

LRAD Corp
Form 10-Q
February 03, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended December 31, 2010

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____.

Commission File Number: 000-24248

LRAD CORPORATION

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

87-0361799
(I.R.S. Employer
Identification Number)

15378 Avenue of Science, Ste 100, San Diego,

California
(Address of principal executive offices)

92128
(Zip Code)

(858) 676-1112

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a 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

The number of shares of Common Stock, \$0.00001 par value, outstanding on January 25, 2011 was 30,687,789.

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	December 31, 2010 (Unaudited)	September 30, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,608,283	\$ 5,421,167
Restricted cash	2,425,000	
Accounts receivable	1,927,239	4,187,999
Inventories, net	5,791,034	2,784,098
Prepaid expenses and other	215,665	204,687
Current assets of discontinued operations	71,852	112,517
Total current assets	14,039,073	12,710,468
Restricted cash	606,250	
Property and equipment, net	91,073	124,353
Patents, net	267,888	277,647
Deposits	58,265	58,265
Total assets	\$ 15,062,549	\$ 13,170,733
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 2,233,492	\$ 965,047
Accrued liabilities	2,606,767	1,814,706
Current liabilities of discontinued operations	31,823	53,290
Total current liabilities	4,872,082	2,833,043
Commitments and contingencies (Note 10)		
Stockholders equity:		
Preferred stock, \$0.00001 par value; 5,000,000 shares authorized; none issued and outstanding		
Common stock, \$0.00001 par value; 50,000,000 shares authorized; 30,685,289 and 30,614,789 shares issued and outstanding, respectively	307	306
Additional paid-in capital	80,967,015	80,758,872
Accumulated deficit	(70,776,855)	(70,421,488)
Total stockholders equity	10,190,467	10,337,690
Total liabilities and stockholders equity	\$ 15,062,549	\$ 13,170,733

See accompanying notes

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended December 31,	
	2010	2009
Revenues:		
Product sales	\$ 2,137,990	\$ 5,177,666
Contract and other	67,399	72,402
Total revenues	2,205,389	5,250,068
Cost of revenues	1,213,013	2,224,896
Gross profit	992,376	3,025,172
Operating expenses:		
Selling, general and administrative	1,053,727	1,169,951
Research and development	379,220	514,161
Total operating expenses	1,432,947	1,684,112
(Loss) income from operations	(440,571)	1,341,060
Other income (expense):		
Interest income	3,684	47
Finance expense		(783)
Unrealized gain on derivative revaluation		597,016
Total other income	3,684	596,280
(Loss) income from continuing operations before income taxes	(436,887)	\$ 1,937,340
Provision for income taxes		(85,498)
(Loss) Income from continuing operations	(436,887)	1,851,842
Income (loss) from discontinued operations	81,520	(32,614)
Net (loss) income	\$ (355,367)	\$ 1,819,228
Net (loss) income per common share - basic and diluted:		
Continuing operations	\$ (0.01)	\$ 0.06
Discontinued operations	\$ 0.00	\$ 0.00
Total net (loss) income per common share - basic and diluted	\$ (0.01)	\$ 0.06
Weighted average common shares outstanding		
Basic	30,633,109	30,552,498

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Diluted

30,633,109

31,130,400

See accompanying notes

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	For the three months ended December 31,	
	2010	2009
Operating Activities:		
Net (loss) income	\$ (355,367)	\$ 1,819,228
Less: Net income (loss) from discontinued operations	\$ 81,520	\$ (32,614)
(Loss) income from continuing operations	\$ (436,887)	\$ 1,851,842
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization	48,304	55,921
Provision for doubtful accounts	56,000	
Warranty provision	(14,947)	53,166
Inventory obsolescence	(38,743)	(262,549)
Share-based compensation	113,303	148,744
Loss on impairment of patents	1,748	20,195
Unrealized gain on derivative revaluation		(597,016)
Changes in assets and liabilities:		
Restricted Cash	(3,031,250)	
Accounts receivable	2,204,760	(969,824)
Inventories	(2,968,193)	81,505
Prepaid expenses and other	(10,978)	(86,752)
Accounts payable	1,268,445	228,591
Warranty settlements	(15,838)	(23,412)
Accrued liabilities	822,846	(794,507)
Net cash used in operating activities from continuing operations	(2,001,430)	(294,096)
Net cash provided by operating activities from discontinued operations	100,718	44,611
Net cash used in operating activities	(1,900,712)	(249,485)
Investing Activities:		
Purchase of equipment	(6,958)	(8,147)
Patent costs paid	(55)	(3,248)
Net cash used in investing activities from continuing operations	(7,013)	(11,395)
Net cash used in investing activities from discontinued operations		(1,676)
Net cash used in investing activities	(7,013)	(13,071)
Financing Activities:		
Proceeds from exercise of stock options from continuing operations	94,841	
Net cash provided by financing activities	94,841	
Net increase (decrease) in cash and cash equivalents	(1,812,884)	(262,556)
Cash and cash equivalents, beginning of period	5,421,167	5,102,502

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Cash and cash equivalents, end of period	\$ 3,608,283	\$ 4,839,946
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Supplemental Disclosure of Cash Flow Information

Cash paid for interest	\$	\$ 783
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Cash paid for taxes	\$ 108,000	\$ 50,000
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Supplemental schedule of noncash investing and financing activities:

Reclassification of warrants from equity to a liability	\$	\$ 747,917
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See accompanying notes

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