

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended December 31, 2010

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: 0-16454

CIMETRIX INCORPORATED

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

87-0439107
(I.R.S. Employer
Identification No.)

6979 South High Tech Drive, Salt Lake City, UT
(Address of principal executive office)

84047-3757
(Zip Code)

Registrant's telephone number, including area code: (801) 256-6500

Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act: Common Stock, Par Value \$.0001

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 website, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§ 232.405) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) 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 March 15, 2011, the registrant had 44,857,767 shares of its common stock, par value \$.0001, outstanding. The aggregate market value of the common stock held by non-affiliates of the registrant as of June 30, 2010 was approximately \$5,285,000. For purposes of this disclosure, shares of common stock held by persons who hold more than 5% of the outstanding shares and shares held by executive officers and directors of the registrant have been excluded because such persons may be deemed to be affiliates. This determination of executive officer or affiliate status is not intended to be determinative nor conclusive for other purposes.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement to be delivered to shareholders in connection with the Annual Meeting of Shareholders to be held May 21, 2011, are incorporated by reference into Part III hereof.

CIMETRIX INCORPORATED
FORM 10-K

For the Year Ended December 31, 2010

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FORWARD-LOOKING STATEMENTS

In addition to historical information, this Annual Report on Form 10-K contains forward-looking statements. Forward-looking statements include all statements that do not relate solely to historical or current facts, and can generally be identified by the use of words such as “may,” “believe,” “will,” “expect,” “project,” “estimate,” “intend,” “anticipate,” “plan,” “continue,” or similar expressions. In particular, information appearing under “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Business” includes forward-looking statements. Forward-looking statements inherently involve many risks and uncertainties that could cause actual results to differ materially from those projected in these statements. Where we express an expectation or belief as to future results or events, such expectation or belief is based on the current plans and expectations of our management and expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. All forward-looking statements speak only as of the date of this Form 10-K and are expressly qualified in their entirety by the cautionary statements and risks included in this Form 10-K, including under “Risk Factors.” We undertake no obligation to update or revise forward-looking statements that may be made to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events, other than as required by law.

PART I

ITEM 1. BUSINESS

Business Overview

Cimetrix is a software engineering company that designs, develops, markets and supports factory automation and tool control products for today’s smart, connected factories. The Company’s primary customers are original equipment manufacturers (OEMs) that supply precision electronics equipment for semiconductor wafer fabrication, solar/photovoltaic (PV) and other electronics manufacturing.

Revenues are derived from the sales of software and services. Software includes the initial sale of software development kits (SDK’s), the ongoing runtime licenses for each machine shipped with Cimetrix software, and annual contracts for software license updates and product support. Services include the sale of professional services that provide customers with software solutions, typically incorporating Cimetrix software products. While Cimetrix products are installed in a wide range of industries, the Company has focused over the past several years on the global semiconductor and electronics industries, which includes the growing solar photovoltaic (PV) and LED markets.

The recent attention and investments across the globe in “green” technologies have presented opportunities for the Company. We are increasingly working with the PV industry to assist them in adopting connectivity technology similar to that used in semiconductor manufacturing and we continue to evaluate other green energy related opportunities to expand our markets. Another interesting green sector is the burgeoning light emitting diode (“LED”) lighting market, and we are investigating how that industry will be able to employ Cimetrix software products to increase yield and reliability. We are also actively engaged in a new SEMI® (Semiconductor Equipment and Materials International is a global industry association serving the electronics manufacturing community that manages the development of technical standards aimed at improving production and quality) task force investigating automation standards for LED manufacturing, and we are marketing products and services to customers in this market. Additional information about Cimetrix is available on our web site at www.cimetrix.com. Links to the Annual Report on Form 10-K and the Quarterly Reports on Form 10-Q are available free of charge on the web site. General information contained on the Company’s web site is not a part of, and is not incorporated into this Annual Report on Form 10-K or our other filings with the SEC.

Key Markets

Cimetrix has been focused for the past several years on the global semiconductor and electronics industries, both of which are a natural fit for the Company's solutions. These industries demand data intensive manufacturing equipment that can communicate with host computers throughout the manufacturing process. These are very competitive industries that have a critical need for data to improve their productivity and manufacturing effectiveness. These two industries are discussed in more detail below.

In general, the semiconductor and electronics industries are growing, fiercely competitive, and dynamic industries. Rapid technology changes within these industries require machines that are flexible and can be quickly adapted to new requirements. The Company is uniquely positioned to meet these challenges with advanced tool control and connectivity software that is based on open standards and uses the latest in object-oriented design to provide its customers with the necessary flexibility and customization required to meet industry demands.

By focusing efforts on these two industries, the Company's goal is to obtain a leadership position for its products in these segments. This would provide the momentum and cash flow to potentially penetrate other industries. The Company will continue to serve customers in these industries while also exploring opportunities for growth. For financial reporting, the Company considers the semiconductor, electronics, PV & LED and electronics industries as one business segment.

Semiconductor Industry

The semiconductor industry includes the manufacturing, packaging, and testing of computer chips. It is a cyclical industry that has recovered from what many regard as the most severe downturn of capital equipment investment in history, caused by the global economic downturn of 2008-2009. During that period, many of the world's leading chip makers reported low factory utilization rates and a dramatic decline in demand for computer chips. Consequently, during that timeframe chip makers neither expanded their wafer fabrication plants nor updated them, resulting in significant declines in purchases of semiconductor capital equipment.

Based upon data from SEMI, the total worldwide revenue for the semiconductor equipment industry fell from \$42.8 billion in 2007 to \$16 billion in 2009, a drop of over 60%. The industry has partially recovered, with 2010 revenues ending at an estimated \$37.5 billion, but still down from the 2007 level. Today, industry analysts are projecting steady, but small, growth of about 4% per year in 2011 and 2012.

In 2000, the semiconductor industry began the migration from building 8-inch (200 mm) wafers to building 12-inch (300 mm) wafers, and the majority of capital spending transitioned to 300mm equipment. The Company's CIMConnect™, CIM300™, CIMPortal™, and CIMControlFramework™ product lines are directly applicable to makers of 300mm semiconductor tools. Cimetrix equipment supplier customers have now shipped fully automated tools to virtually all of the major 300mm manufacturing facilities throughout the world. Today we are seeing increasing adoption of the EDA/Interface A standard as semiconductor device manufacturers seek to improve and facilitate communication between their data gathering software applications and the factory equipment.

The industry is now considering moving to larger 450mm wafers, most likely in the 2012-2015 timeframe. As semiconductor companies consider this major transition, they expect to maintain the current connectivity solutions Cimetrix already offers, but the equipment manufacturers will need to re-think their tool control solutions, which could provide additional opportunities for the Company's products.

PV & LED Industry

The PV market, which manufactures solar cells to produce electricity, utilizes standards and processes similar to the semiconductor industry and continues to attract substantial investment. Cimetrix achieved its first successful deployments of its products and services in the PV market during 2008 and has been steadily growing its customer base in this developing market. The PV manufacturing community is adopting industry-wide equipment communications standards in an effort to improve efficiencies. Positioned as the industry leader in SEMI standards-based software products, Cimetrix has been a part of the development of this standard. Cimetrix CIMConnect software enables customers to comply with the SEMI-sponsored PV2 (Photovoltaic Equipment Communication Interface) Specification.

The LED market is another emerging market with high correlation to semiconductor manufacturing that the Company believes may represent further growth opportunities.

Electronics Industry

In addition to the semiconductor industry, the Company serves customers in a wide variety of electronics industries, including surface mount technology, small parts assembly, disk drive, and specialized robotics. All of these industries have some usage of SEMI connectivity standards, with varying adoption levels from factory to factory. This level of adoption of SEMI standards is in contrast to semiconductor 300mm manufacturing which now requires usage of a large number of the SEMI standards. Increasing adoption rates of the SEMI standards in these electronics industries will increase the market for Cimetrix connectivity products. In addition, the electronics industries also offer growth opportunities for Cimetrix tool control products.

Notable Achievements of 2010

As we look back on 2010 with this historical perspective, we feel proud of our key accomplishments:

- The Cimetrix strategy to diversify into new, high growth technology industries, starting in 2007 began to bear fruit in 2010 as shown below in Figure 1.

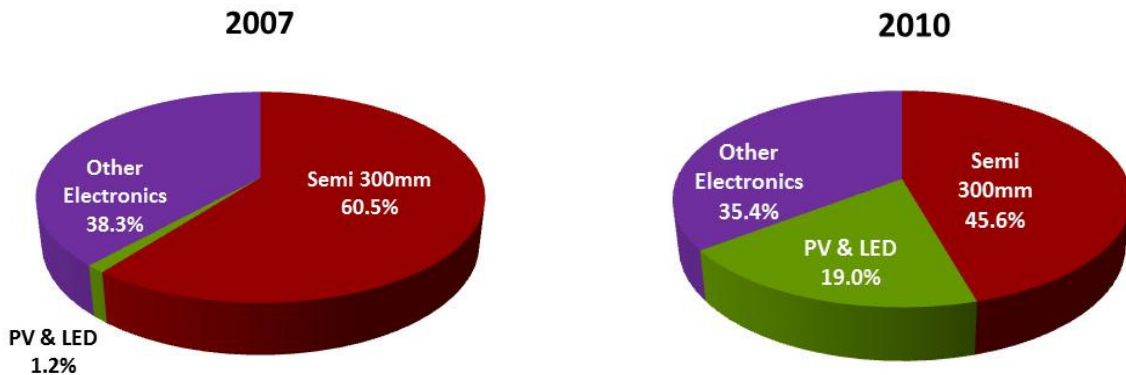


Figure 1

- The Cimetrix software license revenue associated with machine shipments into 300mm semiconductor factories was still the largest market for Cimetrix products. That revenue represented approximately 45% of runtime license fees in 2010, compared to over 60% in 2007.

- The Cimetrix software license revenue associated with machine shipments into the “clean tech” PV and LED factories represented approximately 19% of runtime license fees in 2010, compared to 1% in 2007.
- We completed a new release of our PV2/GEM interface software product, CIMConnect, that enables customers to achieve fast compliance to the SEMI-sponsored PV2 (Photovoltaic Equipment Communication Interface) Specification.
- The Company completed service releases for all of its other major Connectivity Products.
- The Company completed a major new release for its CIMControlFramework tool control software product. This new release provides a number of important features for new customers, including major improvements in the operator interface, as well as greater configurability to reduce equipment installation time.
- Tight cost controls implemented during the 2008/2009 recession enabled the Company to meet its goal of profitable growth with positive net income on a quarterly basis.
- Cimetrix 2010 revenues increased 119% over 2009, 64% over 2008 and 6% over 2007, growing faster than the industry.
- The Company ended 2010 with \$1,559,000 of cash, up over \$1 million compared to \$339,000 on December 31, 2007.
- Cimetrix established a new company in Japan to increase our business and to provide even greater customer support to our growing base of Japanese equipment suppliers.

Cimetrix Product Line

Tool Control

CIMControlFramework is an equipment control software framework based on the latest Microsoft .NET technology. It allows OEMs to meet the supervisory control, material handling, platform and process control, and factory automation requirements of the fabrication facilities or fabs. Developers can leverage framework components through configuration and extension, or customize when unique requirements exist. CIMControlFramework, unlike one-off solutions, is supported and maintained with upgrades, improvements, and performance enhancements. With a data-driven architecture at the core of the framework, data generated at any point on the tool can be quickly and easily accessed by any other module or external application. CIMControlFramework is one of the Cimetrix flagship products, and benefited from significant investment in 2010. The new 3.0 release provides improvements to the operator interface and configurability, both of which support our customers completing their designs and accelerating installation at their customers’ sites.

The Cimetrix Open Development Environment (CODE™) is a family of open architecture machine modeling and motion control software products designed to control the most challenging multi-axis machine control applications. CODE 6 contains both a powerful off-line simulation development environment known as CIMulation™ and a robust, real-time motion and I/O control system called CIMControl™.

Connectivity

CIMConnect is designed for general purpose equipment connectivity and enables production equipment in the semiconductor and electronics industries to communicate data to the factory’s host computer through the SEMI defined SECS (SEMI Equipment Communication Standard), GEM (Generic Equipment Model), and PV2 (new photovoltaic equipment communication standard based on SECS/GEM) standards. CIMConnect can also support other emerging communications standards for maximum flexibility. In addition,

it supports multiple-host interfaces simultaneously, which allows customers to support legacy, custom, and GEM interfaces. CIMConnect is used in semiconductor wafer fabrication, semiconductor back-end (test, assembly, and packaging), flat panel display, surface mount technology, LED, PV, and disk drive industries.

TESTConnect™ is a SECS/GEM host emulator used to test equipment to ensure compliance with the SECS standards. TESTConnect simplifies the process of testing SECS implementations through the use of an intuitive, graphical user interface and menu-driven property screens that allow customers to construct message sets and test them without any programming.

SECSConnect™ is a software product for SEMI SECS standards. It can be used by equipment suppliers for sending/receiving SECS messages or by fabs for developing host-side software applications gathering data using the SECS standard.

CIM300 is a family of software tools for manufacturers of 300mm semiconductor equipment that allows for quick implementation of the required 300mm SEMI standards, including E39, E40, E87, E90, E94, and E116. These SEMI standards allow for the full automation required in manufacturing 300 mm wafers. CIM300 includes CIMFoundation™, CIM40-Process Job™, CIM87-Carrier Management™, CIM90-Substrate Tracking™, CIM94-Control Job™, and CIM116-Equipment Performance Tracking™.

CIMPortal is a family of software tools for manufacturers of semiconductor equipment that allow for quick implementation of the new Interface A SEMI standards, including E120, E125, E132, E134, E138, and E147 as well as optional features that support the emerging Enhanced Equipment Quality Assurance (EEQA) methodology. These standards are also referred to as EDA (Equipment Data Acquisition). The CIMPortal family includes products for equipment makers, fabs, and third-party application software providers. Interface A specifies a new port on each tool that provides detailed structured data that can be used for advanced process control, e-diagnostics, and other equipment engineering services applications. These software applications will become critical to the fabs as shorter ramp times are required. CIMPortal is a SEMI standards-compliant Interface A data collection and routing product with high-speed distributable data collection modules, equipment modeling tools, and a rich set of rules-based security and optimization features.

