

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2010

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number 000-23025

NOTIFY TECHNOLOGY CORPORATION
(Exact name of registrant as specified in its charter)

CALIFORNIA
(State or other jurisdiction of incorporation or organization)

77-0382248
(IRS Employer Identification No.)

1054 South De Anza Blvd., Suite 202
San Jose, CA 95129
(Address of principal executive offices)

(408) 777-7920
(Registrant's telephone number including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of August 13, 2010, there were 14,090,106 shares of common stock outstanding.

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PART I. FINANCIAL INFORMATION (unaudited)

Item 1. Financial Statements

NOTIFY TECHNOLOGY CORPORATION
CONDENSED BALANCE SHEETS

	June 30, 2010 (unaudited)	September 30, 2009 (1)
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,623,905	\$ 1,565,447
Accounts receivable, net	401,740	810,543
Other current assets	33,348	40,540
Total current assets	3,058,993	2,416,530
Non-current assets		
Property and equipment, net	278,185	247,117
Lease deposits	15,602	15,602
Total non-current assets	293,787	262,719
Total assets	\$ 3,352,780	\$ 2,679,249
Liabilities and shareholders' deficit		
Current liabilities:		
Current portion of capital lease obligations	\$ 2,639	\$ 4,142
Accounts payable	27,905	75,340
Accrued payroll and related liabilities	444,074	454,946
Deferred revenue	3,267,831	2,995,906
Other accrued liabilities	134,952	140,464
Total current liabilities	3,877,401	3,670,798
Long term portion of deferred revenue	118,835	137,250
Long term portion of capital lease obligations	4,668	6,543
Total long term liabilities	123,503	143,793
Total liabilities	4,000,904	3,814,591
Shareholders' deficit:		
Preferred stock, \$0.001 par value, 5,000,000 shares authorized, no shares outstanding	—	—
Common stock, \$0.001 par value, 30,000,000 shares authorized, 14,090,106 and 14,075,662 shares issued and outstanding on June 30, 2010 and September 30, 2009, respectively	14,090	14,076
Additional paid-in capital	23,496,102	23,442,160
Accumulated deficit	(24,158,316)	(24,591,578)
Total shareholders' deficit	(648,124)	(1,135,342)
Total liabilities and shareholders' deficit	\$ 3,352,780	\$ 2,679,249

(1) The information in this column was derived from our audited financial statements for the year ended September 30, 2009.

See accompanying notes to condensed financial statements

NOTIFY TECHNOLOGY CORPORATION
CONDENSED STATEMENTS OF OPERATIONS

	Three-Month Periods		Nine-month Periods	
	Ended June 30,		Ended June 30,	
	2010	2009	2010	2009
	(unaudited)		(unaudited)	
Revenue:				
Product revenue	\$ 1,837,377	\$ 1,593,805	\$ 5,367,871	\$ 4,366,636
Total revenue	<u>1,837,377</u>	<u>1,593,805</u>	<u>5,367,871</u>	<u>4,366,636</u>
Cost of revenue:				
Product cost	12,348	—	27,131	8,620
Royalty payments	1,707	38,925	5,103	109,072
Total cost of revenue	<u>14,055</u>	<u>38,925</u>	<u>32,234</u>	<u>117,692</u>
Gross profit	<u>1,823,322</u>	<u>1,554,880</u>	<u>5,335,637</u>	<u>4,248,944</u>
Operating expenses:				
Research and development	605,502	469,970	1,579,872	1,449,731
Sales and marketing	544,314	567,522	1,955,598	1,708,292
General and administrative	462,153	397,804	1,369,737	1,127,477
Total operating expenses	<u>1,611,969</u>	<u>1,435,296</u>	<u>4,905,207</u>	<u>4,285,500</u>
Income (loss) from operations	211,353	119,584	430,430	(36,556)
Other income (expense), net	1,153	662	2,832	2,913
Net income (loss)	<u>\$ 212,506</u>	<u>\$ 120,246</u>	<u>\$ 433,262</u>	<u>\$ (33,643)</u>
Basic net income (loss) per share	<u>\$ 0.02</u>	<u>\$ 0.01</u>	<u>\$ 0.03</u>	<u>\$ (0.00)</u>
Basic weighted average shares outstanding	<u>14,082,099</u>	<u>14,075,662</u>	<u>14,076,629</u>	<u>14,075,662</u>
Diluted net income (loss) per share	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ 0.03</u>	<u>\$ (0.00)</u>
Diluted weighted average shares outstanding	<u>15,855,291</u>	<u>14,849,281</u>	<u>15,949,153</u>	<u>14,075,662</u>

See accompanying notes to condensed financial statements

NOTIFY TECHNOLOGY CORPORATION
CONDENSED STATEMENTS OF CASH FLOWS

Nine-month Periods
Ended June 30,

2010	2009
(Unaudited)	

Cash flows provided by operating activities:

Net income (loss)	\$	433,262	\$	(33,643)
Adjustments to reconcile net income (loss) to cash provided by operating activities:				
Depreciation and amortization		90,757		65,314
SFAS 123(R) expense		51,934		37,470
Changes in operating assets and activities:				
Accounts receivable		408,803		(89,930)
Other current assets		7,192		2,593
Accounts payable		(47,435)		9,841
Deferred revenue		253,510		546,230
Other accrued liabilities		(16,384)		(52,647)
Net cash provided by operating activities		1,181,639		485,228

Cash flows used in investing activities:

Purchase of property and equipment		(121,825)		(135,422)
Net cash used in investing activities		(121,825)		(135,422)

Cash flows used in financing activities:

Exercise of stock options		2,022		--
Principal payments on capital lease obligations		(3,378)		(3,308)
Net cash used in financing activities		(1,356)		(3,308)
Net increase in cash and cash equivalents		1,058,458		346,498
Cash and cash equivalents at beginning of period		1,565,447		1,010,607
Cash and cash equivalents at end of period		\$ 2,623,905		\$ 1,357,105

Supplemental disclosure of cash information

Cash paid for interest	\$	417	\$	636
Cash paid for taxes	\$	4,855	\$	850

See accompanying notes to condensed financial statements

NOTIFY TECHNOLOGY CORPORATION
Notes to Condensed Financial Statements
(Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed financial statements of Notify Technology Corporation (referred to as “the Company”, “we”, “us” and “our” unless the context otherwise requires) have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the instructions to Form 10-Q and Article 8 of Regulation S-X. The condensed financial statements included herein are unaudited but include all adjustments (consisting only of normal recurring adjustments), which we consider necessary for a fair presentation of the financial position at such date and the operating results and cash flows for those periods. Although we believe that the disclosures in these condensed financial statements are adequate to make the information presented not misleading, certain information normally included in financial statements and related footnotes prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. The accompanying condensed financial statements should be read in conjunction with the financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended September 30, 2009.

