

LRAD Corp  
Form 10-Q  
February 07, 2012  
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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, 2011

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**

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(Exact name of registrant as specified in its charter)

**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  (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

The number of shares of Common Stock, \$0.00001 par value, outstanding on January 31, 2012 was 32,374,499.

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	December 31, 2011 (Unaudited)	September 30, 2011
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 13,845,377	\$ 13,870,762
Restricted cash	606,250	606,250
Accounts receivable	2,739,844	5,098,148
Inventories, net	2,946,092	2,735,520
Prepaid expenses and other	556,151	663,601
Assets of discontinued operations		6,250
<b>Total current assets</b>	<b>20,693,714</b>	<b>22,980,531</b>
<b>Property and equipment, net</b>	<b>63,961</b>	<b>75,468</b>
<b>Intangible assets, net</b>	<b>207,928</b>	<b>225,969</b>
<b>Prepaid expenses - noncurrent</b>	<b>1,203,235</b>	<b>1,218,750</b>
<b>Total assets</b>	<b>\$ 22,168,838</b>	<b>\$ 24,500,718</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 596,321	\$ 1,040,202
Accrued liabilities	539,570	2,899,211
Liabilities of discontinued operations		9,263
<b>Total current liabilities</b>	<b>1,135,891</b>	<b>3,948,676</b>
<b>Other liabilities - noncurrent</b>	<b>304,417</b>	<b>276,744</b>
<b>Total liabilities</b>	<b>1,440,308</b>	<b>4,225,420</b>
<b>Commitments and contingencies (Note 11)</b>		
<b>Stockholders equity:</b>		
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; 32,374,499 shares issued and outstanding each period	324	324
Additional paid-in capital	85,812,846	85,673,560
Accumulated deficit	(65,084,640)	(65,398,586)
<b>Total stockholders equity</b>	<b>20,728,530</b>	<b>20,275,298</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 22,168,838</b>	<b>\$ 24,500,718</b>

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See accompanying notes

**Table of Contents****LRAD Corporation**

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended December 31,	
	2011	2010
<b>Revenues:</b>		
Product sales	\$ 3,545,053	\$ 2,137,990
Contract and other	66,582	67,399
Total revenues	3,611,635	2,205,389
<b>Cost of revenues</b>	<b>1,863,041</b>	<b>1,213,013</b>
<b>Gross profit</b>	<b>1,748,594</b>	<b>992,376</b>
<b>Operating expenses:</b>		
Selling, general and administrative	1,056,559	1,053,727
Research and development	381,318	379,220
Total operating expenses	1,437,877	1,432,947
Income (loss) from operations	310,717	(440,571)
<b>Other income</b>	<b>12,944</b>	<b>3,684</b>
<b>Income (loss) from continuing operations before income taxes</b>	<b>323,661</b>	<b>(436,887)</b>
Income tax expense	9,715	
<b>Income from continuing operations</b>	<b>313,946</b>	<b>(436,887)</b>
<b>Income from discontinued operations, net of tax</b>		<b>81,520</b>
<b>Net income (loss)</b>	<b>\$ 313,946</b>	<b>\$ (355,367)</b>
<b>Net income (loss) per common share - basic and diluted:</b>		
<b>Continuing operations</b>	<b>\$ 0.01</b>	<b>\$ (0.01)</b>
<b>Discontinued operations</b>	<b>\$</b>	<b>\$</b>
<b>Total net income (loss) per common share - basic and diluted</b>	<b>\$ 0.01</b>	<b>\$ (0.01)</b>
<b>Weighted average common shares outstanding:</b>		
<b>Basic</b>	<b>32,374,499</b>	<b>30,633,109</b>
<b>Diluted</b>	<b>33,061,520</b>	<b>30,633,109</b>

See accompanying notes

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(Unaudited)