EDACConnect™ is a software product that allows host side software applications such as Advanced Process Control, Fault Detection and Classification, and Prognostics and Health Management to gather data using the SEMI Interface A standards. EDACConnect is designed for fabs developing their own software applications or third-party software developers. Semiconductor manufacturers recognize the additional data delivered by Interface A allows them to increase manufacturing throughput and improve product quality, and we believe the increased adoption of the standard will lead to greater sales for Cimetric.

Competition

The Company's main product lines face competition from other companies, technologies, and products. These competitive threats are summarized below:

Cimetric's main competitor is PEER Group, Inc. a private company based in Ontario, Canada. PEER Group was primarily a systems integrator before some acquisitions in 2009. PEER Group now competes directly with Cimetric's tool control, connectivity products and professional services. Cimetric competes effectively against PEER Group with superior software technology, market focus and customer support.

Large equipment suppliers that choose to create their own connectivity software solutions and do not purchase third-party products are indirect competitors. For example, Applied Materials is the largest semiconductor capital equipment manufacturer and typically develops all of its tool control and connectivity software internally. There are also a number of integration companies that offer products and/or solutions

meeting the tool control and connectivity needs required by OEMs. Companies that compete with Cimatrix in certain products or markets include Rudolph Technologies, Roth & Rau, NeST, Altastream, Kornic and other smaller regional players.

Sales and Marketing

Sales and marketing operations are conducted under the direction of the Company's Executive Vice President of Sales and Marketing, David P. Faulkner. Sales and marketing is responsible for sales, product marketing, product management and customer support. The Company's sales offices are located in Salt Lake City, Utah and Boston, Massachusetts. In addition, the Company opened Cimatrix Japan K.K. to increase sales and provide even greater customer support to our growing base of Japanese equipment suppliers. The Company also has 2 distributors in Japan and sales representation in Europe.

Software Engineering

Software engineering operations are conducted under the direction of the Company's Vice President of Software Engineering, Paul A. Johnson. Software engineering is responsible management of all software engineering activities, including the Cimatrix software engineering process, research and development, product development, software quality assurance and professional services.

Finance, General and Administrative

Finance and general and administrative operations are conducted under the direction of the Company's CFO, Jodi M. Jurelich.

Intellectual Property Rights

The Company's intellectual property rights are important and valuable assets that enable the Company to promote its products and services and improve its competitive position. The Company relies on copyright, trade secret, and trademark laws, confidentiality and other agreements with employees and with OEMs, distributors, end users, and other customers, and various security measures, such as software encoding, to protect the proprietary nature of its products. The Company protects the source code of its software products as trade secrets and makes source code available to other parties only under limited circumstances using security measures and contractual restrictions.

The Company's software products are generally provided to customers for use pursuant to license agreements that limit the customers' use of those products. The Company relies in part on electronic license agreements that are not physically signed by the customers, and the enforceability of such agreements has not been conclusively determined in all jurisdictions. In addition, semiconductor-related industries have experienced a significant amount of intellectual property litigation. Litigation may be therefore become necessary to enforce the Company's intellectual property rights, and the Company's intellectual property rights may be challenged or invalidated, which would negatively affect the Company's competitiveness. Litigation may also be necessary to defend the Company against claims of intellectual property infringement, and adverse results in any such litigation could limit the Company's ability to develop and distribute its products. Moreover, intellectual property litigation can be expensive and require the time and attention of Company management and other personnel. Any of these circumstances could negatively affect the Company's business, results, and financial condition.

Monitoring and preventing the unauthorized use of computer software and related technologies is difficult, and software piracy is a significant problem in the software industry. These challenges are particularly difficult in some international markets, where intellectual property rights are not protected as well as they are in

the United States. In addition, there is no guaranty that the Company's confidentiality agreements and other agreements will be honored by the other contracting parties, that the Company will prevail in any litigation that arises with respect to those agreements, that the Company will have adequate remedies for any breach of those agreements, or that the Company's technology will not otherwise become known to or independently developed by others. The Company will continue to make significant efforts to protect its intellectual property rights.

Major Customers and Foreign Sales

During 2010, one customer accounted for 11% of the Company's total revenues. During 2009, one customer accounted for approximately 12% of the Company's total revenues. These customers were not related.

The following table summarizes domestic and export sales as a percent of total sales for the years ended December 31, 2010 and 2009:

<u>Years Ended December 31,</u>	<u>2010</u>	<u>2009</u>
Domestic sales	44%	49%
Export Sales	56%	51%

Through December 31, 2010, all the Company's export sales have been payable in United States dollars so that the Company is not exposed to currency fluctuations with respect to its accounts receivables.

In 2010, sales to customers in Germany and Japan accounted for 15% and 19%, respectively, of total sales. In 2009, sales to customers in Germany and Japan accounted for 14% and 12%, respectively, of total sales.

Personnel

As of December 31, 2010, the Company had 25 direct employees and 8 contractors under contract. None of the employees of the Company are represented by a union or subject to a collective bargaining agreement, and Cimetric considers its relations with its employees to be favorable.

ITEM 1A. RISK FACTORS

Statements regarding the future prospects of Cimetric must be evaluated in the context of a number of factors that may materially affect the Company's financial condition and results of operations. Disclosure of these factors is intended to permit the Company to take advantage of the safe harbor provisions of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. In addition to the factors discussed elsewhere in this report, these are important factors that could cause actual results or events to differ materially from those contained in any forward-looking statements made by or on behalf of the Company. Although Cimetric has attempted to list the factors that it is currently aware may have an impact on its operations, there may be other factors of which the Company is currently unaware or to which it does not assign sufficient significance, and the following list should not be considered comprehensive.

The Company has a history of operating losses and its future liquidity is largely dependent on positive cash flows from operations.

Cimetric has an accumulated operating deficit of \$32,910,000 at December 31, 2010 and total notes payable and long-term debt outstanding of \$772,000. The Company's future liquidity is dependent on

sustaining positive cash flows from operations and, to the extent necessary, obtaining additional external financing through the issuance of debt or equity securities. See “Liquidity and Capital Resources.” If the Company is unable to sustain the cash flow necessary to support future operations, retire its outstanding debt, and meet its research and development needs, its future operations would be materially adversely affected.

The semiconductor capital equipment market is highly cyclical.

Cimetrix’s largest single source of revenue is the highly cyclical semiconductor capital equipment industry. The semiconductor capital equipment industry periodically has severe and prolonged downturns which could cause the Company’s operating results to fluctuate significantly. The Company is also exposed to risks associated with industry overcapacity, including reduced capital expenditures, decreased demand for the Company’s products, and potential delays by customers paying for the Company’s products. Cimetrix’s business depends in significant part upon the capital expenditure decisions of manufacturers of semiconductor devices, including manufacturers that open new, or expand existing, facilities. Periods of overcapacity and reductions in capital expenditures cause decreases in demand for the Company’s products and services.

The PV industry is highly dependent on government subsidies.

The Company has been able to successfully win new customers in the PV industry that contributed to growth in 2010. The PV market has experienced strong growth over the past several years, but the future is uncertain. Many regions of the world initiated government subsidies for solar electricity, which are at risk of being reduced or eliminated. The PV industry is still often dependent on such subsidies to remain competitive with other energy sources and would most likely be negatively impacted in the event of substantial decreases in government support.

The Company is reliant on software license revenue associated with OEM shipments.

The Company has traditionally obtained 30% or more of its revenue from software license revenue associated with the shipment of equipment by its customers. The 2010 global economic environment increased the demand for electronic devices by consumers and businesses, resulting in dramatic increases in year-over-year spending on capital equipment. While capital equipment markets are projected to increase in 2011, our ability to accurately predict future economic conditions is particularly low.

The Company is engaged in a highly competitive industry.

Cimetrix is engaged in a highly competitive industry involving rapidly changing products. The likelihood of success of the Company must be considered in light of the problems, expenses, difficulties, complications, and delays frequently encountered in connection with the development of new software and other products and services as well as the competitive environments within the industry in which the Company operates. There can be no assurance that the Company will not encounter substantial delays and unexpected expenses related to research, development, production, marketing, or other unforeseen difficulties in bringing new software products and services to market.

Management believes that most, if not all, of the Company's major competitors currently have greater financial resources and market presence than Cimetrix. Accordingly, these competitors may be able to compete very effectively on pricing and develop technology to increase the effectiveness and flexibility of their products. Further, each of these competitors has already established a share of the market for their products and may find it easier to limit market penetration by Cimetrix. While management is unaware of any current initiatives, any of these competitors could be developing additional technology that will directly compete with the Company's product offerings. By focusing on the semiconductor and electronics markets for the short term, management believes the Company can earn a leadership position in the face of other competitors.

The Company may experience delays or technical difficulties in the introduction of new products.

Cimetrix may experience delays or technical difficulties in the introduction of new products, and this may be costly and adversely affect customer relationships. The Company's success depends in part on continuing to gain "design in" wins for Cimetrix software products, which includes new product ideas. The Company's products are complex and the Company may experience delays and technical difficulties in the introduction of new software products or product enhancements or difficulties when products are put in high volume production lines. The Company's inability to overcome such difficulties, to meet the technical specifications of any new products or enhancements, or to ship the products or enhancements in a timely manner could materially adversely affect the Company's business and results of operations as well as customer relationships. The Company may from time to time incur unanticipated costs to ensure the functionality and reliability of products and solutions early in their life cycles and such costs could be substantial. If the Company experiences reliability or quality problems with its new products or enhancements, it could face a number of difficulties, including reduced orders, higher customer service costs, and delays in collection of accounts receivable, all of which could materially adversely affect the Company's business and results of operations.

The Company's business involves a lengthy sales cycle.

Sales of Cimetrix's software products and related services depend upon the decision of a prospective customer to change its current software applications. Therefore, the decision to purchase the Company's products and services often requires time consuming internal procedures associated with the evaluation, testing, implementation, and introduction of new technologies into customers' software applications. In addition, after the technical evaluation has been successfully completed, the Company may experience further delays finalizing system sales while the customer obtains internal approval for the new software application. Consequently, months or even years may elapse between the first contact with a customer regarding a potential purchase and the customer's placing the order. The Company's lengthy sales cycle increases sales and marketing costs and reduces the predictability of the Company's revenues.

The Company is dependent upon OEM customers.

Cimetrix sells its products principally to equipment suppliers, or OEMs, which have relationships with the end users. The quantity of each customer's business with the Company depends substantially on that customer's relationships with end users, market acceptance of the customer's products that utilize the Company's software products, and the development cycle of the customer's products. The Company could be materially affected adversely by a downturn in either its customer's sales or their failure to meet the expectations of their end-user customers. The Company will likely from time to time have individual customers that account for a significant portion of its business and any adverse developments in such customers' business would adversely affect the Company. It is unclear how the recent economic downturn has affected many of the Company's OEM customers on a long-term basis.

The Company's markets are characterized by rapid technological changes.

The markets for Cimetrix's products are new and emerging, and as such, these markets are characterized by rapid technological change, evolving requirements, developing industry standards, and new product introductions. The dynamic nature of these markets can render existing products obsolete and unmarketable within a short period of time. Accordingly, the life cycle of the Company's products is difficult to estimate. The Company's future success will depend in large part on its ability to enhance its products and to develop and introduce, on a timely basis, new products that keep pace with technological developments and emerging industry standards and gain a competitive advantage.

The Company is highly dependent upon key personnel.

The Company is highly dependent on the services of its key managerial and engineering personnel, including, Bob Reback, president and chief executive officer, Jodi Juretich, chief financial officer, Dave Faulkner, executive vice president of sales and marketing and Paul Johnson, vice president of software engineering. The loss of any member of the Company's senior management team could adversely affect its business prospects. The Company does not maintain key-man insurance for any of its key management personnel.

Future litigation may adversely affect the Company.

If legal proceedings are brought against Cimetrix in the future, there could be adverse consequences. If the Company were sued for a violation of the intellectual property rights of another entity, the target of a class action with respect to fluctuations in its share price, or the defendant (or even the plaintiff) in other major litigation, the business and operations of the Company could be adversely affected. Any such litigation could distract management attention and result in significant costs, without regard to the outcome of the litigation. In addition, any adverse judgment in such litigation could have a material adverse impact on the financial position of the Company and its business prospects.

Continued compliance with regulatory and accounting requirements will be challenging and costly.

As a result of compliance with the Sarbanes-Oxley Act of 2005, with the potential standards resulting from the Company's stock being listed in the future on an exchange and with the attestation and accounting changes required by the Securities and Exchange Commission (SEC), the Company is required to implement additional internal controls, improve existing internal controls, and comprehensively document and test internal controls. As a result, the Company is required to hire additional personnel and obtain additional legal, accounting, and advisory services, all of which cause the Company's general and administrative costs to increase, and may adversely affect its operating results.

The price of the Company's common stock has fluctuated in the past and may continue to fluctuate significantly in the future.

The market price of the Company's common stock has been highly volatile in the past, which may continue in the future. In addition, in recent years the stock market in general, and the market for shares of high technology stocks in particular, have experienced extreme price fluctuations. These fluctuations have often been unrelated to the operating performance of the affected companies and such fluctuations could adversely affect the market price of the Company's common stock. In the past, securities class action litigation has often been instituted against a company following periods of volatility in its stock price. This type of litigation, if filed against the Company, could result in substantial costs and divert management's attention and resources.

ITEM 1B. UNRESOLVED STAFF COMMENTS

The Company is not subject to this requirement since it is not an accelerated filer.

ITEM 2. PROPERTIES

The Company's principal offices are located in a leased facility at 6979 South High Tech Drive, Salt Lake City Utah. The present facility consists of approximately 17,000 square feet and expires on November

30, 2011. All operations of the Company are conducted from its headquarters, with satellite offices located in Massachusetts, Texas and Yokohama-shi, Kanagawa, Japan.

ITEM 3. LEGAL PROCEEDINGS

The Company is not currently involved with any pending litigation.

ITEM 4. RESERVED

EXECUTIVE OFFICERS OF THE REGISTRANT

Officer Name	Position	Age
Robert H. Reback	CEO and President	51
Jodi M. Jurelich	CFO, Secretary and Treasurer	48
David P. Faulkner	Executive Vice President	55
Paul A. Johnson	Vice President of Software Engineering	55

Robert H. Reback joined Cimetricx as vice president of sales in January 1996, was promoted to executive vice president of sales in January 1997, and was promoted to president on June 25, 2001. Mr. Reback was the district manager of Fanuc Robotics' West Coast business unit from 1994 to 1995. From 1985 to 1993, he was director of sales/account executive for Thesis, Inc., a privately owned supplier of factory automation software, and was previously a senior automation engineer for Texas Instruments. Mr. Reback has a Bachelor of Science degree in Mechanical Engineering and a Master of Science degree in Industrial Engineering from Purdue University.

