure has not resulted in a material impact.

Item 4. Controls and Procedures

(a) EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES.

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company required to be included in the Company's periodic SEC filings.

(b) CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING.

There were no changes in the Company's internal controls over financial reporting during the Company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

23

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On April 6, 2006, we received notice from a liquidator for the former French subsidiary of Bioreason (Bioreason SARL), saying that the liquidator had initiated legal action against Simulations Plus in the French courts with respect to ClassPharmer distribution rights to European customers, and is

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claiming commissions and legal fees with respect to European customers. We have been working through our U.S. attorneys and a law firm in Paris. We have filed a counterclaim for our rights and lost sales against Bioreason SARL's assets by sending a debt recovery declaration to the liquidator on June 15, 2006.

On May 23, 2007, we received an e-mail from our French Lawyer that we had received a proposal for an amicable settlement, in which we would give up our claims if Bioreason SARL would agree to waive any claims against Simulations Plus. This proposal was accepted by phone by the lawyer of Bioreason SARL, and we signed the agreement which was submitted to the French court.

On July 13, 2007, we received another e-mail from our French Lawyer that the agent in charge of the liquidation of Bioreason SARL requested the hearing to be postponed until October 11, 2007, and her request was accepted by the French supervisory judge.

On October 31, our French Lawyer informed us that the hearing was again postponed until November 2007.

As of today, we are still waiting for the approval of the settlement agreement from the commercial division of French Ordinary Court.

Item 2. Changes in Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on form 8-K

(a) Exhibits:

31.1-2 Certification of Chief Executive Officer and Chief Financial Officer

32 Certification pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002

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SIGNATURE

In accordance with Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Lancaster, State of California, on January 11, 2008.

Simulations Plus, Inc.

Date: January 11, 2008

By: /s/ MOMOKO BERAN

Momoko Beran
Chief Financial Officer

25

adding-bottom: 1pt"> Audited Unaudited

Adjusted

| | | | | | | |
|--------------|---------------------------------------|--|---|--|---------|---------------------------------------|
| Pro-forma | Cash and cash equivalents | 9,347 | 7,252 | Short-term bank credit and current maturities of long-term | | |
| loans | 4,905 | 4,820 | Long-term loans from banks | 8,385 | 8,385 | Long-term loans from shareholders and |
| others | 180 | - | SHAREHOLDERS' EQUITY | Pointer Telocation Ltd. Shareholders' equity: | Share | |
| capital | Ordinary shares of NIS 3 par value - | Authorized: 16,000,000 shares at December 31, 2015; Issued and | | | | |
| outstanding: | 7,784,644 shares at December 31, 2015 | 5,770 | 5,770 | Additional paid -in | | |
| capital | 128,410 | 128,410 | Accumulated other comprehensive income | (6,254) | (6,254) | Accumulated |
| deficit | (71,822) | (89,872) | Total Pointer Telocation Ltd. shareholders' | | | |
| equity | 56,104 | 38,054 | Non-controlling interest | (1,069) | 164 | Total shareholders' |
| equity | 55,035 | 38,218 | Total capitalization | 59,158 | 44,171 | |

DIVIDEND POLICY

We do not anticipate paying cash dividends in the foreseeable future. Our Board of Directors will decide whether to declare any cash dividends in the future based on the conditions then existing, including our earnings and financial condition. According to the Israeli Companies Law, a company may distribute dividends out of its profits, so long as the company reasonably believes that such dividend distribution will not prevent the company from paying all its current and future debts. Profits, for purposes of the Israeli Companies Law, means the greater of retained earnings or earnings accumulated during the preceding two years.

USE OF PROCEEDS

Our management will have broad discretion over the use of the net proceeds from the sale of our securities pursuant to this prospectus. Unless otherwise indicated in any accompanying prospectus supplement, we currently intend to use the net proceeds from the sale of the securities offered pursuant to this prospectus for general corporate purposes and working capital requirements.

THE SECURITIES WE MAY OFFER

The descriptions of the securities contained in this prospectus, together with the applicable prospectus supplements, summarize the material terms and provisions of the various types of securities that we may offer. We will describe in the applicable prospectus supplement relating to any securities the particular terms of the securities offered by that prospectus supplement. If we indicate in the applicable prospectus supplement, the terms of the securities may differ from the terms we have summarized below. We will also include in the prospectus supplement information, where applicable, about material Israeli and U.S. federal income tax considerations relating to the securities, and the securities exchange, if any, on which the securities will be listed.

We may sell from time to time, in one or more offerings:

- ordinary shares;
- debt securities;
- subscription rights;
- warrants;
- units; and
- any combination of the foregoing securities.

In this prospectus, we will refer to the ordinary shares, debt securities, subscription rights, warrants, and units collectively as “securities.” The total dollar amount of all securities that we may issue under this prospectus will not exceed \$25,000,000.

This prospectus may not be used to consummate a sale of securities unless it is accompanied by a prospectus supplement. Before you invest in our securities, you should carefully read both this prospectus and the prospectus supplement related to the offering of the securities.

DESCRIPTION OF ORDINARY SHARES

Our registered share capital consists of a single class of ordinary shares, par value NIS 3.00 per share. As of June 30, 2016, our authorized share capital consisted of 16,000,000 ordinary shares, and there were 7,799,244 of our ordinary shares issued and outstanding.

All our issued and outstanding ordinary shares are fully paid and non-assessable and are issued in registered form. Our ordinary shares do not have preemptive rights and there are no sinking fund provisions applicable to our ordinary shares.

The following summary description of our capital stock summarizes general terms and provisions that apply to the capital stock. Because this is only a summary, it does not contain all of the information that may be important to you. This summary is subject to and qualified in its entirety by reference to our memorandum of association and articles of association, as amended, each of which are on file with the SEC. See “Where You Can Find More Information.”

Corporate Powers. We were incorporated and registered under the laws of the State of Israel on July 17, 1991 under the registration number 52-0041476-6. The legal and commercial name of our company is Pointer Telocation Ltd. The principal legislation under which we operate is the Israeli Companies Law, 5759-1999, as amended. Pursuant to our Articles of Association and Memorandum of Association we may engage in any business which is not prohibited by law in force in the State of Israel.