Results for any interim period are not necessarily indicative of results for any other interim period or for the entire year.

2. NET INCOME (LOSS) PER SHARE

The net income per share for the nine-month period ended June 30, 2010 was a gain of \$0.03 compared to a loss of \$(0.00) for the same period in the prior year. Options to purchase 3,369,458 and 3,608,014 shares of common stock were outstanding at June 30, 2010 and 2009, respectively. The outstanding options were included in the computation of diluted net gain per share for the nine-month period ended June 30, 2010 to fully dilute the earnings per share but were not included in the computation of diluted net loss for the nine-month period ended June 30, 2009 as the effect would be anti-dilutive.

3. FINANCING ACTIVITIES

21X Investments LLC is beneficially owned by David Brewer, a director and chairman of the Audit Committee of the Company since February 2000. As a result of the May 29, 2007 transaction, Mr. Brewer acquired approximately 55% beneficial ownership of the stock of the Company.

The Company’s 2008 Equity Incentive Plan (“2008 Plan”) was established on December 17, 2008. The Board authorized 2,317,000 shares of the Company’s common stock to be reserved under the 2008 Plan. Included in the 3,369,458 total outstanding options as of June 30, 2010 were 1,675,014 options granted under the 2008 Plan to various employees. These grants included 169,470 options exchanged on December 17, 2008 for 900,000 options granted under a prior option plan.

Cash proceeds received from the exercise of stock options amounted to \$2,022 in the three and nine-month periods ended June 30, 2010. There were no option exercises in the nine-month period ended June 30, 2009.

4. ACCOUNTING FOR STOCK BASED COMPENSATION

The Company accounts for all compensation related to stock, options or warrants using a fair value based method whereby compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. The Company uses the Black-Scholes pricing model to calculate the fair value of options and warrants issued to both employees and non-employees. Stock issued for compensation is valued using the market price of the stock on the date of the related agreement.

The Company recognized stock based employee compensation in the three and nine-month periods ended June 30, 2010 and recorded non-cash expenses of \$16,847 and \$51,934 respectively.

NOTIFY TECHNOLOGY CORPORATION
Notes to Condensed Financial Statements
(Unaudited)

5. PRODUCT WARRANTY

We warrant our products to current paid-up customers and make available for download service update releases that contain the most up-to-date version of our products. These software updates are continually maintained and released when available. As such, we do not maintain a separate warranty reserve but expense the cost to create and post any maintenance release as a part of normal operations.

6. RECENT ACCOUNTING PRONOUNCEMENTS

On July 1, 2009, the Financial Accounting Standards Board (FASB) officially launched the FASB Accounting Standards Codification (ASC) 105 -- *Generally Accepted Accounting Principles*, which established the FASB Accounting Standards Codification ("the Codification"), as the single official source of authoritative, nongovernmental, U.S. GAAP, in addition to guidance issued by the Securities and Exchange Commission. The Codification is designed to simplify U.S. GAAP into a single, topically ordered structure. All guidance contained in the Codification carries an equal level of authority. The Codification is effective for interim and annual periods ending after September 15, 2009. Accordingly, the Company refers to the Codification in respect of the appropriate accounting standards throughout this document as "FASB ASC". Implementation of the Codification did not have any impact on the Company's consolidated financial statements.

In February 2010, the FASB issued ASU No. 2010-09 regarding subsequent events and amendments to certain recognition and disclosure requirements. Under this ASU, a public company that is a SEC filer, as defined, is not required to disclose the date through which subsequent events have been evaluated. This ASU is effective upon the issuance of this ASU. The adoption of this ASU did not have a material impact on our consolidated financial statements.

In December 2007, the FASB issued an update to FASB ASC 805, "Business Combinations" which establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree, and the goodwill acquired. This update also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. This update is effective for the Company with respect to business combinations for which the acquisition date is on or after January 1, 2009. The Company adopted this update in the second quarter of 2009 without significant financial impact.

In December 2007, the FASB issued an update to FASB ASC 810, "Consolidation", which establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. ASC 810 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of noncontrolling owners. This update is effective for the Company as of January 1, 2009. The Company adopted this update in January 2009 without significant impact on the consolidated financial position, results of operations, and disclosures.

September 2009, the FASB issued Accounting Standards Update No. 2009-13 (ASU 2009-13), Multiple-Deliverable Revenue Arrangements which updates ASC Topic 605-25, Multiple Elements Arrangements (formerly EITF 00-21), of the FASB codification. ASU 2009-13 provides new guidance on how to determine if an arrangement involving multiple deliverables contains more than one unit of accounting, and if so allows companies to allocate arrangement considerations in a manner more consistent with the economics of the transaction. ASU 2009-13 is effective for the Company, prospectively, for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010; early application is permitted. The Company is currently evaluating the impact of adopting ASU 2009-13 on its financial statements.

NOTIFY TECHNOLOGY CORPORATION
Notes to Condensed Financial Statements
(Unaudited)

In January 2010, the FASB issued ASU No. 2010-06 regarding fair value measurements and disclosures and improvement in the disclosure about fair value measurements. This ASU requires additional disclosures regarding significant transfers in and out of Levels 1 and 2 of fair value measurements, including a description of the reasons for the transfers. Further, this ASU requires additional disclosures for the activity in Level 3 fair value measurements, requiring presentation of information about purchases, sales, issuances, and settlements in the reconciliation for fair value measurements. This ASU is effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. We are currently evaluating the impact of this ASU; however, we do not expect the adoption of this ASU to have a material impact on our consolidated financial statements.