Jodi M. Jurelich joined Cimetricx in May 2007 and was promoted to chief financial officer in November 2008. Ms. Jurelich has a strong background of over 10 years in executive accounting management for private high-growth companies as well as 10 years of public accounting experience. Prior to joining Cimetricx, Ms. Jurelich was vice president of finance for two venture funded private companies and general manager for a subsidiary of Monster.com. She has played key roles in raising venture capital in start-up organizations and most recently led Cimetricx in implementing and managing the new Sarbanes-Oxley compliance requirements. Ms. Jurelich holds a Bachelor of Science degree in Business Management from Westminster College. She is currently a member of Institute of Management Accountants.

David P. Faulkner joined Cimetricx in August 1996. Mr. Faulkner was previously employed as the manager of PLC Marketing, manager of Automotive Operations, and district sales manager for GE Fanuc Automation, a global supplier of factory automation computer equipment specializing in programmable logic controllers, factory software, and computer numerical controls from 1986 to 1996. Mr. Faulkner has a Bachelor of Science degree in Electrical Engineering and a Master of Business Administration degree from Rensselaer Polytechnic Institute.

Paul Johnson joined Cimetricx in July 2010. Mr. Johnson has 25 years of experience in software development in a variety of industries, including finance, telecommunications, and semiconductor. Mr. Johnson has an extensive development and management background working in .NET/C#, agile development methodologies as well as object-oriented design and implementation techniques. Throughout his career, Mr. Johnson has led many software product engineering organizations, both large and small, serving in roles such as primary developer, team lead, principal architect, and executive manager. Mr. Johnson specializes in the

application of mature software development technologies and processes as well as incorporating new techniques where they prove successful. Mr. Johnson has several advanced degrees in Engineering and Science.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The common stock of the Company is quoted on the OTCQB marketplace through OTC Markets Group under the symbol "CMXX". The table below sets forth the high and low bid prices of the Company's common stock for each quarter during the past two fiscal years. The quotations presented reflect inter-dealer prices, without retail markup, markdown, or commissions, and may not necessarily represent actual transactions in the common stock.

<u>Period (Calendar Year)</u>	<u>Price Range</u>	
	<u>High</u>	<u>Low</u>
<u>2009</u>		
First quarter	\$.04	\$.02
Second quarter	\$.02	\$.02
Third quarter	\$.04	\$.01
Fourth quarter	\$.10	\$.03
<u>2010</u>		
First quarter	\$.13	\$.06
Second quarter	\$.25	\$.09
Third quarter	\$.23	\$.13
Fourth quarter	\$.52	\$.16

On March 15, 2011, the closing bid quotation for the Company's common stock on the OTCQB market place was \$0.35 per share. Potential investors should be aware that the price of the common stock in the trading market may change dramatically over short periods as a result of factors unrelated to the earnings and business activities of the Company.

On March 15, 2011, there were 44,857,767 shares of common stock outstanding held by approximately 630 shareholders of record, which does not include shareholders whose stock is held through securities position listings.

To date, the Company has not paid dividends with respect to its common stock. Management plans to retain future earnings, if any, for working capital and investment in growth and expansion of the business of the Company and does not anticipate paying any dividends on the common stock in the foreseeable future.

Equity Compensation Plan Information

In May 2006, the Company's shareholders approved the combined amendment and restatement of the Cimetrix Incorporated 1998 Incentive Stock Option Plan and the Cimetrix Incorporated Director Stock Option

Plan as the Cimatrix 2006 Long-Term Incentive Plan (the “Plan”). In addition to stock options, the Plan authorizes the grant of stock appreciation rights, restricted stock awards and other stock unit, and equity-based performance awards.

The following table summarizes the Company’s equity compensation plan as of December 31, 2010.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options	Weighted Average Exercise Price of Outstanding Options (1)	Number of Securities Issued as Restricted Stock Grants (2)	Number of Securities Remaining Available for Future Issuance
Equity compensation plans approved by security holders (3)	2,817,944	\$.21	2,600,236	598,799

- (1) Excludes 391,490 shares issuable upon the exercise of warrants issued to purchasers of the Company’s Senior Notes as they were not issued as compensation to Company officers, directors or employees. See Warrants, discussed below.
- (2) During the years ended December 31, 2010 and 2009, restricted stock awards for a total of 700,000 and 0 shares of the Company’s common stock was granted, with vesting periods ranging from immediately on issuance to 21 months.
- (3) A total of 6,250,000 shares of common stock have been reserved for issuance under the Plan. To date, a total of 175,521 options have been exercised under the Plan.

A total of 6,250,000 shares of common stock have been reserved for issuance under the Plan. Of this amount, 6,250,000 shares are registered under a Form S-8 registration statement, which became effective on August 27, 2004.

Warrants

In addition to the shares issuable under the Company’s Equity Compensation Plan, the Company has outstanding warrants held by purchasers of the Company’s Senior Notes to purchase 391,490 shares of common stock at an exercise price of \$0.05 per share.

Recent Sales of Unregistered Securities

On March 23, 2010 and September 30, 2010, in connection with the exercise of previously outstanding Senior Note warrants, the Company issued 25,000 and 12,500 shares, respectively, of its restricted common stock, par value \$0.0001 per share, for a price of \$0.05 per share, or an aggregate of \$1,875.

The sales were made in reliance on the exemptions from the registration requirements provided by Regulation D of the Securities Act of 1933, as amended. The sales were made to two accredited purchasers. The certificates representing the shares sold will bear a legend indicating that they have been issued in reliance on an exemption from the registration requirements of U.S. Securities laws and cannot be sold or transferred without compliance with such registration requirements or the availability of an exemption from such registration requirements.

ITEM 6. SELECTED FINANCIAL DATA

The Company is not subject to this requirement since it is not an accelerated filer.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

The following is a brief discussion and explanation of significant financial data, which is presented to help the reader understand the results of the Company's financial performance for the years ended December 31, 2010 and 2009, and the Company's financial position at December 31, 2010. The information includes discussions of sales, expenses, capital resources, and other significant financial items.

Cimetrix is a software company that designs, develops, markets and supports factory automation and tool control solutions worldwide. The Company offers software products and professional services tailored to meet the needs of equipment suppliers in the areas of advanced tool control, general purpose equipment connectivity, and specialized connectivity for 300mm semiconductor wafer fabrication facilities. Revenues are derived from the sales of software and services. Software includes the initial sale of software development kits, the ongoing runtime licenses that equipment suppliers purchase for each machine shipped with Cimetrix software and annual contracts for software license updates and product support. Services include the sale of professional services that provide customers with software solutions typically incorporating Cimetrix software products. While Cimetrix products are installed in a wide range of industries, the Company has focused over the past several years on the global semiconductor and electronics industries. For a detailed discussion of the Company's products, markets, and other Company information, refer to Item 1, "Business."

Critical Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles of the United States ("GAAP") requires estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities in the consolidated financial statements and accompanying notes. The SEC has defined a company's critical accounting policies as the ones that are most important to the portrayal of the company's financial condition and results of operations, and which require the company to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition, we have identified the critical accounting policies and judgments addressed below. We also have other key accounting policies, which involve the use of estimates, judgments, and assumptions that are significant to understanding our results. For additional information, see Note 1 of our notes to consolidated financial statements. Although we believe that our estimates, assumptions, and judgments are reasonable, they are based upon information presently available. Actual results may differ significantly from these estimates under different assumptions, judgments, or conditions. Our critical accounting policies are described below.

Revenue Recognition

The Company derives revenues from two primary sources, software and professional services. Software revenues are reported in two categories, the sale of new software licenses and software license updates and product support. The Company has "off-the-shelf" software packages in the tool control and connectivity product lines. Tool control products include items such as CIMControlFramework, CIMControl, and CIMulation. Connectivity products include items such as CIM300, CIMConnect, and CIMPortal. New software licenses include the sale of software development kits as well as the runtime license fees associated with deployment of the Company's software products. Software license updates and product support are typically annual contracts with customers that are paid in advance, which provides the customer access to new software releases, maintenance releases, patches, and technical support personnel. Professional service sales are derived from the sale of services to design, develop, and implement custom software applications typically using Cimetrix software products.

Before the Company recognizes revenue, the following criteria must be met:

- 1) Evidence of a financial arrangement or agreement must exist between the Company and its customer. Purchase orders and signed OEM contracts are two examples of items accepted by the Company to meet this criterion.
- 2) Delivery of the products or services must have occurred. The Company treats either physical or electronic delivery as having met this requirement. It is the policy of the Company to provide its customers a 30-day right to return. However, because the amount of returns has been insignificant, the Company recognizes revenue immediately upon transfer of both title and risk of loss to the customer upon shipment of the product. If the number of returns were to increase, the Company would establish a reserve based on a percentage of sales to account for any such returns.
- 3) The price of the products or services is fixed and measurable.
- 4) Collectability of the sale is reasonably assured and receipt is probable. Collectability of a sale is determined on a customer-by-customer basis. Typically, Cimatrix sells to large corporations which have demonstrated an ability to pay. If it is determined that a customer may not have the ability to pay, revenue is deferred until the payment is collected.

The software component of the Company's products is an integral part of its functionality. As such, the Company applies the provisions of the Accounting Standards Codification ("ASC") Topic 985-605 *Software - Revenue Recognition*.

The Company's products are fully functional at the time of shipment. The software components of the Company's products do not require significant production, modification, or customization. As such, revenue from product sales is recognized upon shipment provided that the criteria outlined above are met.

Revenue related to services is recognized as services are performed if there is not an extended contract related to such services. If the services are provided pursuant to a contract that extends over a period of time, the revenue from services is recorded ratably over the contract period, generally using the percentage of completion method. When the current estimates of total contract revenue and contract cost indicate a loss, a provision for the entire loss on the contract is made in the period in which the loss becomes evident.

If a sale involves a bundled package of new software licenses, software license updates and product support, and professional services, and the Company has vendor specific objective evidence of fair value among arrangement elements in accordance with ASC Topic 985-605, then revenue is first allocated to software license updates and product support and professional service obligations at fair market value. The remaining amount is applied to new software license revenue. Assuming all of the above criteria have been met, revenue from the new software license portion of the package is recognized upon shipment. Revenue from material software license updates and product support contracts is recognized ratably over the term of the contract, which is generally 12 months. Revenue from professional services is recognized as services are performed. Standard payment terms for sales are net 30 days for sales in the United States and net 45 to 60 days for foreign customers. On occasion, extended payment terms will be offered. If the Company provides payment terms greater than 90 days and collection is not reasonably assured, then revenues are generally recognized as payments are received.

In the event that the Company does not have vendor-specific objective evidence of fair value among arrangement elements in a bundled package of products and services, the Company reports the revenue in a single revenue line presentation in the consolidated statements of operations in accordance with ASC Topic 985-605.

Stock-Based Compensation

We account for stock-based compensation in accordance with ASC Topic 718-10, Compensation - Stock Compensation. ASC Topic 718-10 requires measurement of compensation cost for equity-based awards (i.e., stock options, warrants and restricted stock) at fair value on date of grant and recognition of the fair value of compensation for awards expected to vest over the requisite service period.

We currently use the Black-Scholes option pricing model to determine the fair value of stock options and warrants. The determination of the fair value of stock-based awards on the date of grant using an option pricing model is affected by our stock price as well as assumptions regarding a number of complex and subjective variables. These variables include our expected stock price volatility over the expected term of the awards, actual and projected employee stock option exercise behaviors, the risk-free interest rate, estimated forfeitures, and expected dividends.

We estimate the expected term of options granted by calculating the average term from our historical stock option exercise experience. We estimate the volatility of our common stock by using historical volatility. We base the risk-free interest rate on zero-coupon yields implied from U.S. Treasury issues with remaining terms similar to the expected term on the options. We do not anticipate paying any cash dividends in the foreseeable future and therefore use an expected dividend yield of zero in the option pricing model.

We are required to estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. We use historical data to estimate pre-vesting option forfeitures and record stock-based compensation expense only for those awards that are expected to vest. If we use different assumptions for estimating stock-based compensation expense in future periods or if actual forfeitures differ materially from our estimated forfeitures, the change in our stock-based compensation expense could materially affect our operating income, net income and net income per share.

Accounts Receivable

Trade accounts receivable are carried at original invoice amount less an estimate made for doubtful accounts. The Company offers credit terms on the sale of its products to a majority of its customers and requires no collateral from these customers. The Company performs ongoing credit evaluations of its customers' financial condition and maintains an allowance for doubtful accounts based upon historical collection experience and expected collectability of all accounts receivable. The Company's allowance for doubtful accounts, which is determined based on historical experience and a specific review of customer balances, was \$20,000 as of December 31, 2010 and 2009. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded as income when received.

Impairment of Long-Lived Assets

The Company periodically reviews its long-lived assets, including definite-lived intangible assets, for impairment when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The Company evaluates, at each balance sheet date, whether events and circumstances have occurred which indicate possible impairment. The carrying value of a long-lived asset is considered impaired when the anticipated cumulative undiscounted cash flows of the related asset or group of assets is less than the carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the estimated fair market value of the long-lived asset.

In 2010, the Company did not have any impairment of its long-lived assets.

Income Taxes

As part of the process of preparing consolidated financial statements, the Company is required to estimate income taxes in each of the jurisdictions in which it operates. This process involves estimating the Company's actual current income tax exposure together with assessing temporary differences resulting from differing treatment of items for income tax and financial accounting purposes. These temporary differences result in deferred tax assets and liabilities. When appropriate, the Company records a valuation allowance to reduce its deferred tax assets to the amount that the Company believes is more likely than not to be realized. Key assumptions used in estimating a valuation allowance include potential future taxable income, projected income tax rates, expiration dates of net operating loss and tax credit carry forwards, and ongoing prudent and feasible tax planning strategies. Income tax expense did not increase significantly as a result of the Company's net income for the year ended December 31, 2010 because of the net operating loss carry-forwards. At December 31, 2010, the Company had fully reduced its net deferred tax assets by recording a valuation allowance of \$9,962,000. If the Company were to determine that it would be able to realize its deferred tax assets in the future in excess of the net recorded amount, an adjustment to reduce the valuation allowance would increase income in the period such determination was made.