Rights to Own Securities. Our ordinary shares may be freely held and traded. The ownership or voting of ordinary shares by non-residents of Israel, except with respect to subjects of countries that are in a state of war with Israel, are not restricted in any way by our memorandum of association or articles of association or by the laws of the State of Israel.

Share Rights, Preferences and Restrictions. In the event of our liquidation, after satisfaction of liabilities to creditors, our assets will be distributed to the holders of our ordinary shares in proportion to the nominal value of their respective holdings. This liquidation right may be affected by the grant of a preferential dividend or distribution right to the holder of a class of shares with preferential rights that may be authorized in the future. Dividends may be paid only out of profits, as defined in the Israeli Companies Law, 1999, or Companies Law. Our board of directors is authorized to declare dividends, although we anticipate that, for the foreseeable future, we will retain any earnings to support operations and to finance the growth and development of our business. Therefore, we do not expect to pay cash dividends for at least the next several years.

Holders of ordinary shares have one vote for each share held on all matters submitted to a vote of shareholders. Subject to the provisions set forth in Section 46B of the Israeli Securities Law, 1968, such voting rights may be affected by the grant of any special voting rights to the holders of a class of shares with preferential rights. The ordinary shares do not have cumulative voting rights in the election of directors. Thus, the holders of ordinary shares conferring more than 50% of the voting power have the power to elect all of the Company’s directors, to the exclusion of the remaining shareholders.

Our shareholders do not have liability for capital calls of the Company, except for any unpaid sum in respect of shares held by a shareholder who is not, by the terms of allotment thereof or otherwise, payable at a fixed time. With regards to such unpaid sum, the shareholder shall pay the amount of every call so made upon him (and of each installment thereof if the same is payable in installments), to the person(s) and at the time(s) and place(s) designated by the Board of Directors.

We may redeem any of our own shares for such fair value as determined by a resolution of directors, as long as that such redemption is out of retained earnings and there is no reasonable concern that the redemption will keep the company from meeting its existing and expected obligations when they fall due.

Modification of Class Rights. The rights attached to any class (unlike otherwise provided by the terms of issue of such class), such as voting, rights to dividends and the like, may be varied with the consent in writing of, or sanction of a resolution passed by, the holders of a majority of the issued shares of that class at a separate general meeting of the holders of shares of such class.

Meetings of Shareholders.

An annual general meeting of our shareholders shall be held once in every calendar year, but in no event later than fifteen (15) months after the previous annual general meeting, at such time and at such place either within or without the State of Israel as may be determined by our board of directors.

Our board of directors may, whenever it thinks fit, convene a special general meeting at such time and place, within or without the State of Israel, as may be determined by the board of directors. Special general meetings may also be convened upon requisition in accordance with the Companies Law.

Each shareholder of record is entitled to receive prior notice of a meeting of shareholders delivered no less than 21 days prior to the date of such meeting (though there are instances pursuant to the Companies Law which may require advance notice of a meeting of shareholders of up to 35 days).

The quorum required for a general meeting of shareholders, according to our Articles of Association, consists of at least two shareholders present in person or by proxy and holding shares conferring in the aggregate the minimum amount of voting power of the Company required by the Companies Law to constitute a quorum at General Meetings (currently 25% of the voting rights). A meeting adjourned for lack of a quorum is generally adjourned to the same day in the next week, at the same time and place, or to any time and place as the chairman may determine with the consent of the holders of a majority of the voting power represented at the meeting in person or by proxy and voting on the question of adjournment. If at such reconvened meeting a quorum is not present within half an hour from the time appointed for holding the meeting, two shareholders present in person or by proxy will constitute a quorum, regardless of the number of shares represented.

Directors. Under the Israeli Companies Law, as was most recently amended on November 5th, 2012, compensation of directors generally requires the approval of the compensation committee, the board of directors and the stockholders in a general assembly. The Israeli Companies Law requires that a director or other officeholder promptly disclose any “personal interest” that he or she may have and all related material information known to him or her, in connection with any existing or proposed transaction by the company. In the case of a transaction with a director or officeholder or with another person in which a director or officeholder has a “personal interest” which is not an extraordinary transaction, subject to the director or officeholder’s disclosure of his or her interest, board approval is generally sufficient for the approval of the transaction. If the transaction is an extraordinary transaction, then, in addition to any approval required by the articles of association, it must also be approved by the board of directors and the audit committee. An extraordinary transaction is defined as a transaction not in the ordinary course of the company’s business, not on market terms, or that is likely to have a material impact on the company’s profitability, property or obligations. In some circumstances shareholder approval is also required. The transaction must not be adverse to the company’s interest. Generally, a director who has a personal interest in a matter that is considered at a meeting of the board of directors or the audit committee may not be present at the meeting or vote thereon. There is no age limit requirement for retirement or non-retirement of directors. A director shall not require a share qualification.

Each director is elected to serve until the next annual general meeting of shareholders and until his or her successor has been elected, except with respect to external directors as defined under the Israeli Companies Law. Under the Israeli Companies Law, companies registered under the laws of Israel the shares of which have been offered to the public in or outside of Israel, are required to appoint no less than two external directors. The initial term of an external director is three years and may be extended for two additional terms of three years. However, under regulations promulgated pursuant to the Companies Law, companies whose shares are listed for trading on specified exchanges outside of Israel, including the Nasdaq Capital Market, may elect, subject to certain conditions, external directors for additional terms that do not exceed three years each, beyond the three three-year terms generally applicable. Currently, the Company has two external directors, Gil Oren and Zvi Rotenberg, who were elected to their initial terms on July 10, 2008, to their second terms on August 1st, 2011 and to their third terms on May 27, 2014.

Mergers and Acquisitions. There are no specific provisions of our Memorandum or Articles of Association that would have an effect of delaying, deferring or preventing a change in control of us or that would operate only with respect to a merger, acquisition or corporate restructuring involving us (or any of our subsidiaries). However, certain provisions of the Companies Law may have such effect.