7. ACCOUNTS RECEIVABLE

There were no significant concentrations in the outstanding balance of account receivable as of June 30, 2010.

8. SUBSEQUENT EVENTS

On July 1, 2010, Softvault Systems, Inc., or Softvault, filed a complaint against us alleging patent infringement in the District Court for the Eastern District of Texas, Marshall Division. The case is entitled Softvault Systems, Inc. v. Intel Corporation, Good Technology, Inc., Notify Technology Corporation and Softex Incorporated, Civil Action No. 2:10-cv-219. In the complaint, Softvault asserts that our products infringe U.S. Patent Nos. 6,249,868 (“Method and System for Embedded, Automated, Component-level Control of Computer Systems and Other Complex Systems”) and 6,594,765 (“Method and System for Embedded, Automated, Component-level Control of Computer Systems and Other Complex Systems”). The complaint seeks unspecified monetary damages, interest, costs, attorneys’ fees and other relief. We have not yet been served with the complaint. While we believe we have meritorious defenses against Softvault’s claim, due to the inherent uncertainties of litigation, we cannot accurately predict the ultimate outcome of this matter.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which involve risks and uncertainties. Forward-looking statements generally include words such as "may," "will," "plans," "seeks," "expects," "anticipates," "outlook," "intends," "believes" and words of similar import as well as the negative of those terms. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. These forward-looking statements include, but are not limited to:

- statements regarding the future growth of our wireless product line;
- statements regarding future revenue from our products;
- statements regarding our future success;
- statements regarding our future financings;
- statements regarding future costs;
- statements regarding future research and development efforts;
- statements regarding competition in the market for wireless products;
- statements regarding future patent applications;
- statements regarding future financial results; and
- statements regarding future plans to extend our product line.

These statements are based on current expectations and are subject to important factors that could cause actual results to differ materially from those projected in the forward-looking statements. Such important factors include, but are not limited to, those discussed below under "Risk Factors" and elsewhere in this Quarterly Report and in other documents we file with the U.S. Securities and Exchange Commission. When reading the sections titled "Results of Operations" and "Financial Condition," you should also read our unaudited condensed financial statements and related notes included elsewhere herein and our Annual Report on Form 10-K for the fiscal year ended September 30, 2009. We undertake no obligation to update any forward-looking statements as a result of developments occurring after the date of this Quarterly Report. The following discussion and analysis of our financial condition and results of operations should be read together with our Consolidated Financial Statements and related notes included elsewhere in this Quarterly Report on Form 10-Q.

OVERVIEW

We were incorporated in the State of California in August 1994. We are an independent software vendor ("ISV") focused on providing secure, wireless synchronization of email and personal information management ("PIM") (calendar, contacts, and tasks information) across a variety of wireless devices and email collaboration suites. Our products provide solutions to organizations and businesses supporting Novell GroupWise™, Microsoft Exchange™, Google Enterprise™ and a variety of alternative email collaboration suites such as the Sun Java Communications Suite, the Oracle Collaboration Suite, the Mirapoint Messaging Suite, CommunigatePro, Scalix Enterprise Server, Kerio Messaging Suite, the MDaemon Messaging Suite, FirstClass, and Meeting Maker. We support a variety of wireless device platforms on each of these suites including the BlackBerry®, Apple® iPhone®, iPad®, iPod® touch, Palm, Windows Mobile®, and Symbian. Using our products, our customers can achieve secure wireless mobile access using various handheld wireless devices to manage their email, calendar appointments and address books on any of the email collaboration suites we support. Our products support wireless devices from a wide range of manufacturers and network carriers around the world.

We completed our initial public offering in September 1997, receiving net proceeds of approximately \$6.2 million. Prior to our initial public offering, our working capital requirements were met through the sale of equity and debt securities in private placements and, to a lesser extent, product revenue and a line of credit. We have sustained significant operating losses in every fiscal period since inception and expect to incur quarterly operating losses in the future. Our limited operating history makes the prediction of future operating results difficult if not impossible. Future operating results will depend on many factors, including the demand for our products, the level of product and price competition, and our ability to develop and market new products and control costs. There can be no assurance that our revenues will grow or be sustained in future periods or that we will ever achieve profitability.

RESULTS OF OPERATIONS

Three-Month Periods Ended June 30, 2010 and 2009

Revenue

Revenue consists of net revenue from the sale of NotifyLink and NotifySync software licenses, installation fees and the sale of third party software. We recognize the license portion at the point of sale for those sales where VSOE has been established and the service portion ratably over the term of the service contract. For those contracts where VSOE has not been established, the revenue of the entire contract is recognized ratably over the term of the contract. Maintenance revenue is recognized on a straight-line basis over the term of each contract. Installation revenue is recognized upon completion of trial activity and finalizing the software agreement. Third party software revenue is recognized upon delivery to the customer.

Our revenues increased 15% to \$1,837,377 in the three-month period ended June 30, 2010 from \$1,593,805 in the three-month period ended June 30, 2009. The increase in revenue was attributed to growth in domestic sales of our NotifyLink product line plus sales from our new NotifySync product line. We also believe that the current rapid growth in the Smartphone market and the increasing number of devices available has had a favorable impact on our business. This rapid growth also creates challenges as we are required to test and certify the many new devices as they are released by manufacturers that can only be done through increased headcount.

Our NotifyLink product is comprised of a backend server component and a wireless device client component. We are a provider of secure real time wireless synchronization of email, calendar, contacts and tasks, supporting 13 different email platforms. In addition we support any BlackBerry®, Palm®, Windows Mobile, and select Symbian wireless devices on all major cellular voice and data networks worldwide. The NotifyLink solution provides users with bi-directional mobile “automatic” synchronization of emails sent to end users’ email mailboxes and all emails originated forwarded and replied to from the mobile device will be synchronized with the user’s email mailbox. The synchronized information also keeps personal calendars, contacts, and task information continually up to date at both the server and the mobile device level.

