

CLEARONE COMMUNICATIONS INC
Form 10-Q
February 11, 2008

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, 2007

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: 000-17219

CLEARONE COMMUNICATIONS, INC.
(Exact name of registrant as specified in its charter)

Utah 87-0398877
(State or (I.R.S.
other employer
jurisdiction of identification
incorporation number)
or
organization)

5225 Wiley
Post Way, Suite 84116
500
Salt Lake City,
Utah
(Address of (Zip
principal Code)
executive
offices)

Registrant's telephone number, including area code: (801) 975-7200

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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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and larger accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Larger Accelerated Filer Accelerated Filer Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. There were 10,723,447 shares of the Company's Common Stock, par value \$0.001, outstanding on February 8, 2008.

REPORT ON FORM 10-Q
FOR THE QUARTER ENDED DECEMBER 31, 2007

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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These statements reflect our views with respect to future events based upon information available to us at this time. These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from these statements. Forward-looking statements are typically identified by the use of the words “believe,” “may,” “could,” “will,” “should,” “expect,” “anticipate,” “estimate,” “project,” “propose,” “plan,” “intend,” and similar expressions; however, not all forward-looking statements contain these words. Examples of forward-looking statements are statements that describe the proposed development, manufacturing, and sale of our products; statements that describe our results of operations, pricing trends, the markets for our products, our anticipated capital expenditures, our cost reduction and operational restructuring initiatives, and regulatory developments; statements with regard to the nature and extent of competition we may face in the future; statements with respect to the sources of and need for future financing; and statements with respect to future strategic plans, goals, and objectives. Forward-looking statements are contained in this report in Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” Item 3, “Quantitative and Qualitative Disclosures About Market Risk,” and Item 4, “Controls and Procedures” included in this Quarterly Report on Form 10-Q. The forward-looking statements are based on present circumstances and on our predictions respecting events that have not occurred, that may not occur, or that may occur with different consequences and timing than those now assumed or anticipated. Actual events or results may differ materially from those discussed in the forward-looking statements as a result of various factors, including the risk factors discussed in this report under Part II – Other Information, Item 1A, “Risk Factors” and the application of “Critical Accounting Policies” as discussed in Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” These cautionary statements are intended to be applicable to all related forward-looking statements wherever they appear in this report. The cautionary statements contained or referred to in this report should also be considered in connection with any subsequent written or oral forward-looking statements that may be issued by us or persons acting on our behalf. Any forward-looking statements are made only as of the date of this report and ClearOne assumes no obligation to update forward-looking statements to reflect subsequent events, changes in circumstances, or changes in estimates.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

CLEARONE COMMUNICATIONS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands of dollars, except per share amounts)

	(unaudited) December 31, 2007	(audited) June 30, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,014	\$ 2,782
Marketable securities	19,676	19,871
Accounts receivable, net of allowance for doubtful accounts of \$60 and \$54, respectively	7,790	8,025
Deposit, Bond for Preliminary Injunction	908	0
Note Receivable	126	163
Inventories, net	6,792	7,263
Deferred income taxes	124	0
Prepaid expenses	512	213
Total current assets	38,942	38,317
Property and equipment, net	2,651	2,694
Note Receivable - long-term	0	43
Other assets	9	9
Total assets	\$ 41,602	\$ 41,063
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,294	\$ 1,745
Accrued taxes	0	660
Accrued liabilities	3,047	1,874
Deferred product revenue	4,980	4,872
Total current liabilities	9,321	9,151
Deferred rent	777	855
Deferred income taxes, net	124	0
Other long-term liabilities	1,084	619
Total liabilities	11,306	10,625
Shareholders' equity:		
Common stock, par value \$0.001, 50,000,000 shares authorized,		
	11	11

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10,771,165 and 10,861,920
shares issued and outstanding,
respectively

Additional paid-in capital	46,877	47,582
Accumulated deficit	(16,592)	(17,155)
Total shareholders' equity	30,296	30,438
Total liabilities and shareholders' equity	\$ 41,602	\$ 41,063

See accompanying notes to condensed consolidated financial statements

CLEARONE COMMUNICATIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(in thousands of dollars, except per share amounts)

	Three Months Ended		Six Months Ended	
	December	December	December	December
	31,	31,	31,	31,
	2007	2006	2007	2006
Product Revenue:	\$ 10,787	\$ 10,107	\$ 20,229	\$ 19,518
Cost of goods sold:				
Total cost of goods sold				