

CLEARONE COMMUNICATIONS INC
Form 10-Q
August 15, 2011

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 June 30, 2011

or

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

For the transition period _____ to _____

Commission file number: 001-33660

CLEARONE COMMUNICATIONS, INC.

(Exact name of registrant as specified in its charter)

Utah

87-0398877

(State or other jurisdiction of incorporation or organization)

(I.R.S. employer identification number)

5225 Wiley Post Way, Suite 500, Salt Lake City, Utah

84116

(Address of principal executive offices)

(Zip Code)

(801) 975-7200

(Registrant's telephone number, including area code)

Indicate by check 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

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See the definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Larger 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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 9,058,258 shares issued and outstanding as of August 12, 2011.

CLEARONE COMMUNICATIONS, INC.

FORM 10-Q

FOR THE QUARTER ENDED JUNE 30, 2011

INDEX

Page

PART I FINANCIAL INFORMATION

Item 1.

Consolidated Financial Statements

Consolidated Balance Sheets as of June 30, 2011 and December 31, 2010

1

Consolidated Statements of Operations for the three and six months ended June 30, 2011 and 2010

2

4

	3
Notes to Consolidated Financial Statements	4
Item 2.	
Management's Discussion and Analysis of Financial Condition and Results of Operations	8
Item 3.	
Quantitative and Qualitative Disclosures About Market Risk	19
Item 4.	
Controls and Procedures	19

PART II OTHER INFORMATION

Item 1.	
Legal Proceedings	19
Item 1A.	
Risk Factors	20
Item 2.	
Unregistered Sales of Equity Securities and Use of Proceeds	20
	5

Item 3.

Defaults Upon Senior Securities

20

Item 4.

Removed and Reserved

21

Item 5.

Other Information

21

Item 6.

Exhibits

21

PART I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

CLEARONE COMMUNICATIONS, INC.

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except par value)

Unaudited

Audited

As of June 30, 2011

As of December 31, 2010

ASSETS

Current assets:

Cash and cash equivalents

\$ 12,396

\$ 11,431

Receivables, net of allowance for doubtful accounts of \$157 and \$206, respectively

8,924

9,951

Inventories

10,212

8,780

Deferred income taxes

2,975

3,389

Prepaid expenses and other assets

	699
	446
Total current assets	
	35,206
	33,997
Long-term inventories, net	
	2,025
	2,617
Property and equipment, net	
	2,755
	2,965
Intangibles, net	

	2,569
	2,745
Goodwill	
	726
	726
Deferred income taxes	
	1,062
	913
Other assets	
	18
	18
Total assets	
\$	
	44,361
\$	
	43,981

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Accounts payable

2,248

2,362

Accrued liabilities

2,702

4,573

Deferred product revenue

	3,753
	4,306
Total current liabilities	
	8,703
	11,241
Deferred rent	
	534
	584
Other long-term liabilities	
	456
	421
Total liabilities	
	9,693

12,246

Shareholders' equity:

Common stock, par value \$0.001, 50,000,000 shares authorized, 9,058,206 and 8,929,439 shares issued and outstanding, respectively

9

9

Additional paid-in capital

39,873

39,073

Accumulated deficit

(5,214)

	(7,347)
Total shareholders' equity	
	34,668
	31,735
Total liabilities and shareholders' equity	
\$	
	44,361
\$	
	43,981

See accompanying notes

CLEARONE COMMUNICATIONS, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share amounts)

Three months ended

Six months ended

June 30, 2011

June 30, 2010

June 30, 2011

June 30, 2010

Revenue

\$

11,890

\$

9,937

\$ 22,591

\$ 18,293

Cost of goods sold

4,734

4,276

9,133

7,437

Gross profit

7,156

5,661

13,458

10,856

Operating expenses:

Sales and marketing

2,106

2,183

4,089

4,085

Research and product development

	1,816
	1,744
	3,453
	3,648
General and administrative	
	1,361
	1,214
	2,833
	2,146
Total operating expenses	
	5,283
	5,141
	10,375
	9,879

Operating income

1,873

520

3,083

977

Other income (expense), net

7

-

18

(132)

Income before income taxes

1,880

520

3,101

20

	845
Provision for income taxes	
	(559)
	(167)
	(968)
	(275)
Net income	
\$	1,321
\$	353
\$	2,133
\$	570

Basic earnings per common share

\$ 0.15

\$ 0.04

\$ 0.24

\$ 0.06

Diluted earnings per common share

\$ 0.14

\$

0.04

\$

0.23

\$

0.06

Basic weighted average shares outstanding

8,992,500

8,929,281

8,962,171

8,929,277

Diluted weighted average shares outstanding

9,433,650

9,045,866

9,279,800

9,045,718

See accompanying notes

CLEARONE COMMUNICATIONS, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

Six months ended

June 30, 2011

June 30, 2010

Cash flows from operating activities:

Net income

\$

2,133

\$

570

Adjustments to reconcile net income to net cash provided by operations:

Depreciation and amortization expense

587

585

Stock-based compensation

83

160

Provision for doubtful accounts

53

88

Write-down of inventory to net realizable value

-

145

Loss on disposal of assets

26

-

111

Changes in operating assets and liabilities:

Accounts receivable

792

(1,946)

Inventories

(840)

2,148

Deferred income taxes

265

(37)