Our NotifySync™ product gives BlackBerry® users secure, real-time, wireless synchronization of Email and PIM with their ActiveSync Server. NotifySync provides direct connect support to several email platforms namely Axigen Mail Server, CommuniGate Pro Mail Server, Microsoft Exchange, Kerio Mail Server, and the Zimbra Collaboration Suite. Organizations receive through NotifySync a synchronization solution that offers them support on all popular cellular voice and data networks as well as any 802.11x wireless network.

In the last three months we have certified NotifyLink compatibility with a number of Android phones and the new Apple iPhone 4.

We sell our products primarily in the United States directly to business users and resellers. Certain domestic customers have deployed our product to international sites, demonstrating NotifyLink’s ability to link our customers’ email across international boundaries. We also have limited direct sales internationally and sell primarily through resellers. We launched an ecommerce site in January 2009 to provide our new NotifySync product to the general market.

Cost of revenue

Cost of revenue consists of the hosting center costs to support the service portion of our NotifyLink products and the cost of resale software related to NotifyLink. Cost of revenue decreased to \$14,055 in the three-month period ended June 30, 2010, from \$38,925 for the three-month period ended June 30, 2009. The decrease in the cost of revenue was due to the elimination of a royalty applied to software sales because we fully paid up the royalty license in fiscal 2009.

Our gross margin increased to 99.2% in the three month period ended June 30, 2010 compared to a gross margin of 97.6% in the three-month period ended June 30, 2009. The major cost component affecting gross margin had been a royalty expense that no longer exists. The other major costs of our business, consisting of product design and sales/support, are categorized in operating expenses and thus do not impact gross margin.

Research and development

Research and development expenses consist primarily of personnel costs and expenses. Research and development expenses increased to \$605,502 for the three-month period ended June 30, 2010 from \$469,970 for the three-month period ended June 30, 2009. The increase is due to a significant increase in headcount in our testing department to meet the demand to certify new devices. We have also reinforced our development staff to support porting our solution to new devices and creating new products in the area of device management.

We believe that our future success depends significantly on our ability to continue to enhance our existing wireless products and to develop new products. Therefore, we intend to continue to incur research and development costs for the foreseeable future.

Sales and marketing

Sales and marketing expense consists primarily of personnel, travel costs and sales commissions related to our sales and marketing efforts. We use an internal sales force and a customer support staff to facilitate the NotifyLink sales process. Sales and marketing costs decreased to \$544,314 for the three-month period ended June 30, 2010 from \$567,522 for the three-month period ended June 30, 2009. The minor decrease in spending was due to lower salary and commission expenses.

We anticipate that sales and marketing expenses will increase in future quarters as we hire additional sales and customer support personnel and attempt to expand our existing and create new distribution channels.

General and administrative

General and administrative expense consists of general management and finance personnel costs, insurance expense, rent expense, professional fees and other general corporate expenses. General and administrative expenses increased to \$462,153 for the three-month period ended June 30, 2010 from \$397,804 for the three-month period ended June 30, 2009. The increase is due to compensation and option vesting expense.

Nine-month Periods Ended June 30, 2010 and 2009

Revenue

Revenue for the nine-month period ended June 30, 2010 increased 23% to \$5,367,871 from \$4,366,636 for the nine-month period ended June 30, 2009. A majority of our revenue in both periods was derived from domestic sources, centering largely on Novell GroupWise environments and IMAP based email systems. Sales of our NotifySync product focused at the BlackBerry market also improved our revenues over the nine-month period ended June 30, 2010.

Cost of revenue

Cost of revenue consists of the cost of resale software related to NotifyLink and minor royalty costs. Cost of revenue decreased to \$32,234 in the nine-month period ended June 30, 2010, from \$117,692 for the nine-month period ended June 30, 2009. The major cost component affecting gross margin last year had been royalty expense. The decrease in the cost of revenue was due to the fact that we fully paid up the royalty license in fiscal 2009.

Our gross margin increased to 99.4% in the nine-month period ended June 30, 2010, compared to a gross margin of 97.3% in the nine-month period ended June 30, 2009. The other major costs of our business, consisting of product design and sales/support, are categorized in operating expenses and thus do not impact gross margin.

Research and development

Research and development expenses consist primarily of personnel costs and expenses. Research and development expenses increased to \$1,579,872 for the nine-month period ended June 30, 2010, from \$1,449,731 for the nine-month period ended June 30, 2009. The release of numerous new smart phones into the market is driving the cost to keep our product current and compatible with frequent new devices or operating system releases. We are also committing more resources to developing new products for the market.

We believe that our future success, if any, depends significantly on our ability to continue to enhance our existing wireless products and to develop new products. Therefore, we intend to continue to incur research and development costs for the foreseeable future

Sales and marketing

Sales and marketing expenses consist primarily of personnel, travel costs and sales commissions related to our sales effort of the NotifyLink product line. We use an internal sales force and a customer support staff to facilitate the NotifyLink sales process. Sales and marketing costs increased to \$1,955,598 for the nine-month period ended June 30, 2010, from \$1,708,292 for the nine-month period ended June 30, 2009. The increase in sales expense is due to additions to our sales staff and commissions on sales activity. There is an inherent mismatch of commission expense to revenue because a majority of our revenue is recognized over the life of the contract, whereas we record commission expense in the month the contract is signed.

We anticipate that sales and marketing expenses will increase in future quarters as we hire additional sales and customer support personnel and attempt to expand our existing referral base and create new distribution channels.

General and administrative

General and administrative expenses consist of general management and finance personnel costs, insurance expense, occupancy costs, professional fees, stock-based compensation expense and other general corporate expenses. General and administrative expenses increased to \$1,369,737 for the nine-month period ended June 30, 2010 from \$1,127,477 for the nine-month period ended June 30, 2009. The increase in expenses was primarily due to increases in compensation expense. In addition, we experienced increases in legal and non-cash option vesting.