Operations Review

The following table sets forth the percentage of costs and expenses to net revenues derived from the Company's Consolidated Statements of Operations for each of the two preceding fiscal years.

	December 31,	
	2010	2009
	<u>100 %</u>	<u>100 %</u>
Total Revenues		
Operating costs and expense:		
Cost of revenues	22	31
Sales and marketing	16	25
Research and development	12	17
General and administrative	20	35
Depreciation and amortization	<u>0</u>	<u>3</u>
Total operating costs and expenses	70	111
Income (loss) from operations	30	(11)
Other expense, net	<u>(1)</u>	<u>(4)</u>
Net income (loss)	<u><u>29 %</u></u>	<u><u>(15) %</u></u>

Cimetrix reported net income of \$1,904,000 for the year ended December 31, 2010, compared to a net loss of \$476,000 for the year ended December 31, 2009. The net income for 2010 and loss for 2009 includes non-cash expenses of \$68,000 and \$52,000, respectively, related to stock-based compensation. The net income for 2010 and the loss for 2009 also include non-cash expense of \$29,000 and \$85,000, respectively, for depreciation and amortization. The decrease from prior years was from certain intangible assets becoming fully amortized in 2010 and aging equipment becoming fully depreciated in 2010.

Net cash provided by operating activities was \$1,802,000 for the year ended December 31, 2010. Net cash used in operating activities was \$525,000 for the year ended December 31, 2009.

Results of Operations

Revenues

The following table summarizes revenues by category and as a percent of total revenues:

	Year Ended December 31,			
	2010		2009	
New software licenses	\$ 5,108,000	75%	\$ 1,333,000	43%
Software license updates and product support	855,000	13%	852,000	27%
Total software revenues	5,963,000	88%	2,185,000	70%
Professional services	844,000	12%	926,000	30%
Total revenues	<u>\$ 6,807,000</u>	<u>100%</u>	<u>\$ 3,111,000</u>	<u>100%</u>

Total revenues for 2010 increased \$3,696,000, or 119%, to \$6,807,000, from \$3,111,000 in 2009. As the table above indicates, the increase in net sales in 2010 as compared to 2009 was attributed primarily to increased revenues for new software licenses as our customers increased their shipments of equipment as the global capital equipment markets recovered. The mix of revenue categories is subject to change on a year-to-year basis. The decrease in professional services revenue in the current year compared to last year can be attributed to smaller staff levels entering the year and a change in focus to selling software products. The market for semiconductor 300mm capital equipment, our largest single source of revenue for the past several years, experienced a nice year-over-year recovery, but was still below peak 2007 levels. Cimatrix revenues associated with software license updates and product support was essentially flat year-over-year as some customers went out of business or could no longer afford to purchase annual support, which were replaced by new customers.

Cost of Revenues

The Company's cost of revenues as a percentage of total revenues for the years ended December 31, 2010 and 2009 was 22% and 31%, respectively. Cost of revenues increased \$549,000, or 57%, to \$1,516,000 for 2010, from \$967,000 for 2009. These increases were a combination of higher revenues, as discussed above, investment in our current products, profit sharing, and elimination of pay cuts and furloughs that were in place in 2008 and 2009. Cost of revenues as a percentage of total revenues will vary from period to period depending on the mix of software and professional service revenues, the type of service projects completed, the pricing strategy for the projects, the extent of utilization of outside resources, and other factors.

Sales and Marketing

Sales and marketing expenses increased \$289,000 or 37%, to \$1,077,000 in 2010, from \$788,000 in 2009. These increases were a combination of increased commissions on higher revenues, as discussed above, profit sharing implemented in 2010 and elimination of pay cuts and furloughs that were in place in 2008 and 2009. Sales and marketing expenses reflect the direct payroll and related travel expenses of the Company's sales and marketing staff, the development of product brochures and marketing materials, costs associated with press releases, branding, search engine optimization, website design improvements, and the costs related to the Company's representation at industry trade shows.

Research and Development

Research and development expenses increased \$327,000 or 63%, to \$846,000 in 2010, from \$519,000

in 2009. The increase is primarily due to a resurgence of investment in our current products as well as our new CIMControlFramework software product in 2010, profit sharing implemented in 2010 and elimination of pay cuts and furloughs that were in place in 2008 and 2009. Research and development expenses include only direct costs for wages, benefits, materials, and education of technical personnel involved in product development. All indirect costs such as rents, utilities, depreciation, and amortization are included in general and administrative expenses, as discussed below.

General and Administrative

General and administrative expenses increased \$232,000, or 21%, to \$1,337,000 in 2010, from \$1,105,000 in 2009. General and administrative expenses include all direct costs for administrative and accounting personnel and all rents and utilities for maintaining Company offices. The majority of these increases were a combination of the elimination of pay cuts and furloughs that were in place in 2008 and 2009 and profit sharing implemented in 2010. The Company continues to incur general and administrative expenses related to its public company status and Sarbanes-Oxley internal controls compliance activities.

Depreciation and Amortization

Depreciation and amortization expense decreased \$56,000, or 66%, to \$29,000 in 2010 from \$85,000 in 2009. The decrease over prior years was a result of certain intangible assets associated with the EFS Solutions acquisition in October 2005 becoming fully amortized in 2010 and from aging equipment becoming fully depreciated in early 2010. In 2010, the Company began investing in software and equipment upgrades, and the cost associated with those upgrades is reflected in the cash flows used in investing activities.

Other Income (Expense)

Cimetrix did not earn any interest income in 2010 and 2009. The absence of interest income in 2010 was a result of lower cash reserves in the first half of the year combined with near zero interest rates in 2010. The absence of interest income in 2009 was a result of lower levels of cash reserves as the Company responded to the cash shortages caused by the global economic crisis.

Interest expense decreased \$29,000, or 23%, to \$98,000 in 2010, compared to \$127,000 in 2009. The decrease in 2010 is attributable to the termination of the credit facility in 2010 as well as an associated interest decrease related to the repayment of Senior Notes in July, 2010.

Gain on Sale of Property and Equipment decreased \$4,000 or 100% to \$0 in 2010, from \$4,000 in 2009. The 2009 Gain on Sale of Property and Equipment resulted from the sale of warehouse equipment located in the Company's headquarters' facility in Salt Lake City, UT and the sale of a Company automobile associated with our France operations.

Liquidity and Capital Resources

At December 31, 2010, the Company had current assets of \$2,265,000, including cash and cash equivalents of \$1,559,000, and current liabilities of \$1,144,000, resulting in a working capital of \$1,121,000. Current liabilities include deferred revenue of \$237,000 at December 31, 2010, which requires the Company to provide services and support but does not represent a scheduled obligation requiring the outlay of Company funds other than the payment of employee expenses and other costs necessary to provide the support.

As of December 31, 2010, the Company had notes payable and long-term debt totaling \$777,000 comprised of the following:

10% Senior Notes due September 30, 2012	\$772,000
Bank loan	-
Other	5,000
Total	<u>777,000</u>
Less current portion	5,000
Long-term portion	<u><u>\$ 772,000</u></u>

Included in the 10% Senior Notes is \$396,000 held by officers, directors, employees, or their affiliates.

Senior Notes - As of December 31, 2010, the Company had Senior Notes Payable totaling \$772,000 and warrants, issued with the Senior Notes, to purchase 391,490 shares of common shares of the Company at \$0.05 per share.

Bank Loan - The Company and Silicon Valley Bank entered into a Loan and Security Agreement, effective as of December 26, 2007, that was previously amended by agreements dated April 9, 2008 and January 20, 2009. On January 12, 2010, the Company and the Bank entered into a Third Amendment to the Facility Agreement (the "Third Amendment"), effective December 24, 2009. The Third Amendment extended the maturity date of the Facility Agreement to December 23, 2010. As of July 31, 2010, the Facility was fully paid off and the Company and Silicon Valley Bank terminated the Loan and Security Agreement.

Historically, the Company has incurred net losses and negative cash flows from operations. As of December 31, 2010, the Company had an accumulated deficit of \$32,910,000 and total stockholders' equity of \$533,000. During the year ended December 31, 2010, the Company reported net income of \$1,904,000 and generated net cash from operating activities of \$1,802,000. Management believes the existing cash and anticipated cash flows from operations will be sufficient to fund planned operations for the next twelve months. However, there can be no assurance that operations and operating cash flows will continue at the current levels or improve in the near future. If the Company is unable to maintain profitable operations and positive operating cash flows sufficient to meet scheduled debt obligations, it may need to seek additional funding or be forced to scale back its development plans or to significantly reduce or terminate operations.

Net cash generated by operating activities for the year ended December 31, 2010 was \$1,802,000, compared to net cash used in operating activities of \$525,000 for the year ended December 31, 2009. The increase in net cash generated by operating activities in 2010 over 2009 was primarily due to the increased revenues and changes in the Company's business model.

Net cash used in investing activities for the year ended December 31, 2010 was \$76,000. Net cash provided by investing activities for the year ended December 31, 2009 was \$6,000. The increase in cash used in investing activities in 2010 consisted of the acquisition of new property and equipment.

Net cash used in financing activities was \$306,000 for the year ended December 31, 2010, composed of \$15,000 in proceeds from the sale of common stock related to Senior Note warrants and employee stock options exercised, Senior Note repayments of \$50,000, bank loan repayments of \$393,000, partially offset by borrowings from the bank loan of \$147,000 and payments of other debt of \$25,000. Net cash provided by financing activities was \$643,000 for the year ended December 31, 2009, composed of \$650,000 in proceeds from the sale of common stock, \$1,876,000 in borrowings from the bank loan, \$75,000 in proceeds from the sale of Senior Notes, \$175,000 in proceeds from the sale of Senior Notes to related parties, and short-term related party advances of \$125,000. These were partially offset by Bank loan repayments of \$2,113,000, payments of other debt of \$20,000, and repayment of short-term related party advances of \$125,000.

The Company has not been adversely affected by inflation. Revenues from foreign customers were \$3,808,000 during the year ended December 31, 2010, representing 56% of the Company's total revenues,

compared to \$1,578,000, or 51%, of total revenues during the year ended December 31, 2009. There are potential economic risks inherent in foreign trade. To minimize the risk from changes in foreign currency exchange rates, the Company's export sales are transacted in United States Dollars (USD).

The Company considers its cash resources and projected cash from operations to be sufficient to meet the operating needs of the business for the next twelve months.

Contractual Obligations and Commitments

The future contractual obligations of the Company at December 31, 2010 are as follows:

	Payments Due by Period		
	2011	2012	Total
Sr. Notes Payable	\$ -	\$ 722,000	\$ 722,000
Interest on Sr. Notes Payable	72,000	54,000	126,000
Other Notes Payable	4,000	-	4,000
Capital lease obligations	1,000	-	1,000
Operating lease obligations	93,000	1,000	94,000
Total contractual cash obligations	<u>\$ 170,000</u>	<u>\$ 777,000</u>	<u>\$ 947,000</u>

Recently Issued Accounting Standards

See Note 1 of our notes to consolidated financial statements for information regarding the effect of new accounting pronouncements on our financial statements.

Factors Affecting Future Results

Total revenues for 2010 increased 119% compared to 2009, reflecting increased purchases of Cimatrix new software licenses as our customers shipped more capital equipment revenues from new software licenses include sales of software development kits and runtime revenue associated with OEM customer machine shipments. Runtime revenue increased year-over-year as new customer shipments were increased due to the overall growth in capital equipment shipments by the Company's customers. Sales of software development kits are difficult for the Company to forecast, as the Company is highly dependent on the timing of the equipment suppliers' decision to initiate a new machine development program and utilize the Company's products. During 2010 the Company was able to secure a one-time SDK order from an existing customer for \$1 million that contributed to new software license revenue.

The Company continues to focus on incrementally expanding its customer base and product line in order to increase revenues. In 2008, the Company announced its new CIMControlFramework software for tool control, which should enable the Company to provide equipment makers with a complete software solution that will reduce their time-to-market for new tool developments. As equipment makers reduce their costs and internal resources, Cimatrix believes the market for CIMControlFramework will grow when equipment makers begin to invest in new machine development programs.

Ultimately, the Company's business is driven by the global demand for electronic devices by consumers and businesses. Even though the outlook for 2011 appears to suggest a continued recovery, any changes in the global economic conditions could adversely affect Cimatrix's business and the results of operations. In the current environment, the Company's ability to accurately predict future operating results associated with our customer shipments of machines is particularly low.

The Company continues to pursue customers through its professional services group, which is available to assist customers by providing professional services and complete turnkey solutions. The ability of the Company to provide both products and services to its customer base is becoming a more important factor as customers seek to limit the number of suppliers, reduce their internal staff, and prefer single source responsibility. The experience gained delivering professional services also provides valuable inputs to new product development roadmaps.

The Company's future operating results and financial condition are difficult to predict and will be affected by a number of factors. The markets for the Company's products are emerging and specialized. There can be no assurance that the markets for industrial motion control, connectivity, and tool control that are served by the Company will continue to grow, or that the Company's existing and new products will satisfy the requirements of those markets and achieve a successful level of customer acceptance.

Because of these and other factors, past financial performance is not necessarily indicative of future performance, and historical trends should not be used to anticipate future operating results.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is not subject to this requirement since it is not an accelerated filer.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Financial Statements of the Company called for by this item are contained in a separate section of this report. See "Index to Consolidated Financial Statements" on Page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

ITEM 9A(T). CONTROLS AND PROCEDURES

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined under Exchange Act Rules 13a-15(f). The Company's internal control system is designed to provide reasonable assurance to its management and board of directors regarding the preparation and fair presentation of published financial statements. Under the supervision and with the participation of the Company's management, including principal executive officer and principal financial officer, Cimetrix conducted an evaluation of the effectiveness of its internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the evaluation under that framework, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2010.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Cimetrix's internal control over financial reporting was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

(a) Evaluation of disclosure controls and procedures

The Company's management, under the supervision and with the participation of its chief executive officer and chief financial officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2010. Based on that evaluation, the Company's chief executive officer and chief financial officer concluded that the disclosure controls and procedures employed at the Company are effective to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms.