	For the three months ended December 31,	
	2011	2010
<b>Operating Activities:</b>		
Net income (loss)	\$ 313,946	\$ (355,367)
Less: Net income from discontinued operations (Note 16)		81,520
Income (loss) from continuing operations	313,946	(436,887)
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:		
Depreciation and amortization	22,776	48,304
Provision for doubtful accounts		56,000
Warranty provision	64,310	(14,947)
Inventory obsolescence	162,602	(38,743)
Share-based compensation	139,286	113,303
Loss on impairment of patents	10,616	1,748
Changes in operating assets and liabilities:		
Restricted cash		(3,031,250)
Accounts receivable	2,358,304	2,204,760
Inventories	(373,174)	(2,968,193)
Prepaid expenses and other	107,450	(10,978)
Prepaid expenses - noncurrent	15,515	
Accounts payable	(443,881)	1,268,445
Warranty settlements	(13,095)	(15,838)
Accrued liabilities	(2,383,183)	822,846
Net cash used in operating activities of continuing operations	(18,528)	(2,001,430)
Net cash used in (provided by) operating activities of discontinued operations (Note 16)	(3,013)	100,718
<b>Net cash used in operating activities</b>	<b>(21,541)</b>	<b>(1,900,712)</b>
<b>Investing Activities:</b>		
Purchase of equipment	(3,617)	(6,958)
Patent costs paid	(227)	(55)
<b>Net cash used in investing activities</b>	<b>(3,844)</b>	<b>(7,013)</b>
<b>Financing Activities:</b>		
Proceeds from exercise of stock options		94,841
<b>Net cash provided by financing activities</b>		<b>94,841</b>
Net decrease in cash and cash equivalents	(25,385)	(1,812,884)
Cash and cash equivalents, beginning of period	13,870,762	5,421,167
<b>Cash and cash equivalents, end of period</b>	<b>\$ 13,845,377</b>	<b>\$ 3,608,283</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid for taxes	\$ 50,000	\$ 108,000

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See accompanying notes



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**LRAD Corporation**

**Notes to Interim Condensed Consolidated Financial Statements (unaudited)**

**1. OPERATIONS**

LRAD Corporation, a Delaware corporation (the Company), is engaged in the design, development and commercialization of directed sound technologies and products. The principal markets for the Company's proprietary sound reproduction technologies and products are in North America, Europe, Middle East and Asia.

**2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

*General*

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information, the instructions to Form 10-Q and applicable sections of Regulation S-X. Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although, in the opinion of management, the interim financial statements reflect all adjustments necessary and that disclosures included therein are adequate in order to make the financial statements not misleading. The condensed consolidated balance sheet as of September 30, 2011 was derived from the Company's most recent audited financial statements. Operating results for the three month period are not necessarily indicative of the results that may be expected for the year. The interim condensed financial statements and notes thereto should be read in conjunction with the Company's audited financial statements and notes thereto for the year ended September 30, 2011 included in the Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission (SEC) on December 5, 2011.

*Principles of Consolidation*

The Company has a currently inactive wholly owned subsidiary, American Technology Holdings, Inc., which the Company formed to conduct international marketing, sales and distribution activities. The condensed consolidated financial statements include the accounts of this subsidiary after elimination of intercompany transactions and accounts.

*Discontinued Operations*

The financial statements presented herein reflect the spin-off of the Company's Hypersonic Sound (HSS) business as a stand-alone company on September 27, 2010. The results of operations include some continued activity by the Company to fulfill remaining sales and warranty obligations following the spin-off, are designated as discontinued operations in the accompanying financial statements. Amounts reflected as discontinued operations in the accompanying Condensed Consolidated Statement of Operations include direct and allocated costs attributable to the former HSS business, but do not include allocations of general corporate overhead costs.

*Reclassifications*

Where necessary, the prior year's information has been reclassified to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or retained earnings.

**3. FAIR VALUE MEASUREMENTS**

At December 31, 2011, there was no difference between the carrying value and fair market value of the Company's cash and cash equivalents. For certain financial instruments, including accounts receivable, accounts payable and accrued expenses, the carrying amounts appr