We expect that general and administrative expense may continue to increase in future quarters as we adhere to the requirements mandated by the Sarbanes-Oxley Act and integrate any additional requirements imposed by future regulations.

LIQUIDITY AND CAPITAL RESOURCES

In the nine-month period ended June 30, 2010, we funded our operations through cash provided by operations. Our ability to fund our operations depends upon the continued success of our NotifyLink and NotifySync wireless e-mail notification market solutions.

A significant characteristic of our business is the sale of our products customarily in the form of annual contracts paid for upon signing with the revenue amortized over the twelve-month service period. The unamortized contract revenue is reflected in the deferred revenue account on our balance sheet. As our installed base grows, this practice increases the deferred revenue liability on the balance sheet provided we add new contracts faster than old contracts expire.

The major cost of operations is comprised of (1) the engineering design of our products offered for sale and (2) the testing and certification of our Notify products on new devices, (3) and a sales process that entails both a direct sales effort and technical support hours to facilitate a trial period of our software prior to purchase. The increase in the NotifyLink deferred revenue to \$3,386,666 as of June 30, 2010 from \$3,133,156 as of September 30, 2009, combined with the increase in revenues in the nine-month period ended June 30, 2010, indicates that total product revenue continued to improve in the first three quarters of 2010. Deferred revenue also represents the obligation to service the contracts underlying the revenue. However, the cash flow required to provide the service of contracts is significantly less than the amortized revenue recognized each month.

Our continued operations depend on the cash flow from sales of NotifyLink and NotifySync. In the event sales of our products decline or our revenue is otherwise interrupted for a significant period of time, we would have to reduce our operations to minimally service our existing contract obligations unless we secured additional financing. If we were unable to increase our revenues or secure financing, we would have to restructure our business to reduce costs.

We also continue to evaluate our opportunities to obtain financing to provide additional funding for our operations.

In the event we require additional capital, we cannot predict whether we will be able to obtain financing on commercially reasonable terms, if at all. Any future financings may take the form of debt or equity securities or a combination of debt and equity, including convertible notes or warrants. In the event we are required to obtain additional financing, we cannot predict whether we could successfully conclude a financing with any new investors. Minimally, we expect that any additional financing could result in a substantial dilution of the equity and voting interests of our current shareholders.

The Company's 2008 Equity Incentive Plan ("2008 Plan") was established on December 17, 2008. The Board authorized 2,317,000 shares of the Company's common stock to be reserved under the 2008 Plan. Included in the 3,355,014 total outstanding options as of June 30, 2010 were 1,675,014 options granted under the 2008 Plan to various employees. These grants included 169,470 options exchanged on December 17, 2008 for 900,000 options granted under a prior option plan.

At June 30, 2010, we had cash and cash equivalents of \$2,623,905, compared to \$1,357,105 at June 30, 2009. Over the last several years, we have financed our operations primarily through revenue from operations. The net cash generated by operating activities equaled \$1,181,639 in the nine-month period ended June 30, 2010, versus net cash generated by operating activities of \$485,228 in the nine-month period ended June 30, 2009. The cash generated by operations in the nine-month period ended June 30, 2010 was a combination of net income of \$433,262 plus an decrease in accounts receivable of \$408,803 and an increase in deferred revenue of \$253,510 offset by an decrease in accounts payable of \$47,435. The cash generated by operations in the nine-month period ended June 30, 2009 was primarily due to a combination of a net loss of \$33,643, an increase in accounts receivable of \$89,930 and an increase in other accrued liabilities of \$52,647, offset by an increase in deferred revenue of \$546,230. Although we have been cash positive in the last two fiscal years, we anticipate that we may have negative cash flow from time to time in operating activities in future periods.

Net cash used by investing activities in the nine-month period ended June 30, 2010 was an outflow of \$121,825 for office furniture and computer purchases. There was a net cash outflow of \$134,422 from the purchase of fixed assets in the nine-month period ended June 30, 2009.

Net cash used by financing activities was an outflow of \$1,356 and an outflow of \$3,308 for the nine-month periods ended June 30, 2010 and 2009, respectively. The new cash outflow for the nine-month period ended June 30 2010 was \$3,378 due to payments on capital leases offset by \$2,022 received from the exercise of options. The net cash outflow for the nine-month period ended June 30, 2009 was due to payments on capital leases.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. We evaluate estimates, including those related to bad debts, inventories and income taxes, on an ongoing basis. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies, among others, involve the more significant judgments and estimates used in the preparation of our financial statements:

We recognize software license agreements when persuasive evidence of an agreement exists, delivery of the product has occurred, the license fee is fixed or determinable and collection is probable. Our license agreements take two basic forms. The first form of agreement is essentially a subscription agreement that is used in connection with our hosting arrangement where we provide both the software combined with hosting services from a hardened site. The agreement generally has a fixed term and the license revenue is recognized ratably over the term of each service contract. The second form of agreement involves the purchase of a license and a service agreement based on the Vendor Supplied Objective Evidence ("VSOE") where only the service agreement is renewed each year. We recognize the license portion at the point of sale for those sales where VSOE has been established and the service portion ratably over the term of the service contract. For those contracts where VSOE has not been established, the revenue of the entire contract is recognized ratably over the term of the contract. Our sales process provides for an optional trial period prior to the agreement to purchase and no revenue is recognized during that trial period.

We recognize revenue when the title and risk of loss have passed to the customer, there is persuasive evidence of an arrangement, delivery of the product has occurred or services have been rendered, the sales price is fixed or determinable and collection is probable. Installation, when required, is commonly completed prior to an agreement to facilitate a trial of the product. Technical assistance is available during the sales process and is unrelated to the service component portion of the final arrangement. Revenue related to installation is recognized when the agreement is signed and the contract period has commenced.

The Company accounts for all compensation related to stock, options or warrants using a fair value based method whereby compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. The Company uses the Black-Scholes pricing model to calculate the fair value of options and warrants issued to both employees and non-employees. Stock issued for compensation is valued using the market price of the stock on the date of the related agreement.