(b) Changes in internal controls

During the most recent fiscal quarter covered by this report, and since that date, there has been no change in the Company's internal controls over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by this item, other than the information regarding executive officers and directors which is contained in Part I of this report, is incorporated by reference from the information in the Company's definitive Proxy Statement to be filed for the 2011 Annual Meeting of Stockholders.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated by reference from the information in the Company's definitive Proxy Statement to be filed for the 2011 Annual Meeting of Stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information required by this item is incorporated by reference from the information in the Company's definitive Proxy Statement to be filed for the 2011 Annual Meeting of Stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated by reference from the information in the Company's definitive Proxy Statement to be filed for the 2011 Annual Meeting of Stockholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this item is incorporated by reference from the information in the Company's definitive Proxy Statement to be filed for the 2011 Annual Meeting of Stockholders.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements and Schedules

The audited consolidated financial statements of the Company and the report of independent registered public accountants required in Part II, Item 8 are included beginning on page F-1. See the Index to Consolidated Financial Statements on page F-1.

Financial statement schedules have been omitted since they are either not required, not applicable, or the information is otherwise included in the consolidated financial statements and notes thereto.

(b) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
3.1	Articles of Incorporation (1)
3.2	Articles of Merger of Cimatrix (USA) Incorporated with Cimatrix Incorporated (2)
3.3	Amended Bylaws (3)
21	List of Subsidiaries (4)
10.1	Loan and Security Agreement with Silicon Valley Bank (5)
10.2	Amended and Restated Loan and Security Agreement (6)
10.3	First Amendment to Amended and Restated Loan and Security Agreement (7)
10.4	Third Amendment to Amended and Restated Loan and Security Agreement (8)
23.1	Independent Auditors' Consent – HJ & Associates, LLC*
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
99.1	Press Release dated March 29, 2011*

* Exhibits filed with this report.

- (1) Incorporated by reference to Annual Report on Form 10-K for the fiscal year ended December 31, 1993.
- (2) Incorporated by reference to Quarterly Report on Form 10-QSB for the quarter ended September 30, 1995.
- (3) Incorporated by reference to Quarterly Report on Form 10-Q for the quarter ended June 30, 2001.
- (4) Included in Notes to Consolidated Financial Statements contained in this filing
- (5) Incorporated by reference to Annual Report on Form 10-K for the fiscal year ended December 31, 2008
- (6) Incorporated by reference to Exhibit 99.1 included with the report on Form 8-K dated April 9, 2008
- (7) Incorporated by reference to Exhibit 99.1 included with the report on Form 8-K dated January 23, 2009
- (8) Incorporated by reference to Exhibit 99.1 included with the report on Form 8-K dated January 19, 2010

SIGNATURES

Pursuant to the requirements of section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 31st day of March, 2011.

REGISTRANT

CIMETRIX INCORPORATED

By: /S/ Robert H. Reback
Robert H. Reback
President and Chief Executive Officer
(Principal Executive Officer)

By: /S/ Jodi M. Juretich
Jodi M. Juretich
Chief Financial Officer
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/S/ Robert H. Reback</u> Robert H. Reback	President, Chief Executive Officer and Director (Principal Executive Officer)	March 31, 2011
<u>/S/ Jodi M. Juretich</u> Jodi M. Juretich	Chief Financial Officer (Principal Financial and Accounting Officer)	March 31, 2011
<u>/S/ Scott C. Chandler</u> Scott C. Chandler	Director	March 31, 2011
<u>/S/ C. Alan Weber</u> C. Alan Weber	Director	March 31, 2011
<u>/S/ Michael B. Thompson</u> Michael B. Thompson	Director	March 31, 2011

CIMETRIX INCORPORATED AND SUBSIDIARIES
Index to Consolidated Financial Statements

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
of Cimatrix Incorporated and Subsidiaries
Salt Lake City, Utah

We have audited the accompanying consolidated balance sheets of Cimatrix Incorporated and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cimatrix Incorporated and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

/s/HJ & ASSOCIATES, LLC
HJ & ASSOCIATES, LLC

Salt Lake City, Utah
March 31, 2011

CIMETRIX INCORPORATED AND SUBSIDIARIES
Consolidated Balance Sheets

	December 31,	
	2010	2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,559,000	\$ 139,000
Accounts receivable, net	673,000	432,000
Inventories	-	1,000
Prepaid expenses and other current assets	33,000	22,000
Total current assets	2,265,000	594,000
Property and equipment, net	100,000	21,000
Intangible assets, net	-	6,000
Goodwill	64,000	64,000
Other assets	20,000	20,000
	\$ 2,449,000	\$ 705,000
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	\$ 332,000	\$ 50,000
Accrued expenses	570,000	346,000
Deferred revenue	237,000	162,000
Current portion of notes payable and capital lease obligations	5,000	295,000
Total current liabilities	1,144,000	853,000
Long-term liabilities:		
Notes payable – related parties, net	396,000	388,000
Long-term portion of notes payable	376,000	413,000
Total long-term liabilities	772,000	801,000
Total liabilities	1,916,000	1,654,000
Commitments and contingencies		
Stockholders' equity (deficit):		
Common stock; \$.0001 par value, 100,000,000 shares authorized, 44,842,767 and 46,861,198 shares issued, respectively	4,000	5,000
Additional paid-in capital	33,488,000	33,409,000
Treasury stock, 25,000 shares at cost	(49,000)	(49,000)
Accumulated deficit	(32,910,000)	(34,314,000)
Total stockholders' equity (deficit)	533,000	(949,000)
	\$ 2,449,000	\$ 705,000

See accompanying notes to consolidated financial statements

CIMETRIX INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Operations

	Years Ended December 31,	
	2010	2009
	<u>2010</u>	<u>2009</u>
Revenues:		
New software licenses	\$ 5,108,000	\$ 1,333,000
Software license updates and product support	855,000	852,000
Total software revenues	<u>5,963,000</u>	<u>2,185,000</u>
Professional services	<u>844,000</u>	<u>926,000</u>
Total revenues	<u>6,807,000</u>	<u>3,111,000</u>
Operating costs and expenses:		
Cost of revenues	1,516,000	967,000
Sales and marketing	1,077,000	788,000
Research and development	846,000	519,000
General and administrative	1,337,000	1,105,000
Depreciation and amortization	<u>29,000</u>	<u>85,000</u>
Total operating costs and expenses	<u>4,805,000</u>	<u>3,464,000</u>
Income (loss) from operations	<u>2,002,000</u>	<u>(353,000)</u>
Other income (expenses):		
Interest expense	(98,000)	(127,000)
Gain on sale of assets	<u>-</u>	<u>4,000</u>
Total other expenses, net	<u>(98,000)</u>	<u>(123,000)</u>
Income (loss) before income taxes	1,904,000	(476,000)
Provision for income taxes	<u>-</u>	<u>-</u>
Net income (loss)	<u>\$ 1,904,000</u>	<u>\$ (476,000)</u>
Net Income (loss) per common share:		
Basic	<u>\$ 0.04</u>	<u>\$ (0.01)</u>
Diluted	<u>\$ 0.04</u>	<u>\$ (0.01)</u>
Weighted average number of shares outstanding:		
Basic	46,108,000	37,790,000
Diluted	47,399,000	37,790,000

See accompanying notes to consolidated financial statements

CIMETRIX INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity (Deficit)
Years Ended December 31, 2010 and 2009

	Treasury Stock		Common Stock		Additional	Accumulated	Total
	Shares	Amount	Shares	Amount	Paid-in Capital	Deficit	
Balance, January 1, 2009	25,000	\$ (49,000)	33,568,057	\$ 3,000	\$ 32,669,000	\$ (33,838,000)	\$ (1,215,000)
Sale of Common Stock			13,193,141	2,000	660,000		662,000
Stock-based compensation					49,000		49,000
Issuance of common stock warrants attached to Sr. Notes					1,000		1,000
Issuance of common stock associated with fully vested restricted stock shares			100,000		30,000		30,000
Net loss						(476,000)	(476,000)
Balance, December 31, 2009	25,000	(49,000)	46,861,198	5,000	33,409,000	(34,314,000)	(949,000)
Sale of Common Stock			(2,698,327)	(1,000)		(500,000)	(501,000)
Stock-based compensation					27,000		27,000
Sale of Common Stock associated with exercised stock options			182,396		13,000		13,000
Issuance of common stock associated with fully vested restricted stock shares			460,000		37,000		37,000
Sale of common stock associated with exercised warrants related to Sr. Notes			37,500		2,000		2,000
Net income						1,904,000	1,904,000
Balance, December 31, 2010	25,000	\$ (49,000)	44,842,767	\$ 4,000	\$ 33,488,000	\$ (32,910,000)	\$ 533,000

See accompany notes to consolidated financial statements

CIMETRIX INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	Years Ended December 31,	
	2010	2009
Cash flows from operating activities:		
Net income (loss)	\$ 1,904,000	\$ (476,000)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	29,000	85,000
Provision for doubtful accounts	-	29,000
Stock-based compensation	68,000	52,000
Amortization of bond discount	1,000	1,000
Gain on sale of assets	-	(4,000)
Licensing revenue paid with Company stock (see Note 7)	(500,000)	-
(Increase) decrease in:		
Restricted cash	-	121,000
Accounts receivable	(241,000)	(54,000)
Inventories	-	1,000
Prepaid expenses and other current assets	(9,000)	7,000
Other assets	-	6,000
Increase (decrease) in:		
Accounts payable	258,000	(84,000)
Accrued expenses	217,000	89,000
Deferred revenue	75,000	(298,000)
Net cash provided by (used in) operating activities	1,802,000	(525,000)
Cash flows from investing activities:		
Proceeds from sale of property and equipment	-	(9,000)
Purchase of property and equipment	(76,000)	15,000
Net cash provided by (used in) investing activities	(76,000)	6,000
Cash flows from financing activities:		
Sale of common stock	15,000	650,000
Proceeds from the issuance of debt	147,000	1,951,000
Proceeds from the issuance of debt to related parties	-	175,000
Proceeds from related party advances	-	125,000
Payments of debt	(468,000)	(2,133,000)
Payments of related party advances	-	(125,000)
Net cash provided by (used in) financing activities	(306,000)	643,000
Net increase in cash and cash equivalents	1,420,000	124,000
Cash and cash equivalents, beginning of period	139,000	15,000
Cash and cash equivalents, end of period	\$ 1,559,000	\$ 139,000

See accompanying notes to consolidated financial statements

CIMETRIX INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

Note 1: Organization and Significant Accounting Policies

Organization – Cimetrix Incorporated, a Nevada corporation, and its subsidiaries (Cimetrix or the Company) are primarily engaged in the development and sale of open architecture, standards-based, personal computer software for controlling machine tools, robots, electronic equipment, and communication products that allow communication between equipment on the factory floor and host systems, and semiconductor connectivity products that connect new semiconductor tools to each other and to host systems.

Principles of Consolidation – The consolidated financial statements include the accounts of Cimetrix Incorporated and its wholly owned subsidiaries, Cimetrix Europe, Inc. and Cimetrix Data Management Solutions, Inc. All significant inter-company accounts and transactions have been eliminated in consolidation.

Use of Estimates – The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – The Company considers all investments purchased with original maturities of three months or less to be cash equivalents. As of December 31, 2010, the Company had \$1,559,000 of cash and cash equivalents.

Accounts Receivable – Trade receivables are carried at original invoice amount less an estimate made for doubtful accounts. The Company offers credit terms on the sale of its products to a majority of its customers and requires no collateral from these customers. The Company performs ongoing credit evaluations of its customers' financial condition and maintains an allowance for doubtful accounts based upon historical collection experience and expected collectability of all accounts receivable. The Company's allowance for doubtful accounts, which is determined based on historical experience and a specific review of customer balances, was \$20,000 as of December 31, 2010 and 2009. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded as income when received.

Inventories – Inventories, consisting of certain product licenses resold with the Company's products, are stated at the lower of cost or market, with cost determined on a first-in, first out (FIFO) method.

Software Development Costs – Software development costs associated with software to be sold, leased, or otherwise marketed are expensed as incurred until technological feasibility, defined as a working model or prototype, has been established. At that time, such costs are capitalized until the product is available for general release to customers. To date, costs incurred between the completion of a working model and the point at which the product is ready for general release have been insignificant. Accordingly, the Company has charged all such costs to research and development during the years ended December 31, 2010 and 2009.

Research and Development - Research and development expenses include direct costs for wages, benefits, materials, and education of technical personnel and are expensed as incurred for software that has not achieved technological feasibility.

Patents and Copyrights - The Company has obtained a patent related to certain technology. In addition, the Company has registered most of its software system products with the Copyright Office of the United States and will continue to timely register any updates to current products or any new products. Generally, other than the patent and the copyright registrations, the Company relies on confidentiality and nondisclosure agreements with its employees and customers, appropriate security measures, and the encoding of its software in order to protect the proprietary nature of its technology. No cost has been capitalized with respect to the patent.

Property and Equipment – Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets ranging from one to seven years. The cost of leasehold improvements is amortized using the straight-line method over the shorter of the estimated life of the asset or the expected term of the related lease. Depreciable lives by asset group are as follows:

Equipment	2 – 7 years
Office equipment and software	1 - 7 years
Furniture and fixtures	5 – 10 years
Leasehold improvements	7 years
Automobiles	5 years

Maintenance and repairs are charged to costs and expenses as incurred. The cost and accumulated depreciation of property and equipment sold or otherwise retired are removed from the accounts and any related gain or loss on disposition is reflected in net income or loss for the period.

Intangible Assets – Intangible assets include the costs to obtain the Company’s AART and SDI SECS/GEM technology and intangible assets acquired in the 2005 acquisition of EFS Solutions, Inc. Intangible assets that are determined to have finite lives are amortized over their estimated useful lives to the Company. The amortization lives of definite-lived assets are as follows:

Technology	10 years
Customer relationships	5 years

Goodwill – Goodwill, representing the excess of the purchase price of EFS Solutions, Inc. over the fair value of the identifiable net assets acquired. The Company evaluates its goodwill for impairment annually in the fourth quarter or when indicators of impairment exist. Impairment is recognized when the carrying value of goodwill exceeds the fair value of the reporting unit. As the consolidated company represents a single reporting unit, the goodwill carrying value is compared to the enterprise value as a whole. The annual evaluation of the company’s goodwill resulted in no impairment loss for the years ended December 31, 2009 and 2010.