A merger of the Company will require the approval of the holders of a majority of the voting power of the Company. Upon the request of a creditor of either party of the proposed merger, the court may delay or prevent the merger if it concludes that there exists a reasonable concern that as a result of the merger, the surviving company will be unable to satisfy the obligations of any of the parties to the merger. In addition, a merger may not be completed unless at least (i) 50 days have passed from the time that the requisite proposal for the merger has been filed by each party with the Israeli Registrar of Companies and (ii) 30 days have passed since the merger was approved by the shareholders of each party.

The Companies Law also provides that an acquisition of shares of a public company must be made by means of a tender offer if as a result of the acquisition the purchaser would become a 25% or greater shareholder of the company and there is no existing 25% or greater shareholder in the company. An acquisition of shares of a public company must be made by means of a tender offer if as a result of the acquisition the purchaser would become a 45% or greater shareholder of the company and there is no existing 45% or greater shareholder in the company. These requirements do not apply if the acquisition (i) occurs in the context of a private placement by the company that received shareholder approval, (ii) was from a 25% shareholder of the company and resulted in the acquirer becoming a 25% shareholder of the company or (iii) was from a 45% shareholder of the company and resulted in the acquirer becoming a 45% shareholder of the company. The tender offer must be extended to all shareholders, but the offerer is not required to purchase more than 5% of the company's outstanding shares, regardless of how many shares are tendered by shareholders. The tender offer may be consummated only if (i) at least 5% of the company's outstanding shares will be acquired by the offerer and (ii) the number of shares tendered in the offer exceeds the number of shares whose holders objected to the offer.

If as a result of an acquisition of shares the acquirer will hold more than 90% of a company's outstanding shares, the acquisition must be made by means of a tender offer for all of the outstanding shares. If as a result of a full tender offer the acquirer would own more than 95% of the outstanding shares, then all the shares that the acquirer offered to purchase will be transferred to it. The law provides for appraisal rights if any shareholder files a request in court within three months following the consummation of a full tender offer. If as a result of a full tender offer the acquirer would own 95% or less of the outstanding shares, then the acquirer may not acquire shares that will cause his shareholding to exceed 90% of the outstanding shares.

The transfer agent and registrar for our ordinary shares is American Stock Transfer & Trust Company, 6201 15th Avenue, Brooklyn, NY 11219.

DESCRIPTION OF DEBT SECURITIES

We may issue debt securities together with other securities or separately, as described in the applicable prospectus supplement, under an indenture to be entered into between our company and the trustee identified in the applicable prospectus supplement. The terms of the debt securities will include those stated in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939, as in effect on the date of the indenture. The indenture will be subject to and governed by the terms of the Trust Indenture Act of 1939.

We may issue the debt securities in one or more series with the same or various maturities, at par, at a premium, or at a discount. We will describe the particular terms of each series of debt securities in a prospectus supplement relating to that series, which we will file with the SEC.

The prospectus supplement will set forth, to the extent required, the following terms of the debt securities in respect of which the prospectus supplement is delivered:

- the title of the series;

- the aggregate principal amount;

- the issue price or prices, expressed as a percentage of the aggregate principal amount of the debt securities;

- any limit on the aggregate principal amount;

- the date or dates on which principal is payable;

- the interest rate or rates (which may be fixed or variable) or, if applicable, the method used to determine such rate or rates;

- the date or dates from which interest, if any, will be payable and any regular record date for the interest payable;

- the place or places where principal and, if applicable, premium and interest, is payable;

- the terms and conditions upon which we may, or the holders may require us to, redeem or repurchase the debt securities;

- the denominations in which such debt securities may be issuable, if other than denomination of \$1,000, or any integral multiple of that number;

- whether the debt securities are to be issuable in the form of certificated debt securities or global debt securities;

the portion of principal amount that will be payable upon declaration of acceleration of the maturity date if other than the principal amount of the debt securities;

the currency of denomination;

the designation of the currency, currencies or currency units in which payment of principal and, if applicable, premium and interest, will be made;

if payments of principal and, if applicable, premium or interest, on the debt securities are to be made in one or more currencies or currency units other than the currency of denominations, the manner in which exchange rate with respect to such payments will be determined;

if amounts of principal and, if applicable, premium and interest may be determined by reference to an index based on a currency or currencies, or by reference to a commodity, commodity index, stock exchange index, or financial index, then the manner in which such amounts will be determined;

- the provisions, if any, relating to any collateral provided for such debt securities;

- any events of default;

- the terms and conditions, if any, for conversion into or exchange for ordinary shares;

- any depositaries, interest rate calculation agents, exchange rate calculation agents, or other agents; and

the terms and conditions, if any, upon which the debt securities shall be subordinated in right of payment to other indebtedness of Pointer Telocation Ltd.

One or more debt securities may be sold at a substantial discount below their stated principal amount. We may also issue debt securities in bearer form, with or without coupons. If we issue discount debt securities or debt securities in bearer form, we will describe material U.S. federal income tax considerations and other material special considerations which apply to these debt securities in the applicable prospectus supplement.

We may issue debt securities denominated in or payable in a foreign currency or currencies or a foreign currency unit or units. If we do, we will describe the restrictions, elections, and general tax considerations relating to the debt securities and the foreign currency or currencies or foreign currency unit or units in the applicable prospectus supplement.

The debt securities of a series may be issued in whole or in part in the form of one or more global securities that will be deposited with, or on behalf of, a depositary identified in the prospectus supplement. Global securities will be issued in registered form and in either temporary or definitive form. Unless and until it is exchanged in whole or in part for individual debt securities, a global security may not be transferred except as a whole by the depositary for such global security to a nominee of such depositary or by a nominee of such depositary to such depositary or another nominee of such depositary or by such depositary or any such nominee to a successor of such depositary or a nominee of such successor. The specific terms of the depositary arrangement with respect to any debt securities of a series and the rights of and limitations upon owners of beneficial interests in a global security will be described in the applicable prospectus supplement.

DESCRIPTION OF SUBSCRIPTION RIGHTS

We may issue subscription rights to purchase our ordinary shares. These subscription rights may be issued independently or together with any other security offered hereby and may or may not be transferable by the shareholder receiving the subscription rights in such offering. In connection with any offering of subscription rights, we may enter into a standby arrangement with one or more underwriters or other purchasers pursuant to which the underwriters or other purchasers may be required to purchase any securities remaining unsubscribed for after such offering.