We maintain allowances for doubtful accounts for estimated bad debts. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required.

The carrying value of our deferred tax assets is dependent upon our ability to generate sufficient future taxable income in certain tax jurisdictions. Should we determine that we would not be able to realize all or part of our deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to income in the period such determination was made. Currently, our deferred tax assets are fully reserved.

OFF BALANCE SHEET ARRANGEMENTS

We have no off balance sheet arrangements as defined by Item 303(a)4 of Regulation S-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 (the "Exchange Act") and not required to provide the information required under this item.

Item 4T. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures.

Our chief executive officer and our chief financial officer, after evaluating our disclosure controls and procedures (as defined in the rules and regulation of the Securities and Exchange Commission under the Exchange Act), as of the end of the period covered by this Quarterly Report on Form 10-Q, have concluded that as of such date, our disclosure controls and procedures were effective to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

(b) Changes in Internal Controls.

During the period covered by this Quarterly Report on Form 10-Q, there were no significant changes in our internal controls over financial reporting or in other factors that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

On July 1, 2010, Softvault Systems, Inc., or Softvault, filed a complaint against us alleging patent infringement in the District Court for the Eastern District of Texas, Marshall Division. The case is entitled Softvault Systems, Inc. v. Intel Corporation, Good Technology, Inc., Notify Technology Corporation and Softex Incorporated, Civil Action No. 2:10-cv-219. In the complaint, Softvault asserts that our products infringe U.S. Patent Nos. 6,249,868 (“Method and System for Embedded, Automated, Component-level Control of Computer Systems and Other Complex Systems”) and 6,594,765 (“Method and System for Embedded, Automated, Component-level Control of Computer Systems and Other Complex Systems”). The complaint seeks unspecified monetary damages, interest, costs, attorneys’ fees and other relief. We have not yet been served with the complaint. While we believe we have meritorious defenses against Softvault’s claim, due to the inherent uncertainties of litigation, we cannot accurately predict the ultimate outcome of this matter.

Item 1A. Risk Factors.

We operate in a dynamic and rapidly changing business environment that involves numerous risks and uncertainties. The following section lists some, but not all, of these risks and uncertainties, which may have a material adverse effect on our business, financial condition or results of operations.

We have a history of losses, and there is no assurance of future profitability.

We commenced operations in August 1994 and through January 1996 were engaged primarily in the sale of hardware products to the telephone market. We made the decision in fiscal 2003 to refocus our strategy on developing and selling software applications for the wireless market. Accordingly, our business has changed substantially in recent years, making it difficult to make period-to-period comparisons of our operations and we face all of the risks and uncertainties encountered by early-stage companies. For the nine-month period ended June 30, 2010, we had a net income of \$433,262. For the fiscal year ended September 30, 2009, we had a net income of \$70,685. For the fiscal years ended September 30, 2008, 2007 and 2006, we incurred net losses of \$287,680, \$426,004, and \$314,892, respectively. Although our cash flows from operations were positive in the nine-month period ended June 30, 2010 and the years ended September 30, 2009, 2008 and 2007, we are not assured that we can maintain a positive cash flow from operating activities in future periods. There can be no assurance that sales of our products will continue to generate or maintain a positive cash flow or that we will attain or thereafter sustain profitability in any future period.

We may be unable to generate the cash necessary to support a competitive level of research and development activities.

At June 30, 2010, we had an accumulated deficit of \$24,158,316 and recorded a net income for the nine-month period ended June 30, 2010 of \$433,262. We also had a working capital deficit at that date of \$818,408. Our NotifyLink and NotifySync products will need to sustain a favorable market acceptance in order for us to be able to continue our research and development activities and to fund operating expenses at a level required to stay competitive in our market. Regardless, as our wireless product lines have only generated sufficient contributions to our revenues to date to operate profitably at the current level of research and development for the last fiscal year, an increase in the level of research and development driven by market pressures could require us to obtain further financing. Obtaining additional financing will be subject to a number of factors including market conditions, investor acceptance of our business plan, and investor sentiment. These factors may make the timing, amount, terms and conditions of additional financing unattractive or unavailable to us. If, in a situation that required an increase in research and development we are unable to maintain market acceptance of our wireless products or raise additional financing, we will have to significantly reduce our spending, delay or cancel planned activities or substantially change our current corporate structure. In such an event, we intend to implement expense reduction plans in a timely manner. However, these actions would have material adverse effects on our business, results of operations, and prospects, resulting in a possible failure of our business.

If we are unable to develop market and sell new and improved wireless products on a timely basis, we could lose existing and potential customers and our sales could decrease.

We continue to invest in our wireless software products in order to grow our revenue and improve our financial condition. We need to develop our market and sell new and improved wireless software products on a timely basis to keep pace with technological developments, emerging industry standards, and the growing needs of our sophisticated customers. We may experience difficulties in marketing and selling new products, and our inability to timely and cost-effectively introduce new products and future enhancements, or the failure of these new products or enhancements to achieve market acceptance, could seriously harm our business. Life cycles of wireless software products are difficult to predict, because the market for such products is relatively new and evolving and characterized by rapid technological change, frequent enhancements to existing products and new product introductions, changing customer needs and evolving industry standards. The introduction of competing products that employ new technologies and emerging industry standards could render our products and services obsolete and unmarketable or shorten the life cycles of our products and services. The emergence of new industry standards might require us to redesign our products. If our products are not in compliance with industry standards that become widespread, our customers and potential customers may not purchase our products.

Revenues or expenses may vary, affecting our quarterly operating results.

We anticipate that we will experience significant fluctuations in our operating results in the future. Fluctuations in operating results may cause the price of our common stock to be volatile. Operating results may vary as a result of many factors, including the following:

- our level of research and development;
- our sales and marketing activities;
- announcements by us or our competitors;
- size and timing of orders from customers;
- new product introductions by us or our competitors;
- future market acceptance of our products; and
- price erosion.

Each of the above factors is difficult to control and forecast. Thus, they could have a material adverse effect on our business, financial condition and results of operations.