Impairment of Long-Lived Assets – The Company periodically reviews its long-lived assets, including definite-lived intangible assets, for impairment when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The Company evaluates, at each balance sheet date, whether events and circumstances have occurred which indicate possible impairment. The carrying value of a long-lived asset is considered impaired when the anticipated cumulative expected undiscounted cash flows of the related asset or group of assets is less than the carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the estimated fair market value of the long-lived asset. There was no impairment loss recognized in 2010 and 2009.

Revenue Recognition – The Company derives revenues from two primary sources, software and professional services. Software revenues are reported in two categories, the sale of new software licenses and software license updates and product support. The Company has “off-the-shelf” software packages in the tool control and connectivity product lines. Tool control products include items such as CODE 6.0,

CIMControl, and CIMulation. Connectivity products include items such as CIM300, CIMConnect and CIMPortal. New software licenses include the sale of software development kits as well as the runtime license fees associated with deployment of the Company's software products. Software license updates and product support are typically annual contracts with customers that are paid in advance, which provides the customer access to new software releases, maintenance releases, patches, and technical support personnel. Professional service sales are derived from the sale of services to design, develop, and implement custom software applications.

Before the Company recognizes revenue, the following criteria must be met:

- 1) Evidence of a financial arrangement or agreement must exist between the Company and its customer. Purchase orders and signed OEM contracts are two examples of items accepted by the Company to meet this criterion.
- 2) Delivery of the products or services must have occurred. The Company treats either physical or electronic delivery as having met this requirement. It is the policy of the Company to provide its customers a 30-day right to return. However, because the amount of returns has been insignificant, the Company recognizes revenue immediately upon transfer of both title and risk of loss to the customer upon shipment of the product. If the number of returns were to increase, the Company would establish a reserve based on a percentage of sales to account for any such returns.
- 3) The price of the products or services is fixed and measurable.
- 4) Collectability of the sale is reasonably assured and receipt is probable. Collectability of a sale is determined on a customer-by-customer basis. Typically, Cimetrix sells to large corporations which have demonstrated an ability to pay. If it is determined that a customer may not have the ability to pay, revenue is deferred until the payment is collected.

The software component of the Company's products is an integral part of its functionality. As such, the Company applies the provisions of the ASC Topic 985-605, *Software - Revenue Recognition*.

The Company's products are fully functional at the time of shipment. The software components of the Company's products do not require significant production, modification, or customization. As such, revenue from product sales is recognized upon shipment provided that the criteria outlined above are met.

Revenue related to services is recognized as services are performed if there is not an extended contract related to such services. If the services are provided pursuant to a contract that extends over a period of time, the revenue from services is recorded ratably over the contract period, generally using the percentage of completion method. When the current estimates of total contract revenue and contract cost indicate a loss, a provision for the entire loss on the contract is made in the period in which the loss becomes evident.

If a sale involves a bundled package of new software licenses, software license updates and product support, and professional services, and the Company has vendor specific objective evidence of fair value among arrangement elements in accordance with ASC Topic 985-605, then revenue is first allocated to software license updates and product support and professional service obligations at fair market value. The remaining amount is applied to new software license revenue. Assuming all of the above criteria have been met, revenue from the new software license portion of the package is recognized upon shipment. Revenue from material software license updates and product support contracts is recognized ratably over the term of the contract, which is generally 12 months. Revenue from professional services is recognized as services are performed. Standard payment terms for sales are net 30 days for sales in the United States and net 45 to 60 days for foreign customers. On occasion, extended payment terms will be offered. If the Company provides payment terms greater than 90 days and collection is not reasonably assured, then revenues are generally

recognized as payments are received.

In the event that the Company does not have vendor specific objective evidence of fair value among arrangement elements in a bundled package of products and services, the Company reports the revenue in a single revenue line presentation in the consolidated statements of operations in accordance with ASC Topic 985-605.

Income Taxes – As part of the process of preparing consolidated financial statements, Cimatrix is required to estimate income taxes in each of the jurisdictions in which it operates. This process involves estimating the Company's actual current income tax exposure together with assessing temporary differences resulting from differing treatment of items for income tax and financial accounting purposes. These temporary differences result in deferred tax assets and liabilities. When appropriate, the Company records a valuation allowance to reduce its deferred tax assets to the amount that the Company believes is more likely than not to be realized. Key assumptions used in estimating a valuation allowance include potential future taxable income, projected income tax rates, expiration dates of net operating loss and tax credit carry forwards, and ongoing prudent and feasible tax planning strategies. Income tax expense did not increase significantly as a result of the Company's net income for the year ended December 31, 2010 because of the net operating loss carry-forwards. At December 31, 2010, the Company had fully reduced its net deferred tax assets by recording a valuation allowance of \$9,962,000. If the Company were to determine that it would be able to realize its deferred tax assets in the future in excess of the net recorded amount, an adjustment to reduce the valuation allowance would increase income in the period such determination was made.

Advertising Costs – Advertising costs, including trade show participation, newsletters, press releases and sales literature, are expensed as incurred and totaled \$34,000 and \$13,000, for the years ended December 31, 2010 and 2009, respectively.

Liquidity and Capital Resources – Historically, the Company has incurred net losses and negative cash flows from operations. As of December 31, 2010, the Company had an accumulated deficit of \$32,910,000 and total stockholders' equity of \$533,000. At December 31, 2010, the Company had current assets of \$2,265,000, including cash and cash equivalents of \$1,559,000, and current liabilities of \$1,144,000, resulting in a working capital of \$1,121,000. For 2010, the Company reported net income of \$1,904,000 and net cash generated by operating activities of \$1,802,000. Management believes that its existing cash, primarily the result of improved operating results in 2010, and anticipated cash flows from operations in 2011, will be sufficient to fund planned operations for the next twelve months. However, there can be no assurance that operations and operating cash flows will continue at the current levels. If the Company is unable to continue profitable operations and maintain positive operating cash flows, it may need to seek additional funding or be forced to scale back its development plans or to significantly reduce or terminate operations.

Earnings (Loss) Per Common Share – The computation of basic earnings per common share is based on the weighted average number of shares outstanding, including unissued and vested restricted stock shares deemed as participating securities, during the period. Diluted earnings per common share is computed by dividing the net income or loss by the sum of the weighted-average number of common shares outstanding plus the weighted average common stock, which would have been outstanding if the potentially dilutive securities had been issued. Potentially dilutive securities include unvested restricted stock and outstanding options and warrants with an exercise price less than the trading price of the underlying common stock. The dilutive effect of potentially dilutive securities is reflected in diluted earnings per common share using the treasury method.

The following table sets forth the computation of basic and diluted earnings per common share for 2010 and 2009:

	December 31,	
	2010	2009
	<u> </u>	<u> </u>
Numerator:		
Net income (loss)	\$ 1,904,000	\$ (476,000)
	<u> </u>	<u> </u>
Denominator:		
Basic weighted average shares outstanding	46,108,000	37,790,000
Effect of dilutive securities:		
Stock options	820,000	-
Unvested restricted stock	185,000	-
Warrants	286,000	-
Diluted weighted average shares outstanding	<u>47,399,000</u>	<u>37,790,000</u>
Net income (loss) per share		
Basic	\$ 0.04	\$ (0.01)
Diluted	\$ 0.04	\$ (0.01)

Potentially dilutive securities representing approximately 951,000 shares of common stock at December 31, 2010 were excluded from the computation of diluted earnings per common share because their effect would have been anti-dilutive.

As a result of incurring a net loss in 2009, no potentially dilutive securities are included in the calculation of diluted earnings per share because the effect would be anti-dilutive. We had potentially dilutive securities representing approximately 3,958,000 shares of common stock at December 31, 2009.

Concentration of Credit Risk – Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of trade receivables. In the normal course of business, Cimatrix provides credit terms to its customers. Accordingly, the Company performs ongoing credit evaluations of its customers and maintains allowances for possible losses which, when realized, have been within the range of management's expectations.

The Company maintains its cash in bank deposit accounts. At times, the bank deposits may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk in its cash deposits.

Recent Accounting Pronouncements – In October 2009, the FASB issued new revenue recognition standards for arrangements with multiple deliverables. The new standards permit entities to use management's best estimate of selling price to value individual deliverables when those deliverables do not have vendor specific objective evidence of fair value or when third-party evidence of selling price is not available. Additionally, these new standards modify the manner in which the selling price is allocated across the separately identified deliverables by no longer permitting the residual method of allocating the selling price. The requirements of these new standards are to be applied prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, although early adoption is permitted. We do not anticipate the adoption of this guidance will have a significant impact on the timing or amount of revenue recognized.

Note 2: Accounts Receivable

Accounts receivable consist of the following:

	December 31,	
	2010	2009
Trade receivables	\$ 693,000	\$ 452,000
Less allowance for doubtful accounts	(20,000)	(20,000)
	<u>\$ 673,000</u>	<u>\$ 432,000</u>

Note 3: Property and Equipment

Property and equipment consist of the following:

	December 31,	
	2010	2009
Software development costs	\$ 464,000	\$ 464,000
Equipment	349,000	453,000
Office equipment and software	563,000	518,000
Furniture and fixtures	191,000	191,000
Leasehold improvements	85,000	85,000
	<u>1,652,000</u>	<u>1,711,000</u>
Less accumulated depreciation and amortization	<u>(1,552,000)</u>	<u>(1,690,000)</u>
	<u>\$ 100,000</u>	<u>\$ 21,000</u>

Depreciation and amortization expense related to property and equipment for the years ended December 31, 2010 and 2009 was \$23,000 and \$35,000, respectively. In 2009, the Company sold a vehicle related to its operations in France and sold or disposed of various fully depreciated property and equipment.

In 2010, property and equipment includes \$15,000 of capitalized equipment under capital lease obligations with a net book value of \$1,000 at December 31, 2010.

Note 4: Intangible Assets and Goodwill

Intangible assets subject to amortization consist of the following at December 31:

	2010		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Technology	\$ 1,091,000	\$ 1,091,000	\$ -
Customer relationships	246,000	246,000	-
Covenant not to compete	427,000	427,000	-
	<u>\$ 1,764,000</u>	<u>\$ 1,764,000</u>	<u>\$ -</u>

	2009		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Technology	\$ 1,091,000	\$ 1,091,000	\$ -
Customer relationships	246,000	240,000	6,000
Covenant not to compete	427,000	427,000	-
	<u>\$ 1,764,000</u>	<u>\$ 1,758,000</u>	<u>\$ 6,000</u>

Amortization expense was \$6,000 and \$50,000 for the years ended December 31, 2010 and 2009, respectively.

Goodwill of \$64,000 originated in the acquisition of EFS Solutions, and is not amortized but tested

annually for impairment or more frequently if changes in circumstances indicate impairment may exist. Based upon the impairment analysis performed, no impairment of goodwill was recorded for the years ended December 31, 2010 and 2009.

Note 5: Accounts Payable and Accrued Expenses

Accounts payable consist of the following:

	December 31,	
	2010	2009
Trade	\$ 308,000	\$ 43,000
Related Parties	24,000	7,000
	<u>\$ 332,000</u>	<u>\$ 50,000</u>

Accrued expenses consist of the following:

	December 31,	
	2010	2009
Accrued salaries and wages	\$ 33,000	\$ 199,000
Accrued vacation	67,000	83,000
Accrued profit sharing plan	395,000	-
Accrued payroll taxes	-	16,000
Accrued interest payable	19,000	20,000
Restricted stock payable (Note 8)	24,000	21,000
Other	32,000	7,000
	<u>\$ 570,000</u>	<u>\$ 346,000</u>

Note 6: Notes Payable and Capital Lease Obligations

The Company's notes payable consisted of the following:

	December 31,	
	2010	2009
Related Parties:		
Senior Notes, unsecured with interest at 10%, payable semiannually on April 1 and October 1 through maturity, maturing September 30, 2012, payable to officers, employees or their affiliates	\$ 396,000	\$ 388,000
Less current portion	-	-
Long-term portion	<u>\$ 396,000</u>	<u>\$ 388,000</u>

	December 31,	
	2010	2009
Related Parties:		
Senior Notes, unsecured with interest at 10%, payable semiannually on April 1 and October 1 through maturity, maturing September 30, 2012, payable to officers, employees or their affiliates	\$ 396,000	\$ 388,000
Less current portion	-	-
Long-term portion	<u>\$ 396,000</u>	<u>\$ 388,000</u>

	December 31,	
	2010	2009
Other:		
Senior Notes, unsecured with interest at 10%, payable semiannually on April 1 and October 1 through maturity, maturing September 30, 2012,	\$ 376,000	\$ 434,000
Bank loan, secured by accounts receivable of the Company, with interest at 7.75% per annum plus a collateral handling fee of .30% per month on face amount of financed receivables through December 2010	-	246,000
Installment notes payable to financing company, payable in monthly payments of \$1,901, including interest at 24.49%, from March 2008 through February 2011	4,000	23,000
Capital lease payable to financing company, payable in monthly payments of \$426, including interest at 4.0%, from March 2008 through February 2011	1,000	6,000
Less Discount	-	(1,000)
Total	<u>381,000</u>	<u>708,000</u>
Less current portion	5,000	295,000
Long-term portion	<u>\$ 376,000</u>	<u>\$ 413,000</u>

Other:	December 31,	
	2010	2009
Senior Notes, unsecured with interest at 10%, payable semiannually on April 1 and October 1 through maturity, maturing September 30, 2012,	\$ 376,000	\$ 434,000
Bank loan, secured by accounts receivable of the Company, with interest at 7.75% per annum plus a collateral handling fee of .30% per month on face amount of financed receivables through December 2010	-	246,000
Installment notes payable to financing company, payable in monthly payments of \$1,901, including interest at 24.49%, from March 2008 through February 2011	4,000	23,000
Capital lease payable to financing company, payable in monthly payments of \$426, including interest at 4.0%, from March 2008 through February 2011	1,000	6,000
Less Discount	-	(1,000)
Total	<u>381,000</u>	<u>708,000</u>
Less current portion	<u>5,000</u>	<u>295,000</u>
Long-term portion	<u>\$ 376,000</u>	<u>\$ 413,000</u>

Senior Notes - At December 31, 2010, there were warrants issued to the Senior Note holders to purchase a total of 391,490 common shares of the Company at an exercise price of \$0.05 per share. The warrants expire on September 30, 2012.