The prospectus supplement relating to any subscription rights we offer, if any, will, to the extent applicable, include specific terms relating to the offering, including some or all of the following:

the price, if any, for the subscription rights;

the exercise price payable for each ordinary share upon the exercise of the subscription rights;

the number of subscription rights to be issued to each shareholder;

the number and terms of the shares ordinary shares which may be purchased per each subscription right;

the extent to which the subscription rights are transferable;

any other terms of the subscription rights, including the terms, procedures and limitations relating to the exchange and exercise of the subscription rights;

the date on which the right to exercise the subscription rights shall commence, and the date on which the subscription rights shall expire;

the extent to which the subscription rights may include an over-subscription privilege with respect to unsubscribed securities; and

if applicable, the material terms of any standby underwriting or purchase arrangement which may be entered into by us in connection with the offering of subscription rights.

The description in the applicable prospectus supplement of any subscription rights we offer will not necessarily be complete and will be qualified in its entirety by reference to the applicable subscription right agreement, which will be filed with the SEC if we offer subscription rights. For more information on how you can obtain copies of the applicable subscription right agreement if we offer subscription rights, see the sections entitled “Where You Can Find More Information” and “Incorporation of Information by Reference”. We urge you to read the applicable subscription right agreement and any applicable prospectus supplement in their entirety.

DESCRIPTION OF WARRANTS

We may issue warrants to purchase equity securities issued by the Company under this prospectus. Warrants may be issued independently or together with any other securities issued by the Company under this prospectus and may be attached to, or separate from, such securities. Each series of warrants will be issued under a separate warrant agreement to be entered into between us and a warrant agent. The terms of any warrants to be issued and a description of the material provisions of the applicable warrant agreement will be set forth in the applicable prospectus supplement.

The applicable prospectus supplement will describe the following terms of any warrants in respect of which this prospectus is being delivered:

- the title of such warrants;

- the aggregate number of such warrants;

- the price or prices at which such warrants will be issued;

- the currency or currencies, in which the price of such warrants will be payable;

- the securities purchasable upon exercise of such warrants;

- the date on which the right to exercise such warrants shall commence and the date on which such right shall expire;

- if applicable, the minimum or maximum amount of such warrants which may be exercised at any one time;

- if applicable, the designation and terms of the securities with which such warrants are issued and the number of such warrants issued with each such security;

- if applicable, the date on and after which such warrants and the related securities will be separately transferable;

- information with respect to book-entry procedures, if any;

the provisions for changes or adjustments in exercise price, if any; and

any other terms of such warrants, including terms, procedures and limitations relating to the exchange and exercise of such warrants.

The description in the applicable prospectus supplement of any warrants we offer will not necessarily be complete and will be qualified in its entirety by reference to the applicable warrant agreement, which will be filed with the SEC if we offer warrants. For more information on how you can obtain copies of the applicable warrant agreement if we offer warrants, see the sections entitled “Where You Can Find More Information” and “Incorporation of Information by Reference”. We urge you to read the applicable warrant agreement and any applicable prospectus supplement in their entirety.

DESCRIPTION OF UNITS

We may, from time to time, issue units comprised of one or more of the other securities that may be offered under this prospectus, in any combination.

Each unit will be issued so that the holder of the unit is also the holder of each security included in the unit. Thus, the holder of a unit will have the rights and obligations of a holder of each included security. The unit agreement under which a unit is issued may provide that the securities included in the unit may not be held or transferred separately at any time, or at any time before a specified date.

Any applicable prospectus supplement will describe:

the material terms of the units and of the securities comprising the units, including whether and under what circumstances those securities may be held or transferred separately;

any material provisions relating to the issuance, payment, settlement, transfer or exchange of the units or of the securities comprising the units; and

any material provisions of the governing unit agreement that differ from those described above.

The description in the applicable prospectus supplement of any units we offer will not necessarily be complete and will be qualified in its entirety by reference to the applicable unit agreement, which will be filed with the SEC if we offer units. For more information on how you can obtain copies of the applicable unit agreement if we offer warrants, see the sections entitled “Where You Can Find More Information” and “Incorporation of Information by Reference”. We urge you to read the applicable unit agreement and any applicable prospectus supplement in their entirety.

PLAN OF DISTRIBUTION

We may sell the securities being offered hereby in any one or more of the following methods from time to time:

to or through one or more underwriters on a firm commitment or best efforts basis;

to or through dealers, who may act as agents or principals, including a block trade (which may involve crosses) in which a broker or dealer so engaged will attempt to sell as agent but may position and resell a portion of the block as principal to facilitate the transaction;

- through agents;

- through privately negotiated transactions;

- directly to purchasers, including our affiliates;

purchases by a broker or dealer as principal and resale by such broker or dealer for its own account pursuant to this prospectus;

- exchange distributions and/or secondary distributions;

- ordinary brokerage transactions and transactions in which the broker solicits purchasers;

- to one or more underwriters for resale to the public or to investors;

in “at the market offerings,” to or through a market maker or into an existing trading market, on an exchange or otherwise;

transactions not involving market makers or established trading markets, including direct sales or privately negotiated transactions;

- transactions in options, swaps or other derivatives that may or may not be listed on an exchange or

- in any combination of these methods of sale.

The prospectus supplement with respect to any offering of our securities will set forth the terms of the offering, including:

- the name or names and addresses of any underwriters, dealers or agents;

- the purchase price of the securities and the proceeds to us from the sale;

any underwriting discounts and commissions or agency fees and other items constituting underwriters' or agents' compensation;

· the public offering price;

· any discounts or concessions allowed or reallocated or paid to dealers;

any securities exchanges or markets on which such securities may be listed; and

any delayed delivery arrangements.

The distribution of the securities may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, at market prices prevailing at the time of sale, at prices related to the prevailing market prices or at negotiated prices, or in a combination of any of the above noted pricing methods.

