

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)

(858) 676-1112

92128
(Zip Code)

(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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LRAD CORPORATION

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****LRAD Corporation****CONDENSED CONSOLIDATED BALANCE SHEETS**

| | 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

Table of Contents**LRAD Corporation****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

Table of Contents**LRAD Corporation****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 |
|------------------------------------------|--------------|--------------|

Supplemental Disclosure of Cash Flow Information

| | | |
|------------------------|----|--------|
| Cash paid for interest | \$ | \$ 783 |
|------------------------|----|--------|

| | | |
|---------------------|------------|-----------|
| Cash paid for taxes | \$ 108,000 | \$ 50,000 |
|---------------------|------------|-----------|

Supplemental schedule of noncash investing and financing activities:

| | | |
|---------------------------------------------------------|----|------------|
| Reclassification of warrants from equity to a liability | \$ | \$ 747,917 |
|---------------------------------------------------------|----|------------|

See accompanying notes

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