In 2009, the Company also offered new Notes and Warrants (the “New Offer”). The Notes included in the New Offer bear interest at 10% per annum, payable April 1 and October 1 of each year, and are due and payable September 30, 2012. Purchasers of the Notes received a Warrant to purchase a share of restricted common stock of the Company for each \$2.00 in principal amount of the Note. In 2009, the Company secured \$250,000 in new Notes and issued warrants to purchase 125,000 shares of common shares of the Company at \$0.05 per share.

During the fourth quarter of 2009, the Company offered the holders of the Senior Notes, originally due September 30, 2010, an extension of the maturity date to September 30, 2012. As part of this extension, the expiration date of the warrants was extended to September 30, 2012 as well.

Revolving Bank Line of Credit and Bank Loan - The Company and Silicon Valley Bank (the “Bank”) entered into a Loan and Security Agreement, effective as of December 26, 2007. This agreement was amended and restated by a Loan and Security Agreement dated April 9, 2008 (as amended and restated, the “Facility Agreement”). On January 20, 2009, the Company and the Bank entered into a First Amendment to the Facility Agreement (the “First Amendment”), effective December 25, 2008. The First Amendment extended the maturity date of the Facility Agreement to December 24, 2009, reduced the applicable interest rate and certain other fees associated with the credit facility and required the Company to obtain an additional \$250,000 in equity or subordinated debt financing by February 28, 2009. The Second Amendment to the Facility Agreement extended the due date of the required \$250,000 in equity or subordinated debt financing to March 31, 2009. On January 12, 2010, the Company and the Bank entered into a Third Amendment to the Facility Agreement (the “Third Amendment”), effective December 24, 2009. The Third Amendment extended the maturity date of the Facility Agreement to December 23, 2010. As of July 31, 2010, the Facility was fully paid off and the Company and Silicon Valley Bank terminated the Loan and Security Agreement.

Stand-Alone Revolving Note – The Company and an officer of the Company entered into a

Stand-Alone Revolving Note (“Note”) dated November 8, 2007 which was amended by the First Amendment to Stand Alone Revolving Note on April 13, 2009. Subject to the terms of the agreement, the Company may borrow up to \$100,000 with an interest rate equal to 10% per annum on the outstanding balance. Interest and principal payments are made on a mutually agreeable schedule as determined by the Company and the officer. This Note was unsecured and matured on December 31, 2009.

During the year 2009, the Company borrowed and subsequently paid \$125,000 under this Note. The balance at December 31, 2009 was \$0 and the Note was not renewed or extended.

Future maturities of notes payable and capital lease obligations are as follows:

Source: Cimatrix Stock Options with Intrinsic Value Q4-2010, By plan-1

Year Ending December 31,

2011	\$	5,000
2012		772,000

NOTE 7 – Common Stock

During the year ended December 31, 2010, the Company entered into a transaction with a shareholder of the Company. This shareholder and customer purchased a one-time, \$1 million software development kit license for the Company’s new CIMControlFramework product. Terms of the transaction included a cash payment of \$500,000, and the other \$500,000 payment consisted of the return of 2,698,327 shares of common stock valued at a price of \$0.1853 per share. The 2,698,327 shares returned were retired.

The Company had the following exercise of warrants associated with Senior Notes and exercise of stock options associated with the Company’s Long-term Incentive Plan:

	December 31,	
	<u>2010</u>	<u>2009</u>
Warrants	37,500	-
Stock Options	182,396	-

In 2010 and 2009, the Company issued 460,000 and 100,000, respectively, shares of its restricted common stock to officers and directors in satisfaction of awards that had fully vested. As of December 31, 2010 and 2009, an obligation of \$24,000 and \$21,000, respectively, was reflected as an accrued liability on the Company’s balance sheet related to unissued shares of its restricted common stock to officers and directors.

Note 8 – Stock-Based Compensation

Stock-based compensation cost is measured at the grant date based on the fair value of the award granted and recognized as expense using the straight-line method over the period in which the award is expected to vest, which is generally the period from the grant date to the end of the vesting period. Stock-based compensation expense recognized during a period is based on the value of the portion of stock-based awards that is ultimately expected to vest during the period.

The Company currently uses the Black-Scholes option pricing model to determine the fair value of stock options and warrants. The determination of the fair value of stock-based awards on the date of grant using an option pricing model is affected by the Company’s stock price as well as assumptions regarding a number of complex and subjective variables. These variables include the expected stock price volatility over

the expected term of the awards, actual and projected employee stock option exercise behaviors, the risk-free interest rate and expected dividends.

The Company estimates the expected term of options granted by calculating the average term from the historical stock option exercise experience. The volatility of the common stock is estimated by using historical volatility. The risk-free interest rate is based on zero-coupon yields implied from U.S. Treasury issues with remaining terms similar to the expected term on the options. The Company does not anticipate paying any cash dividends in the foreseeable future and therefore an expected dividend yield of zero is used in the option pricing model.

The stock-based compensation expense for the years ended December 31, 2010 and 2009 has been allocated to the various categories of operating costs and expenses as follows:

	Years Ended December 31,	
	2010	2009
Cost of revenues	\$ 6,000	\$ 9,000
Sales and marketing	18,000	16,000
Research and development	7,000	7,000
General and administrative	37,000	20,000
Total stock-based compensation expense	<u>\$ 68,000</u>	<u>\$ 52,000</u>

As of December 31, 2010, the total future compensation cost related to non-vested stock-based awards not yet recognized in the condensed consolidated statements of operations was \$53,000, and the weighted average period over which these awards are expected to be recognized was 1.34 years.

Stock Incentive Plan - In May 2006, the Company's shareholders approved the combined amendment and restatement of the Cimatrix Incorporated 1998 Incentive Stock Option Plan and the Cimatrix Incorporated Director Stock Option Plan as the Cimatrix 2006 Long-Term Incentive Plan (the "Plan"). In addition to stock options, the Plan authorizes the grant of stock appreciation rights, restricted stock awards, and other stock units and equity-based performance awards. The number of shares of common stock reserved and available for issuance under the Plan was 583,799 at December 31, 2010.

Stock Options – During the year ended December 31, 2010 and 2009, options to purchase 497,500 and 645,000 shares of the Company's common stock were issued to the Company's employees, with exercise prices ranging from \$0.08 to \$0.35 and \$0.02 to \$0.06 per share, respectively. The Company estimated the grant-date fair value of these options using the Black-Scholes option pricing model using the following assumptions:

	2010	2009
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	72.48% to 76.99%	71.85% to 74.62%
Risk free interest rate	1.88% to 3.14%	2.65% to 2.99%
Expected life of options	5.52 years to 5.84 years	5.77 years to 5.84 years

The weighted average fair value of options granted during the years ended December 31, 2010 and 2009, was \$0.12 and \$0.02, respectively.

The following table summarizes the stock option activity during 2010:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contract Term	Aggregate Intrinsic Value
Outstanding at January 1, 2010	3,331,590	\$ 0.26		
Granted	497,500	\$ 0.12		
Exercised	(182,396)	\$ 0.07		
Expired	(455,000)	\$ 0.55		
Forfeited	<u>(373,750)</u>	\$ 0.26		
Outstanding at December 31, 2010	<u>2,817,944</u>	\$ 0.21	\$ 4.30	\$ 710,089
Options vested and exercisable at December 31, 2010	<u>2,234,194</u>	\$ 0.23	\$ 3.88	\$ 517,627

The aggregate intrinsic value (calculated as the difference between the market value and the exercise price of the shares) in the preceding table represents the total pretax intrinsic value, based on the Company's closing stock price of \$0.44 as of December 31, 2010, which would have been received by the holders of in-the-money options had the option holders exercised their options as of that date.

We received cash proceeds from the exercise of options of \$13,000 in 2010 and \$0 in 2009. The total intrinsic value of options exercised during 2010 and 2009 was \$27,000 and \$0, respectively. The intrinsic value is calculated as the difference between the market value on the date of exercise and the exercise price of the options.

The following table summarizes the activity of non-vested stock option awards during 2010.

	Non-vested Stock Options	Weighted Average Fair Value
Unvested Options at December 31, 2009	<u>615,458</u>	\$ 0.08
Granted	497,500	\$ 0.08
Vested	(411,707)	\$ 0.07
Cancelled or expired	<u>(117,500)</u>	\$ 0.13
Unvested Options at December 31, 2010	<u>583,751</u>	\$ 0.07

Restricted Stock - During the year ended December 31, 2010, the Company granted restricted stock awards to officers and directors of 700,000 valued at \$56,000 based on the closing stock price of the Company's common stock on the date of grant. The compensation is being expensed over the vesting period. The weighted average grant date fair value of restricted stock awards granted during the year ended December 31, 2010 was \$0.08. No restricted stock awards were granted during the year ended December 31, 2009.

The total fair value of restricted stock awards vested in 2010 and 2009 was \$87,000 and \$47,000, respectively. As of December 31, 2010, total compensation costs related to unvested restricted stock awards expected to be recognized was \$20,000 and is expected to be recognized over the weighted average period of one year.

Included in accrued expenses in the accompanying consolidated balance sheets are liabilities of \$24,000 and \$21,000 as of December 31, 2010 and 2009, respectively, representing vested restricted stock awards for which shares have not been issued.

Note 9: Income Taxes

The benefit (provision) for income taxes is different than amounts which would be provided by applying the statutory federal income tax rate to (loss) income before income taxes for the following reasons:

	December 31,	
	2010	2009
Book income or income tax benefit at statutory rate	\$ (743,000)	\$ 186,000
Research and development	-	52,000
Meals and entertainment	(4,000)	(2,000)
Stock-based compensation	27,000	20,000
Other	-	(4,000)
NOL carryover	460,000	-
Change in valuation allowance	260,000	(252,000)
	<u>\$ -</u>	<u>\$ -</u>

Deferred tax assets (liabilities) are comprised of the following:

	December 31,	
	2010	2009
Deferred tax assets:		
Net operating loss carry forwards	\$ 9,043,000	\$ 10,161,000
Research and development credits	798,000	798,000
Allowance for doubtful accounts	8,000	8,000
Accrued expenses	36,000	110,000
Deferred income	77,000	59,000
	<u>9,962,000</u>	<u>11,136,000</u>
Less valuation allowance	(9,961,900)	(8,517,000)
Net deferred tax assets	<u>100</u>	<u>2,619,000</u>
Deferred tax liabilities		
Depreciation	<u>(100)</u>	<u>(2,619,000)</u>
Net deferred taxes	<u>\$ -</u>	<u>\$ -</u>

At December 31, 2010, the Company has a net operating loss carry forward available to offset future taxable income of approximately \$23,187,000, that may be offset against future taxable income from the year 2010 through 2031. If substantial changes in the Company's ownership should occur, there would also be an annual limitation of the amount of the net operating loss carry forward which could be utilized.

Accounting for Uncertainty in Income Taxes - The Company adopted changes issued by FASB which prescribed a recognition threshold and measurement attribute for financial statement recognition and measurement of an uncertain tax position taken or expected to be taken in a tax return. Under the guidance, an uncertain income tax position must be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority.

At the adoption date of January 1, 2007, the Company had no unrecognized tax benefit which would affect the effective tax rate, if recognized. There has been no significant change in the unrecognized tax benefit from the date of adoption through the year ended December 31, 2010.

The Company classifies interest and penalties arising from the underpayment of income taxes in the consolidated statements of operations under general and administrative expenses. As of December 31, 2010, the Company had no accrued interest or penalties related to uncertain tax positions.

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. U.S. federal net operating loss carry forwards from the year ended December 31, 2005 through the year ended December 31, 2010 are subject to examination.

Note 10: Supplemental Cash Flow Information

Non-cash items consisted of the following:

	December 31,	
	2010	2009
Discount on debt through issuance of warrants	\$ -	\$ 1,000
Reduction of accounts payable through issuance of debt	\$ -	\$ 50,000
Reduction of accrued expenses through issuance of debt	\$ -	\$ 24,000
Reduction of accrued expenses through issuance of stock	\$ -	\$ 12,000
Increase in restricted stock payable from issuance of stock	\$ 3,000	\$ 30,000
Property and equipment included in accrued expenses	\$ 4,000	
Property and equipment included in accounts payable	\$ 22,000	
Increase in prepaid expenses through the use of accounts payable	\$ 2,000	\$ 3,000
Increase in other assets through the use of accounts payable	\$ -	\$ 3,000

	December 31,	
	2010	2009
Cash paid for interest	\$ 99,000	\$ 122,000
Cash paid for income taxes	\$ -	\$ -

Note 11: Major Customers

During 2010, one customer accounted for 18% of the Company's total revenues. During 2009, one customer accounted for 12% of the Company's total revenues.

Export sales to unaffiliated customers were approximately \$2,539,000 and \$1,578,000 in 2010 and 2009, respectively.

During 2010, the export sales to Germany and Japan were 15% and 19%, respectively, of total revenues. During 2009, the export sales to Germany and Japan were 14% and 12%, respectively, of total revenues.

Note 12: Employee Benefit Plan

The Company has a defined contribution retirement savings plan, which is qualified under Section 401(K) of the Internal Revenue Code. The plan provides retirement benefits for employees meeting minimum age and service requirements. Participants may contribute up to the maximum amounts allowed under the Internal Revenue Code.

The Company will match 50% of the employees' contribution up to a maximum of 2% of the employees' annual pay. Participants vest in the employer's contribution over a five-year period. For the years

ended December 31, 2010 and 2009, the Company contributed approximately \$26,000 and \$20,000, respectively, to the plan. In response to the uncertain economic conditions for 2009, Cimatrix suspended the Company's match of 50% of the employees' contributions, effective February 1, 2009 and reinstated the Company match effective January 1, 2010.

The Company maintains Executive Incentive Plan agreements with each of its executives. The plans are intended to motivate key executives to achieve both long-term and short-term corporate objectives.

Note 13: Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, payables, and notes payable. The carrying amount of cash and cash equivalents, receivables and payables approximates fair value because of the short-term nature of these items. The carrying amount of the notes payable approximates fair value as the individual borrowings bear interest at rates that approximate market interest rates for similar debt instruments.