If securities are sold by means of an underwritten offering, we will execute an underwriting agreement with an underwriter or underwriters, and the names of the specific managing underwriter or underwriters, as well as any other underwriters, and the terms of the transaction, including commissions, discounts and any other compensation of the underwriters and dealers, if any, will be set forth in the prospectus supplement which will be used by the underwriters to sell the securities. If underwriters are utilized in the sale of the securities, the securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at fixed public offering prices or at varying prices determined by the underwriters at the time of sale. Maximum compensation to any underwriters, dealers or agents will not exceed any applicable Financial Industry Regulatory Authority, or FINRA, limitations. In particular, in compliance with the guidelines of FINRA, the aggregate maximum fees or other items of value to be received by any FINRA member or independent broker-dealer will not exceed 8% of the gross proceeds of any offering pursuant to this registration statement.

Our securities may be offered to the public either through underwriting syndicates represented by managing underwriters or directly by the managing underwriters. If any underwriter or underwriters are utilized in the sale of the securities, unless otherwise indicated in the prospectus supplement, the underwriting agreement will provide that the obligations of the underwriters are subject to conditions precedent and that the underwriters with respect to a sale of securities will be obligated to purchase all of those securities if they purchase any of those securities.

We may grant to the underwriters options to purchase additional securities to cover over-allotments, if any, at the public offering price with additional underwriting discounts or commissions. If we grant any over-allotment option, the terms of any over-allotment option will be set forth in the prospectus supplement relating to those securities.

If a dealer is utilized in the sales of securities in respect of which this prospectus is delivered, we will sell those securities to the dealer as principal. The dealer may then resell those securities to the public at varying prices to be determined by the dealer at the time of resale. Any reselling dealer may be deemed to be an underwriter, as the term is defined in the Securities Act of the securities so offered and sold. The name of the dealer and the terms of the transaction will be set forth in the related prospectus supplement.

Offers to purchase securities may be solicited by agents designated by us from time to time. Any agent involved in the offer or sale of the securities in respect of which this prospectus is delivered will be named, and any commissions payable by us to the agent will be set forth, in the applicable prospectus supplement. Unless otherwise indicated in the prospectus supplement, any agent will be acting on a reasonable best efforts basis for the period of its appointment. Any agent may be deemed to be an underwriter, as that term is defined in the Securities Act of the securities so offered and sold.

Offers to purchase securities may be solicited directly by us and the sale of those securities may be made by us directly to institutional investors or others, who may be deemed to be underwriters within the meaning of the Securities Act with respect to any resale of those securities. The terms of any sales of this type will be described in the related prospectus supplement.

We also may sell directly to investors through subscription rights distributed to our shareholders on a pro rata basis. In connection with any distribution of subscription rights to shareholders, if all of the underlying securities are not subscribed for, we may sell the unsubscribed securities directly to third parties or may engage the services of one or more underwriters, dealers or agents, including standby underwriters, to sell the unsubscribed securities to third parties.

Underwriters, dealers, agents and remarketing firms may be entitled under relevant agreements entered into with us to indemnification by us against certain civil liabilities, including liabilities under the Securities Act of 1933, as amended (the "Securities Act"), that may arise from any untrue statement or alleged untrue statement of a material fact or any omission or alleged omission to state a material fact in this prospectus, any supplement or amendment hereto, or in the registration statement of which this prospectus forms a part, or to contribution with respect to payments which the agents, underwriters or dealers may be required to make. We may use underwriters, dealers, agents and remarketing firms with whom we have a material relationship. We will describe in the prospectus supplement, naming the underwriter, dealers, agents and/or remarketing firm and the nature of any such relationship.

If so indicated in the prospectus supplement, we will authorize underwriters or other persons acting as our agents to solicit offers by institutions to purchase securities from us pursuant to contracts providing for payments and delivery on a future date. Institutions with which contracts of this type may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and others, but in all cases those institutions must be approved by us. The obligations of any purchaser under any contract of this type will be subject to the condition that the purchase of the securities shall not at the time of delivery be prohibited under the laws of the jurisdiction to which the purchaser is subject. The underwriters and other persons acting as our agents will not have any responsibility in respect of the validity or performance of those contracts.

In connection with the offering of securities, persons participating in the offering, such as any underwriters, may purchase and sell securities in the open market. These transactions may include over-allotment and stabilizing transactions and purchases to cover syndicate short positions created in connection with the offering. Stabilizing transactions consist of bids or purchases for the purpose of preventing or retarding a decline in the market price of the securities, and syndicate short positions involve the sale by underwriters of a greater number of securities than they are required to purchase from any issuer in the offering. Underwriters also may impose a penalty bid, whereby selling concessions allowed to syndicate members or other broker-dealers in respect of the securities sold in the offering for their account may be reclaimed by the syndicate if the securities are repurchased by the syndicate in stabilizing or covering transactions. These activities may stabilize, maintain or otherwise affect the market price of the securities, which may be higher than the price that might prevail in the open market, and these activities, if commenced, may be discontinued at any time.

An underwriter may engage in overallotment, stabilizing transactions, short covering transactions and penalty bids in accordance with Regulation M under the Securities Exchange Act of 1934. Overallotment involves sales in excess of the offering size, which create a short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Short covering transactions involve purchases of the securities in the open market after the distribution is completed to cover short positions. Penalty bids permit the underwriter to reclaim a selling concession from a dealer when the securities originally sold by the dealer are purchased in a covering transaction to cover short positions. These activities may cause the price of our securities to be higher than it would otherwise be on the open market. The underwriter may discontinue any of these activities at any time.

All securities we offer, other than ordinary shares, will be new issues of securities, with no established trading market. Underwriters may make a market in these securities, but will not be obligated to do so and may discontinue market making at any time without notice. We cannot guarantee the liquidity of the trading markets for any securities.

Under applicable rules and regulations under the Exchange Act, any person engaged in the distribution of the resale shares may not simultaneously engage in market making activities with respect to the ordinary shares for the applicable restricted period, as defined in Regulation M, prior to the commencement of the distribution.

AUTHORIZED REPRESENTATIVE

Our authorized representative in the United States for this offering as required pursuant to Section 6(a) of the Securities Act of 1933, is Puglisi & Associates; 850 Library Avenue, Suite 204; P.O. Box 885; Newark, Delaware 19715. We have agreed to indemnify the authorized representative against liabilities under the Securities Act of 1933.

