

CLEARONE COMMUNICATIONS INC
Form 10-Q
May 31, 2006

**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 September 30, 2005

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 other | (I.R.S. |
| jurisdiction of | employer |
| incorporation or | identification |
| organization) | number) |

| | |
|--------------------------------|--------------|
| 1825 Research Way, Salt | 84119 |
| Lake City, Utah | |
| (Address of principal | (Zip |
| executive offices) | Code) |

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

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 ☒

**APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS**

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☐

APPLICABLE ONLY TO CORPORATE REGISTRANTS

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. There were 12,184,727 shares of the Company's Common Stock, par value \$0.001, outstanding on May 15, 2006.

**CLEARONE COMMUNICATIONS, INC.
REPORT ON FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2005**

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Signatures

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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 words or 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.

CAUTIONARY STATEMENT REGARDING THE FILING DATE OF THIS REPORT AND THE ANTICIPATED FUTURE FILINGS OF ADDITIONAL PAST-DUE REPORTS

This Quarterly Report on Form 10-Q for the first quarter of the fiscal year ending June 30, 2006 is first being filed in May 2006. Shareholders and others are cautioned that the financial statements included in this report are over eight months old and are not necessarily indicative of the operating results that may be expected for the fiscal year ending June 30, 2006. Shareholders and others should also be aware that the staff of the Salt Lake District Office of the Securities and Exchange Commission (“SEC”) intended to recommend to the Commission that administrative proceedings be instituted to revoke the registration of the Company’s common stock based on the Company’s failure to timely file annual and quarterly reports with the Commission. The Company provided the staff with a so-called “Wells Submission” setting forth its position with respect to the staff’s intended recommendation. To date, the Commission has not instituted an administrative proceeding against the Company; however, there can be no assurance that the Commission will not institute an administrative proceeding in the future or that the Company would prevail if an administrative proceeding were instituted.

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

| | September 30, 2005 | June 30, 2005 |
|---|-----------------------|------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 2,189 | \$ 1,892 |
| Marketable securities | 17,000 | 15,800 |
| Accounts receivable, net of allowance for doubtful accounts of \$49 and \$46, respectively | 7,270 | 6,859 |
| Inventories, net | 4,640 | 5,806 |
| Income tax receivable | 3,572 | 3,952 |
| Deferred income taxes, net | 158 | 270 |
| Prepaid expenses | 579 | 300 |
| Total current assets | 35,408 | 34,879 |
| Property and equipment, net | 2,541 | 2,805 |
| Intangibles, net | 280 | 322 |
| Other assets | 15 | 15 |
| Deferred taxes | - | - |
| Total assets | \$ 38,244 | \$ 38,021 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 1,733 | \$ 2,163 |
| Accrued liabilities | 2,000 | 5,622 |
| Deferred product revenue | 4,848 | 5,055 |
| Total current liabilities | 8,581 | 12,840 |
| Deferred income taxes, net | 158 | 270 |
| Total liabilities | 8,739 | 13,110 |
| Commitments and contingencies (see Note 8) | | |
| Shareholders' equity: | | |
| Common stock, par value \$0.001, 50,000,000 shares authorized, 12,184,727 and 11,264,233 shares issued and outstanding, respectively | 12 | 11 |
| Additional paid-in capital | 51,966 | 49,393 |
| Deferred compensation | - | (33) |
| Accumulated deficit | (22,473) | (24,460) |
| Total shareholders' equity | 29,505 | 24,911 |
| Total liabilities and shareholders' equity | \$ 38,244 | \$ 38,021 |

See accompanying notes to condensed consolidated financial statements

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

| | Three Months Ended | |
|------------------------------|---------------------------|------------------|
| | September | September |
| | 30, | 30, |
| | 2005 | 2004 |
| Product Revenue: | \$ 9,527 | \$ 6,747 |
| Cost of goods sold: | | |
| Product | 4,552 | 3,423 |
| Product inventory write-offs | 93 | 374 |
| Total cost of goods sold | 4,645 | 3,797 |
| Gross profit | 4,882 | 2,950 |
| Operating expenses: | | |
| Marketing and selling | | |