Notwithstanding the difficulty in forecasting future sales, we generally must undertake research and development and sales and marketing activities and other commitments months or years in advance. Accordingly, any shortfall in product revenues in a given quarter may materially adversely affect our financial condition and results of operations because we are unable to adjust expenses during the quarter to match the level of product revenues, if any, for the quarter. Due to these and other factors, we believe that quarter to quarter comparisons of our results of operations are not necessarily meaningful and should not be relied upon as indications of future performance.

Our intellectual property may not be adequately protected and we may infringe the rights of others.

We regard various features and design aspects of our products as proprietary and rely primarily on a combination of copyright, trademark and trade secret laws and employee and third-party nondisclosure agreements to protect our proprietary rights. There can be no assurance, therefore, that any of our competitors, some of whom have far greater resources than we do, will not independently develop technologies that are substantially equivalent or superior to our technology.

We need to continue to develop our marketing channels and build our sales force.

We continue to develop our formal referral partner channel and our international reseller partner channel. We participate in informal referral arrangements with several wireless carriers, wireless device manufacturers and several of our collaboration partners for the sale of our NotifyLink and NotifySync products and services where our products assist in the sale of their products. We have a limited direct sales force to sell our NotifyLink and NotifySync products and services to organizations and businesses, and we rely upon both formal and informal referral arrangements to provide leads for our NotifyLink and NotifySync products. To date, most of our referral arrangements are formal, and we will receive referrals only to the extent that our referral partners successfully refer our products and services to potential users. There can be no assurance that we will continue to receive referrals through our formal or informal arrangements. Our NotifyLink and NotifySync solutions are sold into an emerging market and although we have operated on a cash positive basis in the fiscal years ending September 30, 2009, 2008 and 2007, we have only achieved sufficient growth in our sales to generate net income in fiscal 2009 and in the nine-month period ended June 30, 2010.

We are expanding our distribution channels for our wireless products by participating in national and regional trade shows and promotions with strategic partners across the United States and Europe. We cannot predict whether these activities will result in increased wireless revenue. We also have limited international sales due to limited resources to build a reseller network. Our management will need to expend time and effort to develop these channels. Our customer profile consists of a large number of small to medium business customers thereby reducing our dependence on any one customer. We have expanded our internal sales force in response. We are building experience selling into the wireless market but make use of modest marketing and distribution programs to expand our distribution channels and any marketing efforts undertaken by or on behalf of us may not be successful.

Our products may suffer from defects.

Most of our products consist of software and services related to our wireless NotifyLink product line. Our NotifyLink products incorporate a mix of new and proven technology that has been tested extensively, but may still contain undetected design flaws. A failure by us to detect and prevent a design flaw or a widespread product defect could materially adversely affect the sales of the affected product and our other products and materially adversely affect our business, financial condition and operating results.

We depend on key executives.

Our potential for success depends significantly on key management employees, including our Chairman, President and Chief Executive Officer, Mr. Paul F. DePond, our Vice President of Development, Rhonda Chicone and our Chief Financial Officer, Gerald W. Rice. We have entered into amended and restated employment agreements with these three key management employees. We do not currently have "key man" life insurance on any of these executives or any of our other key employees. The loss of the services of these executives or those of any of our other key employees would materially and adversely affect us. We also believe that our future success will depend in large part on our ability to attract and retain additional highly skilled technical, management, sales and marketing personnel. If we were unable to retain or hire the necessary personnel, the development of new products and enhancements to current products would likely be delayed or prevented. Competition for these highly-skilled employees is intense. Therefore, there can be no assurance that we will be successful in retaining our key personnel or in attracting and retaining the personnel we require for expansion.

We face significant competition.

We believe the market for our wireless products is extremely competitive for certain platforms, and less competitive for others. Several companies offer wireless email notification and management software for Microsoft Exchange and Novell GroupWise. Many of these companies have greater financial and other resources than we do. Microsoft and Novell offer similar products at little to no charge that function in large parts of the enterprise email market. We sell our products in segments of the market where the free products do not provide adequate functionality or sufficient product features. If these lower cost products were extended to our segment of the market, we would face additional price pressure. We may not be able to compete successfully against better funded competitors as the market for our products evolves and the level of competition increases. A failure to compete successfully against existing and new competitors would materially and adversely affect our business, revenue, operating results, and financial condition.

If the market for wireless data communications devices does not grow, we may not successfully increase or maintain the sale of our NotifyLink products.

The overall market for wireless data communications devices has experienced significant growth in recent years. The success of our NotifyLink Enterprise On-Premise and On-Demand products depends upon this growth. There can be no assurance that the market for wireless software products will continue to grow. We cannot predict that growth of our NotifyLink products will continue. If the various markets in which our software products compete fail to grow, or grow more slowly than we currently anticipate, or if we are unable to establish product markets for our new software products, our business, results of operation and financial condition would be materially and adversely affected.

Risks Related to Our Common Stock

If we fail to remain current on our reporting requirements, we could be removed from the OTC Bulletin Board, which would limit the ability of broker-dealers to sell our securities and the ability of shareholders to sell their securities in the secondary market.

Companies trading on the OTC Bulletin Board, such as Notify Technology, must be reporting issuers under Section 12 of the Securities Exchange Act of 1934 ("Exchange Act"), and must be current in their reports under Section 13 of the Exchange Act, in order to maintain price quotation privileges on the OTC Bulletin Board. If we fail to remain current on our reporting requirements, we could be removed from the OTC Bulletin Board. As a result, the liquidity of our securities could be adversely affected by limiting the ability of broker-dealers to sell our securities and the ability of shareholders to sell their securities in the secondary market

Our common stock is subject to the "penny stock" rules of the Securities and Exchange Commission, and the trading market in our common stock is limited, which makes transactions in our stock cumbersome and may reduce the investment value of our stock.