OFFERING EXPENSES

The following is a statement of expenses in connection with the registration of the securities being registered under this registration statement. All amounts shown are estimates except the SEC registration fee. The estimates do not include expenses related to offerings of particular securities. Each prospectus supplement describing an offering of securities will reflect the estimated expenses related to the offering of securities under that prospectus supplement.

| | |
|---|----------|
| Securities and Exchange Commission registration fee | \$2,518 |
| Legal fees and expenses | \$10,000 |
| fees and expenses Accountants | \$4,000 |
| Printing fees | \$2,000 |
| Miscellaneous | \$2,000 |
| Total | \$20,517 |

LEGAL MATTERS

Yigal Arnon & Co., Tel Aviv, Israel will pass upon matters of Israeli law for us with respect to securities offered by this prospectus and any accompanying prospectus supplement. Carter Ledyard & Milburn LLP, New York, New York, will be passing upon matters of United States law for us with respect to securities offered by this prospectus and any accompanying prospectus supplement.

EXPERTS

The consolidated financial statements incorporated in this prospectus by reference from our Annual Report on Form 20-F for the year ended December 31, 2015 have been audited by Kost Forer Gabbay & Kasierer, a member firm of Ernst & Young Global, independent registered public accounting firm, as set forth in their report thereon, incorporated herein by reference, which, are based in part on the reports of Grant Thornton Argentina S.C., Baker Tilly Brasil and Mazars, independent registered public accounting firms. The financial statements referred to above are included in reliance upon such reports given on the authority of such firms as experts in accounting and auditing.

ENFORCEABILITY OF CERTAIN CIVIL LIABILITIES AND AGENT FOR SERVICE OF PROCESS IN THE UNITED STATES

We are incorporated in Israel, most of our executive officers and directors and the Israeli experts named herein are nonresidents of the United States and a substantial portion of the assets of such persons and of ours are located outside the United States. For further information regarding enforceability of civil liabilities against us and certain other persons, see the risk factor “Service and enforcement of legal process” under the heading “Risk Factors” in our Annual Report on Form 20-F for the year ended December 31, 2015, which is incorporated by reference herein.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form F-3 under the Securities Act, with respect to the securities offered by this prospectus. The registration statement, including the attached exhibits, contains additional relevant information about us. The rules and regulations of the SEC allow us to omit some of the information included in the registration statement from this prospectus. For further information about us, and the securities offered by this prospectus, please refer to the registration statement.

We file annual and special reports and other information with the SEC. You may read and copy such material at the public reference facilities maintained by the SEC at Room 1024, 100 F Street, N.E., Washington, D.C. 20549, as well as at the SEC's regional offices. You may also obtain copies of such material from the SEC at prescribed rates by wiring to the Public Reference Section of the SEC, 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers, such as us, that file electronically with the SEC (<http://www.sec.gov>). As a foreign private issuer, all documents which were filed after November 4, 2002 on the Securities and Exchange Commission's EDGAR system are available for retrieval on the Securities and Exchange Commission's website at www.sec.gov.

A copy of this prospectus, our memorandum of association and our articles of association, are available for inspection at our offices at Pointer Telocation Ltd., 14 Hamelacha Street Afek Industrial Park, Rosh Haayin 48091, Israel, Tel: 972-3-572-3111, Attn.: Corporate Secretary.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The SEC allows us to "incorporate by reference" the information we file with it. This means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus, except if it is superseded by information in this prospectus or by later information that we file with the SEC. Information that we file with the SEC after the date of this prospectus will automatically update and supersede the information contained or incorporated by reference in this prospectus. We incorporate by reference the documents listed below, and all amendments or supplements we may file to such documents, as well as any future filings we may make with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934.

The following documents furnished or filed with the SEC are incorporated in this prospectus by reference:

Our Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed with the SEC on March 29, 2016.

23

Our report of foreign private issuer on Form 6-K furnished to the SEC on June 30, 2016.

Any future reports on Form 6-K to the extent that we indicate they are incorporated by reference into this registration statement.

Any future annual reports on Form 20-F that we may file with the SEC under the Exchange Act, prior to the termination of any offering contemplated by the prospectus; and

The description of our securities contained in Item 1 of our Registration Statement on Form 8-A filed with the SEC on March 17, 1994 under the Exchange Act and any amendment or report filed for the purpose of updating that description.

We filed a registration statement on Form F-3 to register with the SEC the securities described in this prospectus. This prospectus is part of that registration statement. As permitted by SEC rules, this prospectus does not contain all of the information included in the registration statement and the accompanying exhibits and schedules we file with the SEC. You may refer to the registration statement and the exhibits and schedules for more information about us and our securities. The registration statement and exhibits and schedules are also available at the SEC's Public Reference Room or through its web site.

Certain statements in and portions of this prospectus update and replace information in the above listed documents incorporated by reference. Likewise, statements in or portions of a future document incorporated by reference in this prospectus may update and replace statements in and portions of this prospectus or the above listed documents.

We are an Israeli company and are a "foreign private issuer" as defined in Rule 3b-4 under the Securities Exchange Act of 1934, or Exchange Act. As a result, (i) our proxy solicitations are not subject to the disclosure and procedural requirements of Regulation 14A under the Exchange Act, (ii) transactions in our equity securities by our officers, directors and principal shareholders are exempt from Section 16 of the Exchange Act; and (iii) we are not required under the Exchange Act to file periodic reports and financial statements as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act.

We will provide to each person, including any beneficial owner, to whom this prospectus is delivered, a copy of any or all the information that has been incorporated by reference in this prospectus but not delivered with this prospectus (and any exhibits specifically incorporated in such information), at no cost, upon written or oral request to us at the following address:

Pointer Telocation Ltd.

14 Hamelacha Street

Afek Industrial Park,

Rosh Haayin 48091, Israel

Tel: 972-3-572-3111

Attn.: Zvi Fried

You may also obtain information about us by visiting our website at www.pointer.com. Information contained in our website is not part of this prospectus.

Pointer Telocation Ltd.

