

SOCKET MOBILE, INC.
Form 10-Q
November 13, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended September 30, 2009

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 1-13810

SOCKET MOBILE, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State of incorporation)

94-3155066

(IRS Employer Identification No.)

39700 Eureka Drive, Newark, CA 94560

(Address of principal executive offices including zip code)

(510) 933-3000

(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 [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES [] NO [X]

The number of shares of Common Stock (\$0.001 par value) outstanding as of November 6, 2009 was 3,786,702 shares.

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Item 1. Financial Statements

**SOCKET MOBILE, INC.
CONDENSED BALANCE SHEETS**

	September 30, 2009 (Unaudited)	December 31, 2008*
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,528,218	\$ 757,342
Accounts receivable, net	2,040,253	3,334,661

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Inventories		2,294,545		3,929,822
Prepaid expenses and other current assets	 	455,157	 	387,428
Total current assets	 	7,318,173	 	8,409,253
 				
Property and equipment:				
Machinery and office equipment		2,175,422		2,332,092
Computer equipment	 	1,220,122	 	1,206,668
		3,395,544		3,538,760
Accumulated depreciation	 	(2,550,212)	 	(2,561,696)
Property and equipment, net	 	845,332	 	977,064
 				
Intangible assets, net		285,000		346,787
Goodwill		9,797,946		9,797,946
Other assets	 	189,000	 	225,667
Total assets	\$	18,435,451	\$	19,756,717
 				
LIABILITIES AND STOCKHOLDERS EQUITY				
Current liabilities:				
Accounts payable and accrued expenses	\$	2,674,774	\$	3,513,770
Accrued payroll and related expenses		787,606		774,434
Bank line of credit		1,288,436		1,005,791
Deferred income on shipments to distributors		1,824,608		2,434,393
Current portion of capital leases and deferred rent	 	39,189	 	30,019
Total current liabilities		6,614,613		7,758,407
 				
Long term portion of capital leases and deferred rent		107,997		109,724
Deferred income taxes	 	238,216	 	214,261
Total liabilities	 	6,960,826	 	8,082,392
 				
Commitments and contingencies				
 				
Stockholders' equity:				
Common stock, \$0.001 par value: Authorized shares 10,000,000,				
Issued and outstanding shares 3,786,702 at September 30, 2009 and 3,229,916 at December 31, 2008				
		3,787		3,230
Additional paid-in capital		55,995,075		54,588,192
Accumulated deficit	 	(44,524,237)	 	(42,917,097)
Total stockholders equity	 	11,474,625	 	11,674,325
Total liabilities and stockholders equity	\$	18,435,451	\$	19,756,717

* Derived from audited financial statements.

See accompanying notes.

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SOCKET MOBILE, INC.
CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Revenues \$	4,574,325	\$ 8,018,533	\$ 13,489,371	\$ 21,680,966
Cost of revenues	2,507,929	4,353,379	7,482,639	11,360,115
Gross profit	2,066,396	3,665,154	6,006,732	10,320,851
Operating expenses:				
Research and development	664,336	1,101,601	2,167,418	3,433,364
Sales and marketing	1,207,767	1,971,754	3,930,931	5,881,549
General and administrative	504,396	610,255	1,695,120	2,037,702
Amortization of intangible assets	15,000	31,786	61,787	95,360
Total operating expenses	2,391,499	3,715,396	7,855,256	11,447,975
Operating loss	(325,103)	(50,242)	(1,848,524)	(1,127,124)
Gain on sale of product line assets	450,000	---	450,000	---
Interest income	10	3,480	379	19,628
Interest expense	(67,764)	(25,018)	(185,040)	(55,989)
Net income (loss) before	57,143	(71,780)	(1,583,185)	(1,163,485)

deferred taxes						
Deferred tax expense	 	(7,985)	 	(7,985)	 	(23,955)
Net income (loss)	\$	49,158	\$	(79,765)	\$	(1,607,140)
	 		 		 	
Net income (loss) per share:						
Basic	\$	0.01	\$	(0.02)	\$	(0.46)
Diluted	\$	0.01	\$	(0.02)	\$	(0.46)
Weighted average shares outstanding:						
Basic		3,786,702		3,230,013		3,486,894
Diluted		3,950,643		3,230,013		3,486,894

See accompanying notes.

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SOCKET MOBILE, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2009	
	2008	
Operating activities		
Net loss	\$	(1,607,140)
Adjustments to reconcile net loss to net cash provided by (used) in operating activities:		
Stock-based compensation		565,574
Depreciation and amortization		392,335
Amortization of intangible assets		95,360
		15,016

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Net foreign currency transaction losses		
Deferred tax expense	23,955	23,955
Change in deferred rent	(12,831)	(3,957)
Gain on sale of product line assets	(450,000)	---
Changes in operating assets and liabilities:		
Accounts receivable	1,244,906	(1,675,404)
Inventories	1,635,277	(1,591,063)
Prepaid expenses and other current assets	(67,729)	(155,986)
Other assets	36,667	16,110
Accounts payable and accrued expenses	(802,317)	2,079,068
Accrued payroll and related expenses	13,172	85,288
Deferred income on shipments to distributors	 (609,785) 	