Our common stock is "penny stock" because it is not registered on a national securities exchange or listed on an automated quotation system sponsored by a registered national securities association, pursuant to Rule 3a51-1(a) under the Exchange Act. For any transaction involving a penny stock, unless exempt, the rules require:

- That a broker or dealer approve a person's account for transactions in penny stocks; and
- That the broker or dealer receives from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the Securities and Exchange Commission relating to the penny stock market, which, in highlight form:

- Sets forth the basis on which the broker or dealer made the suitability determination; and
 - That the broker or dealer received a signed, written agreement from the investor prior to the transaction.
-

Generally, brokers may be less willing to execute transactions in securities subject to the penny stock rules. This may make it more difficult for investors to dispose of our common stock and cause a decline in the market value of our stock.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

The market for penny stocks has suffered in recent years from patterns of fraud and abuse.

Shareholders should be aware that, according to SEC Release No. 34-29093, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. Such patterns include:

- Control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer;
- Manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases;
- Boiler room practices involving high-pressure sales tactics and unrealistic price projections by inexperienced salespersons;
- Excessive and undisclosed bid-ask differential and markups by selling broker-dealers; and
- The wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the resulting inevitable collapse of those prices and with consequential investor losses.

Our management is aware of the abuses that have occurred historically in the penny stock market. Although we do not expect to be in a position to dictate the behavior of the market or of broker-dealers who participate in the market, management will strive within the confines of practical limitations to prevent the described patterns from being established with respect to our securities. The occurrence of these patterns or practices could increase the volatility of our share price.

Our stock price may be volatile

The market price for our common stock may be affected by a number of factors, including the announcement of new products or product enhancements by us or our competitors, the loss of services of one or more of our executive officers or other key employees, quarterly variations in our or our competitors' results of operations, changes in earnings estimates, developments in our industry, sales of substantial numbers of shares of our common stock in the public market, general market conditions and other factors, including factors unrelated to our operating performance or the operating performance of our competitors. In addition, stock prices for many companies in the technology sector have experienced wide fluctuations that have often been unrelated to the operating performances of these companies. These factors and fluctuations, as well as general economic, political and market conditions, such as recessions, may materially adversely affect the market price of our common stock.

Our charter provisions may discourage acquisition bids.

Our Articles of Incorporation give our Board of Directors the authority to issue an aggregate of 5,000,000 shares of preferred stock and to determine the price, rights, preferences, privileges and restrictions, including voting rights for these shares, without any further vote or action by our shareholders. The rights of the holders of our common stock will be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued in the future. The issuance of preferred stock, while providing flexibility in connection with possible acquisition and other corporate purposes, could have the effect of making it more difficult for a third party to acquire a majority of our outstanding voting stock.

One of our directors holds a large percentage of our stock and is able to exert substantial control over us.

David A. Brewer, a member of our Board of Directors and the Chairman of our Audit Committee since 2000, together with an entity affiliated with Mr. Brewer, currently own approximately 56% of our outstanding common stock. In addition, Mr. Brewer owns options to purchase an additional fractional percent of our common stock. This represents a significant influence over all matters requiring approval by shareholders, including the election of directors, amendments to our Articles of Incorporation and significant corporate transactions, such as a merger or other sale of our company or its assets. This concentration of ownership will limit other shareholders' ability to influence corporate matters and may have the effect of delaying or preventing a third party from acquiring control over us.

Our Articles of Incorporation limit the liability of directors and officers and we have entered into indemnification agreements with them.

Our Articles of Incorporation eliminate, in certain circumstances, the liability of our directors and officers for monetary damages for breach of their fiduciary duties as directors and officers. We have also entered into indemnification agreements with each of our directors and officers. Each of these indemnification agreements provides that we will indemnify the indemnitee against expenses, including reasonable attorneys' fees, judgments, penalties, fines, and amounts paid in settlement actually and reasonably incurred by such director or officer in connection with any civil or criminal action or administrative proceeding arising out of his performance of duties as a director or officer, other than an action instituted by the director or officer. These indemnification agreements also require that we indemnify the director, officer or other party thereto in all cases to the fullest extent permitted by applicable law. Each indemnification agreement permits the director or officer that is party thereto to bring suit to seek recovery of amounts due under the indemnification agreement and to recover the expenses of such a suit if they are successful. We currently have directors' and officers' liability insurance, but there can be no assurance that any or all of our indemnification obligations will be covered by this insurance or that the insurance limits will not be exceeded.

Item 6. Exhibits

(a) Exhibits:

31.1* Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2* Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1‡ Certification of Chief Executive Officer and Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act of 2002

* - Filed herewith.

‡ - Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NOTIFY TECHNOLOGY CORPORATION

Dated: August 13, 2010

/s/ Gerald W. Rice

Chief Financial Officer

(Principal Financial and Accounting Officer)

EXHIBIT INDEX

Exhibit Number	Description
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1‡	Certification of Chief Executive Officer and Chief Financial Officer under Section 906 of the Sarbanes-Oxley Act of 2002

* - Filed herewith.

‡ - Furnished herewith.

**Certification of Chief Executive Officer pursuant to Section 302
of the Sarbanes-Oxley Act of 2002**

I, Paul F. DePond, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Notify Technology Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2010

/s/ Paul F. DePond

Paul F. DePond
President and Chief Executive Officer

**Certification of Chief Financial Officer pursuant to Section 302
of the Sarbanes-Oxley Act of 2002**

I, Gerald W. Rice, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Notify Technology Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2010

/s/ Gerald W. Rice

Gerald W. Rice
Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Paul DePond, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge, the Quarterly Report of Notify Technology Corporation on Form 10-Q for the fiscal quarter ended June 30, 2010 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Notify Technology Corporation.

Date: August 13, 2010

By: /s/ Paul F. DePond

Name: Paul F. DePond

Title: Chief Executive Officer
(Principal Executive Officer)

I, Gerald W. Rice, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge, the Quarterly Report of Notify Technology Corporation on Form 10-Q for the fiscal quarter ended June 30, 2010 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Notify Technology Corporation.

Date: August 13, 2010

By: /s/ Gerald W. Rice

Name: Gerald W. Rice

Title: Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to Notify Technology Corporation and will be retained by Notify Technology Corporation and furnished to the Securities and Exchange Commission or its staff upon request.