Note 14: Commitments and Contingencies

Lease Obligations

The Company leases certain office space and equipment under non-cancelable operating lease agreements. Future minimum lease payments required under operating leases are as follows:

Year Ending December 31,	
2011	\$ 93,000
2012	1,000
	<u>\$ 94,000</u>

Rental expense for the years ended December 31, 2010 and 2009 under operating leases was \$91,000 and \$72,000, respectively. The Company's principal offices are located in a leased facility in Salt Lake City, Utah and expire in November 2011.

Product Warranties

Cimatrix warrants that software products will conform to published specifications and not fail to execute the Company's programming instructions due to defects in materials and workmanship. If the Company is unable to repair or replace any product to a condition warranted within a reasonable time, the Company will provide a refund to the customer. As of December 31, 2010 and 2009, no provision for warranty claims has been established since historically any amounts expended in connection with warranties has not been material. Management believes that any allowance for warranty would be immaterial to the financial condition of the Company.

Note 15: Related Party Transactions

For the years ended December 31, 2010 and 2009, the Company had revenues totaling \$1,305,000 and \$5,000, respectively, from two customers that are also stockholders of the Company. The Company had accounts receivable from these two customers totaling \$45,000 and \$0 at December 31, 2010 and 2009, respectively.

As of December 31, 2010 and 2009, the Company had Senior Notes payable of \$396,000 and \$388,000, respectively, to holders who were officers, directors, employees, or their affiliates (see Note 6). During the years ended December 31, 2010 and 2009, the Company paid interest expense of \$40,000 and

\$39,000, respectively, to these related parties.

As of December 31, 2010 and 2009, accrued expenses included an obligation of \$24,000 and \$21,000, respectively, for the issuance of restricted stock awards to officers and directors of the Company (see Note 8).

In November 2007, the Company and an officer of the Company entered into a Stand-Alone Revolving Note ("Note"). The Note was amended by the First Amendment to Stand Alone Revolving Note on April 13, 2009. Subject to the terms of the agreement, the Company was permitted to borrow up to \$125,000 with an interest rate equal to 10% per annum on the outstanding balance. Interest and principal payments were made on a mutually agreeable schedule, as determined by the Company and the officer. The Note was unsecured, matured on December 31, 2009 and was not renewed.

In 2009, the officer advanced \$125,000 on the Note and the Company repaid \$125,000 on the Note. Interest expense on the Note was \$5,000 in 2009.

Note 16: Subsequent Events

Management has evaluated subsequent events through the date of the financial statements were issued and conclude there are not events to report.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Cimetrix Incorporated:

We consent to the incorporation by reference in Registration Statement No. 333-118624 on Form S-8 of our report dated March 31, 2011, relating to the consolidated financial statements of Cimetrix, Inc. and subsidiaries appearing in this Annual Report on Form 10-K of Cimetrix, Inc. and subsidiaries for the years ended December 31, 2010 and 2009.

/s/HJ & ASSOCIATES, LLC
HJ & ASSOCIATES, LLC

Salt Lake City, Utah
March 31, 2011

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a – 15(e) OF THE
SECURITIES EXCHANGE ACT OF 1934, AS AMENDED,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert H. Reback, certify that:

1. I have reviewed this annual report on Form 10-K of Cimetric Incorporated;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;
4. The registrant's other certifying officer 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)) 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 annual 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 annual report based on such evaluation; and
 - (d) disclosed in this annual 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 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.

March 31, 2011
(Date)

/s/ Robert H. Reback
Robert H. Reback
President (principal executive officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a – 15(e) OF THE
SECURITIES EXCHANGE ACT OF 1934, AS AMENDED,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jodi M. Juretich, certify that:

1. I have reviewed this annual report on Form 10-K of Cimetrix Incorporated;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;
4. The registrant's other certifying officer 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)) 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 annual 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 annual report based on such evaluation; and
 - (d) disclosed in this annual 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 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.

March 31, 2011
(Date)

/s/ Jodi M. Juretich
Jodi M. Juretich,
Chief Financial Officer (principal
financial and accounting officer)

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

In connection with the annual report of Cimetrix Incorporated (the "Company") on Form 10-K for the year ended December 31, 2010, Robert H. Reback hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes - Oxley Act of 2002, that to the best of his knowledge:

1. The annual report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. The information contained in the annual report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 31, 2011
(Date)

/s/ Robert H. Reback
Robert H. Reback
President (principal executive officer)

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

In connection with the annual report of Cimetrix Incorporated (the "Company") on Form 10-K for the year ended December 31, 2010, Jodi M. Juretich hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes - Oxley Act of 2002, that to the best of his knowledge:

1. The annual report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. The information contained in the annual report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 31, 2011
(Date)

/s/ Jodi M. Juretich
Jodi M. Juretich
Chief Financial Officer (principal
financial and accounting officer)

Exhibit 99.1**Company Contact**

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Cimetrix Announces Increased Revenues and Record Net Income in 2010
Reports Highest Net Income in Company History While Increasing R&D to Support Long-Term Growth Initiatives

SALT LAKE CITY, UT — March 29, 2011 — Cimetrix, Incorporated (OTCQB: CMXX) (www.cimetrix.com), a leading provider of [factory automation](#) and [equipment control software solutions](#) for the global semiconductor, photovoltaic, and electronics industries, today reported financial results for the fourth quarter and year ended December 31, 2010.

Fourth Quarter 2010 Financial Results Highlights:

- Total software revenue increased 101% to \$1,354,000 compared to the fourth quarter of 2009
- Total revenue increased 100% to \$1,613,000 compared to the fourth quarter of 2009
- R&D investments increased 200% compared to the fourth quarter of 2009
- Sixth consecutive profitable quarter

Full year 2010 Financial Results Highlights:

- Total software revenues increased 173% to \$5,963,000 from \$2,185,000
- Total revenues increased 119% year-over-year to \$6,807,000 from \$3,111,000
- Net income was \$1,904,000, compared to a net loss of \$476,000 in 2009
- Highest net income in Company history
- Cash balance at end of year was nearly \$1.6 million, a more than ten-fold increase from the end of 2009

Management's Comments

Commenting on the financial results, [Bob Reback](#), Cimetrix President and CEO, stated, “2010 was an outstanding year for Cimetrix. First, we benefited from the semiconductor capital equipment industry’s turnaround from the downturn of 2008-2009. In addition, the photovoltaic (PV) industry experienced strong year-over-year growth, which was a catalyst for Cimetrix making significant progress in penetrating this second target market. Our strategy of working closely with our customers through their business cycles along with the growth in the semiconductor and PV markets enabled Cimetrix to achieve substantially improved financial performance.”

Mr. Reback added, “During the second half of 2010, we used the strong cash flow generated from our operations to increase investment in research and development for virtually all of our product lines, including [CIMControlFramework™](#), our newest software product for advanced tool control. We believe Cimetrix is increasingly being viewed as a trusted software supplier to leading makers of precision manufacturing equipment that are participating in the robust demand for products in high growth markets for consumer electronics, communications devices and clean technology applications. To this end, we were successful in securing a number of major new customers that have begun the process of integrating Cimetrix products into

new models of equipment. We will continue to invest in our software platforms and customer relationships to increase both the number of machines shipped worldwide using Cimatrix products as well as the total value we provide per machine shipment. We thank our customers, shareholders and employees for their support and look forward to continuing on our path of profitable growth.”

Recent Business Highlights:

- ***New Release of [CIMControlFramework 3.0](#)***. Cimatrix invested heavily in research and development to complete a major new release of its CIMControlFramework software product for tool control. This flexible, extensible, tool control software enables OEMs to reduce the time and engineering effort required to develop automated equipment that meets industry standards and fulfills demanding performance requirements. With this new release, Cimatrix secured two major new customers that initiated projects in early 2011.
- ***Major investments in Connectivity Products***. Cimatrix worked with industry standards bodies and increased R&D spending for its [CIMPortal™](#), [CIMConnect™](#), [CIM300™](#), and other connectivity products to support its product leadership in the area. Not only is this investment vital to enable the continued adoption of standards such as [EDA/Interface A](#) that provides for improved data collection by integrated circuit manufacturers to improve yield and equipment utilization, but it also provides continued product leadership for Cimatrix’s Connectivity Products.
- ***Cimatrix Japan K.K. Officially Launched***. Cimatrix created a subsidiary in Japan to enhance the Company’s presence in the country and to provide even greater customer support to an expanding base of Japanese equipment suppliers.

Outlook for 2011

Industry analysts expect the worldwide semiconductor capital equipment spending to be flat to up 10% in 2011. The [solar-photovoltaic manufacturing industry](#) is projected to have solid year-over-year growth, although this projection is largely predicated on government incentives. In addition, Cimatrix management believes opportunities for its products in the fast growing high-brightness LED industry will gain traction. With this backdrop, Cimatrix is expected to experience an increase in its new software license revenue from existing customers that have already integrated the Company’s software into their equipment. The Company is also engaged in a number of customer projects that should provide increased consulting and services revenues in 2011 as part of ongoing efforts to assist these customers in developing new tool models based on Cimatrix software products. While these projects will not add significant software revenues during 2011, management believes that they will provide solid increases in software revenues in 2012 and beyond. With a strong balance sheet, the Company plans to continue with new product development initiatives that support the precision equipment OEMs while maintaining profitability in 2011.

About Cimatrix Incorporated

Cimatrix (OTCQB: CMXX) designs, develops, markets, and supports factory automation and equipment control software for the global semiconductor, photovoltaic, and electronics industries. A leading participant in SEMI standards development, Cimatrix’s connectivity software allows for quick implementation of the [SECS/GEM](#), [GEM300](#) and [EDA](#) standards.

The Company’s products can be found on virtually every tool type in nearly every semiconductor 300mm factory worldwide. The added-value of Cimatrix’s passionate support and professional services creates the industry’s only complete software solution. Key products include:

- [CIMControlFramework™](#)
- [CIMConnect™](#)
- [CIM300™](#)

- [CIMPortal™](#)

Cimetrix is an active member of Semiconductor Equipment and Materials International (SEMI), the International SEMATECH Manufacturing Initiative (ISMI) as well as the PV Group. For more information, please visit www.cimetrix.com.

Safe Harbor Statement:

The matters discussed in this news release include 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. Statements about the Company's prospects for future growth and results of operations are forward-looking statements. The comments made by the Company's senior management in regards to future revenue and results are based on current expectations and involve risks and uncertainties that may adversely affect expected results including but not limited to capital expenditures by semiconductor chip, photovoltaic and LED manufacturers, market acceptance of the Company's products, the timing and degree of adoption of Interface A by the semiconductor industry, continuing governmental incentives for the photovoltaic market, the ability of the Company to control its costs associated with providing products and services, the mix between products and services (which generally have higher associated costs of revenue) provided by the Company, the competitive position of the Company and its products, which include CODE, CIMConnect, CIM300 and CIMPortal product families, the economic climate in the markets in which the Company's products are sold, technological improvements, and other risks discussed more fully in filings by the Company with the Securities and Exchange Commission. Many of these factors are beyond the control of the Company. Reference is made to the Company's most recent filing on Form 10-K, which further details such risk factors.

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CIMETRIX INCORPORATED AND SUBSIDIARIES
Consolidated Balance Sheets

	December 31,	
	2010	2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,559,000	\$ 139,000
Accounts receivable, net	673,000	432,000
Inventories	-	1,000
Prepaid expenses and other current assets	33,000	22,000
Total current assets	2,265,000	594,000
Property and equipment, net	100,000	21,000
Intangible assets, net	-	6,000
Goodwill	64,000	64,000
Other assets	20,000	20,000
	\$ 2,449,000	\$ 705,000
 LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	\$ 332,000	\$ 50,000
Accrued expenses	570,000	346,000
Deferred revenue	237,000	162,000
Current portion of notes payable and capital lease obligations	5,000	295,000
Total current liabilities	1,144,000	853,000
Long-term liabilities:		
Notes payable – related parties, net	396,000	388,000
Long-term portion of notes payable	376,000	413,000
Total long-term liabilities	772,000	801,000
Total liabilities	1,916,000	1,654,000
Commitments and contingencies		
Stockholders' equity (deficit):		
Common stock; \$.0001 par value, 100,000,000 shares authorized, 44,842,767 and 46,861,198 shares issued, respectively	4,000	5,000
Additional paid-in capital	33,488,000	33,409,000
Treasury stock, 25,000 shares at cost	(49,000)	(49,000)
Accumulated deficit	(32,910,000)	(34,314,000)
Total stockholders' equity (deficit)	533,000	(949,000)
	\$ 2,449,000	\$ 705,000

Consolidated Condensed Statements of Operations
(Unaudited)

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2010	2009	2010	2009
Revenues:				
New software licenses	\$ 1,119,000	\$ 462,000	\$ 5,108,000	\$ 1,333,000
Software license updates and product support	235,000	213,000	855,000	852,000
Total software revenues	1,354,000	675,000	5,963,000	2,185,000
Professional services	259,000	133,000	844,000	926,000
Total revenues	1,613,000	808,000	6,807,000	3,111,000
Operating costs and expenses:				
Cost of revenues	540,000	152,000	1,516,000	967,000
Sales and marketing	343,000	190,000	1,077,000	788,000
Research and development	387,000	127,000	846,000	519,000
General and administrative	299,000	270,000	1,337,000	1,105,000
Depreciation and amortization	9,000	14,000	29,000	85,000
Total operating costs and expenses	1,578,000	753,000	4,805,000	3,464,000
Income (loss) from operations	35,000	55,000	2,002,000	(353,000)
Other income (expenses):				
Interest expense	(21,000)	(28,000)	(98,000)	(127,000)
Gain on sale of assets	-	3,000	-	4,000
Total other expenses, net	(21,000)	(25,000)	(98,000)	(123,000)
Income (loss) before income taxes	14,000	30,000	1,904,000	(476,000)
Provision for income taxes	-	-	-	-
Net income (loss)	\$ 14,000	\$ 30,000	\$ 1,904,000	\$ (476,000)
Net Income (loss) per common share:				
Basic	\$ 0.00	\$ 0.00	\$ 0.04	\$ (0.01)
Diluted	\$ 0.00	\$ 0.00	\$ 0.04	\$ (0.01)
Weighted average number of shares outstanding:				
Basic	44,755,000	46,821,000	46,108,000	37,790,000
Diluted	46,555,000	46,821,000	47,399,000	37,790,000