\$25,000,000

Ordinary Shares

Subscription Rights

Warrants

Units

Debt Securities

You should rely only on the information contained or incorporated in this prospectus or any supplement. We have not authorized anyone else to provide you with different information. You should not rely on any other representations. Our affairs may change after this prospectus or any supplement is distributed. You should not assume that the information in this prospectus or any supplement is accurate as of any date other than the date on the front of those documents. You should read all information supplementing this prospectus.

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INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 8. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Israeli Companies Law, 5759 - 1999, (the "Companies Law"), and the Israeli Securities Law 5728 – 1968 (the "Securities Law"), as were most recently amended, provide that a company may include in its articles of association provisions allowing it to:

1. partially or fully, exempt in advance, an office holder of the company from his responsibility for damages caused by the breach of his duty of care to the company, except for damages caused to the company due to any breach of such Office Holder's duty of care towards the company in a "distribution" (as defined in the Companies Law).

2. enter into a contract to insure the liability of an office holder of the company by reason of acts or omissions committed in his capacity as an office holder of the company with respect to the following:
 - (a) the breach of his duty of care to the company or any other person;

 - (b) the breach of his fiduciary duty to the company to the extent he acted in good faith and had a reasonable basis to believe that the act or omission would not prejudice the interests of the company; and

 - (c) monetary liabilities or obligations which may be imposed upon him in favor of other persons.

3. indemnify an office holder of the company for:
 - (a) monetary liabilities or obligations imposed upon, or actually incurred by, such officer holder in favor of other persons pursuant to a court judgment, including a compromise judgment or an arbitrator's decision approved by a court, by reason of acts or omissions of such officer holder in his or her capacity as an office holder of the company;

(b) reasonable litigation expenses, including attorney's fees, actually incurred by such office holder or imposed upon him or her by a court, in an action, suit or proceeding brought against him or her by or on behalf of us or by other persons, or in connection with a criminal action from which he or she was acquitted, or in connection with a criminal action which does not require criminal intent in which he was convicted, in each case by reason of acts or omissions of such officer holder in his or her capacity as an office holder; and

(c) reasonable litigation expenses, including attorneys' fees, actually incurred by such office holder due to an investigation or a proceeding instituted against such office holder by an authority competent to administrate such an investigation or proceeding, and that was finalized without the filing of an indictment against such office holder and without any financial obligation imposed on such office holder in lieu of criminal proceedings, or that was finalized without the filing of an indictment against such office holder but with financial obligation imposed on such office holder in lieu of criminal proceedings of a crime which does not require proof of criminal intent, in each case by reason of acts of such officer holder in his or her capacity as an office holder of the company.

The Companies Law provides that a company's articles of association may provide for indemnification of an office holder post-factum and may also provide that a company may undertake to indemnify an office holder in advance, as described in:

sub-section 3(a) above, provided such undertaking is limited to and actually sets forth the types of occurrences, which, in the opinion of the company's board of directors based on the current activity of the company, are, at the time such undertaking is provided, foreseeable, and to an amount and degree that the board of directors has determined is reasonable for such indemnification under the circumstances; and

sub-sections 3(b) and 3(c) above.

The Companies Law provides that a company may not indemnify or exempt the liabilities of an office holder or enter into an insurance contract which would provide coverage for the liability of an office holder with respect to the following:

a breach of his fiduciary duty, except to the extent described above;

a breach of his duty of care, if such breach was done intentionally, recklessly or with disregard of the circumstances of the breach or its consequences;

an act or omission done with the intent to unlawfully realize personal gain;

or

a fine or monetary settlement imposed upon him.

The Companies Law adds that such clauses in a company's Articles of Association that contradict the clauses of the Companies Law regarding indemnification or exemption of, or insurance for liabilities for an office holder are void.

The Companies Law also states that accepting a company's undertaking for indemnification or exemption of the liabilities of an office holder, or entering into an insurance contract which would provide coverage for the liability of an office holder with respect to such office holder's breach of his or her fiduciary duty, is also void and amounts to that office holder's breach of his or her fiduciary duty towards the company.

Further, the Securities Law prohibits companies from exempting or indemnifying in advance or entering into a contract to insure the liability of an office holder of the company for (A) financial sanction pursuant to the provisions of Chapter H'3 of the Securities Law; (B) administrative infringements pursuant to the provisions of Chapter H'4 of the Securities Law or (C) infringements pursuant to the provisions of Chapter I'1 of the Securities Law.

II-2

However, an office holder, acting in the capacity of an office holder, could be exempted or indemnified by a company, and the company may enter into a contract to insure the liability of its office holders, for (A) expenses, including reasonable attorney's fees and litigation expenses pursuant to the mentioned Chapters of the Securities Law, and (B) payments to an injured party of infringement under Section 52ND(a)(1)(a) of the Securities Law.

Under the Companies Law, the term "office holder" may include a director, managing director, general manager, chief executive officer, executive vice president, vice president, other managers directly subordinate to the managing director and any other person fulfilling or assuming any such position or responsibility without regard to such person's title.

The grant of an exemption, an undertaking to indemnify or indemnification of, and procurement of insurance coverage for, an office holder of a company requires, pursuant to the Companies Law, the approval of our audit committee and board of directors, and, in certain circumstances, including if the office holder is a director, the approval of our shareholders.

Our Articles of Association have been amended to allow for indemnification of, and procurement of insurance coverage for our officers and directors to the maximum extent provided for by the Companies Law and the Securities Law. We have entered into an insurance contract for directors and officers in the total amount of \$15 million.

Our Articles of association also provide that any amendment to the Companies Law or to the Securities Law adversely affecting the Company's office holders' rights to be indemnified or insured according to Section 68 therein shall be prospective in effect, and shall not affect the Company's obligations or ability to insure or indemnify its office holders for any act or omission occurring prior to such amendment, unless otherwise provided by the Companies Law or the Securities Law.

ITEM 9. EXHIBITS

See the Exhibit Index on the page immediately preceding the exhibits for a list of exhibits filed as part of this registration statement on Form F-3, which Exhibit Index is incorporated herein by reference.

ITEM 10. UNDERTAKINGS

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement;

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933, as amended;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or any decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the SEC pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

provided, however, that paragraphs (a)(1)(i), (a)(1)(ii) and (a)(1)(iii) of this section do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, as amended, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

II-4

(4) To file a post-effective amendment to the registration statement to include any financial statements required by Item 8.A. of Form 20-F at the start of any delayed offering or throughout a continuous offering. Financial statements and information otherwise required by Section 10(a)(3) of the Securities Act of 1933, as amended, need not be furnished, *provided*, that the Registrant includes in the prospectus, by means of a post-effective amendment, financial statements required pursuant to this paragraph (a)(4) and other information necessary to ensure that all other information in the prospectus is at least as current as the date of those financial statements. Notwithstanding the foregoing, with respect to registration statements on Form F-3, a post-effective amendment need not be filed to include financial statements and information required by Section 10(a)(3) of the Securities Act of 1933, as amended, or Rule 3-19 of Regulation S-K if such financial statements and information are contained in periodic reports filed with or furnished to the SEC by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended, that are incorporated by reference in this Form F-3.

(5) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

(i) If the Registrant is relying on Rule 430B:

(A) Each prospectus filed by the registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(B) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date; or

(ii) If the registrant is subject to Rule 430C, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(6) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities: The undersigned Registrant undertakes that in a primary offering of securities of the undersigned Registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned Registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned Registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned Registrant or used or referred to by the undersigned Registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned Registrant or its securities provided by or on behalf of the undersigned Registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned Registrant to the purchaser.

(b) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, as amended, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended, (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein,

and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(d) The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act of 1933 shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(e) The undersigned Registrant hereby undertakes to file an application for the purpose of determining the eligibility of the trustee to act under subsection (a) of Section 310 of the Trust Indenture Act in accordance with the rules and regulations prescribed by the SEC under Section 305(b)(2) of the Trust Indenture Act

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing Form F-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Rosh Haayin, Israel, on June 30, 2016.

**POINTER
TELOCATION LTD.**

By: /s/ David Mahlab
David Mahlab
Chief Executive Officer

KNOW ALL MEN BY THESE PRESENTS, each director and officer whose signature appears below constitutes and appoints David Mahlab and Zvi Fried or either of them, his or her true and lawful attorney-in-fact and agent, with full power of substitution and re-substitution, to sign in any and all capacities any and all amendments or post-effective amendments to this Registration Statement on Form F-3 and to file the same with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, granting such attorneys-in-fact and agents, and each of them, full power and authority to do all such other acts and execute all such other documents as they, or any of them, may deem necessary or desirable in connection with the foregoing, as fully as the undersigned might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated:

| Signature | Title | Date |
|---|---|---------------|
| /s/Yossi Ben Shalom Yossi Ben Shalom | Chairman of the Board of Directors | June 30, 2016 |
| /s/ David Mahlab David Mahlab | President and Chief Executive Officer | June 30, 2016 |
| /s/ Zvi Fried Zvi Fried | Chief Financial Officer (Principal Accounting Officer) | June 30, 2016 |

/s/ Barak Dotan
Barak Dotan

Director

June 30, 2016

/s/ Yehudit Rozenberg
Yehudit Rozenberg

Director

June 30, 2016

II-8

/s/ Nir Cohen Director June 30, 2016
Nir Cohen

/s/ Jonathan Irroni Director June 30, 2016
Jonathan Irroni

/s/ Gil Oren Independent Director June 30, 2016
Gil Oren

/s/ Zvi Rutenberg Independent Director June 30, 2016
Zvi Rutenberg

U.S. Authorized
Representative:

/s/Puglisi & Associates
By: Donald J. Puglisi
Title: Managing Director
June 30, 2016

II-9

EXHIBIT INDEX

- 1† Form of Underwriting Agreement.
- 4.1* Memorandum of Association.
- 4.2** Amended Articles of Association, adopted August 26, 2003, as amended on May 24, 2004, February 1, 2005, and January 17, 2006.
- 4.3*** Amended and Restated Articles of Association of the Registrant.
- 4.4* Specimen of Certificate for Ordinary Shares.
- 4.5† Form of Unit Agreement (including form of Unit Certificate).
- 4.6† Form of Warrant Agreement (including form of Warrant Certificate).
- 4.7† Form of Subscription Right Agreement (including form of Subscription Right Certificate).
- 4.8 †† Form of indenture relating to debt securities
- 4.9† Form of debt securities
- 5.1 Opinion of Yigal Arnon & Co.
- 12.1 Statement regarding Computation of Ratio of Earnings to Fixed Charges
- 23.1 Consent of Yigal Arnon & Co. (contained in their opinion constituting Exhibit 5.1).
- 23.2 Consent of Kost, Forer, Gabbay & Kasierer Certified Public Accountants (Israel).
- 23.3 Consent of Grant Thornton Argentina S.C. Certified Public Accountants (Argentina).
- 23.4 Consent of Baker Tilly Brasil, Registered Public Accountants (Brazil).
- 23.5 Consent of Mazars Certified Public Accountants (South Africa)
- 24 Power of Attorney (included on signature page hereof).
- 25.1**** Statement of Eligibility of Trustee for Indenture under Trust Indenture Act of 1939.

†If applicable, to be filed by amendment or incorporated by reference pursuant to a report on Form 6-K.

†† Incorporated by reference to Exhibit 4.8 of Registrant's Registration Statement on Form F-3, File No. 333-187384 filed with the Commission on March 20, 2013.

* Incorporated by reference to Exhibit 3.1 of Registrant's Registration Statement on Form F-1, File No. 33-76576 filed with the Commission on June 10, 1994.

** Incorporated by reference to Exhibit 1.2 to Registrant's Annual Report on Form 20-F, for the year ending December 31, 2008 filed with the Commission on March 31, 2009.

*** Incorporated by reference to Exhibit 1.2 to the Registrant's Annual Report on Form 20-F, for the year ending December 31, 2012, filed with the Commission on March 19, 2012.

**** To be incorporated by reference from a subsequent filing in accordance with Section 305(b)(2) of the Trust Indenture Act of 1939.

II-10