

TALON INTERNATIONAL, INC.
Form 10-Q
August 13, 2012

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 June 30, 2012.

OR

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

Commission file number 1-13669

TALON INTERNATIONAL, INC.
(Exact Name of Issuer as Specified in its Charter)

Delaware
(State or Other Jurisdiction
of
Incorporation or
Organization)

95-4654481
(I.R.S. Employer
Identification
No.)

21900 Burbank Boulevard, Suite 270
Woodland Hills, California 91367
(Address of Principal Executive Offices)

(818) 444-4100
(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 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 such shorter period that the registrant was required to submit and post such files). Yes No

Edgar Filing: TALON INTERNATIONAL, INC. - Form 10-Q

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 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

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

At August 10, 2012, the issuer had 23,400,808 shares of Common Stock, \$.001 par value, issued and outstanding.

TALON INTERNATIONAL, INC.

INDEX TO FORM 10-Q

PART I	FINANCIAL INFORMATION	Page
Item 1.	Financial Statements.	3
	Consolidated Balance Sheets as of June 30, 2012 (Unaudited) and December 31, 2011	3
	Consolidated Statements of Operations and Comprehensive Income for the Three and Six Months Ended June 30, 2012 and 2011 (Unaudited)	4
	Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2012 and 2011 (Unaudited)	5
	Notes to Consolidated Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations.	26
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	34
Item 4.	Controls and Procedures	35
PART II	OTHER INFORMATION	
Item 1.	Legal Proceedings	35
Item 1A.	Risk Factors	36
Item 6.	Exhibits	36

TALON INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS

	June 30, 2012 (Unaudited)	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$7,424,588	\$5,749,341
Accounts receivable, net	4,076,217	3,777,771
Inventories, net	827,397	1,076,522
Prepaid expenses and other current assets	664,361	314,761
Total current assets	12,992,563	10,918,395
Property and equipment, net	936,625	1,092,609
Intangible assets, net	4,263,801	4,110,751
Other assets	192,630	236,411
Total assets	\$18,385,619	\$16,358,166
Liabilities, Preferred Stock and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	\$8,205,573	\$6,607,041
Accrued expenses	1,588,130	1,543,465
Notes payable to related parties	-	239,942
Other notes and current portion of capital lease obligations	2,656	73,148
Total current liabilities	9,796,359	8,463,596
Capital lease obligations, net of current portion	2,025	10,461
Deferred income taxes	914,037	751,148
Other liabilities	182,136	379,803
Total liabilities	10,894,557	9,605,008
Commitments and contingencies (Note 10)		
Series B Convertible Preferred Stock, \$0.001 par value; 407,160 shares authorized, issued and outstanding	22,222,118	20,671,738
Stockholders' Equity (Deficit):		
Series A Preferred Stock, \$0.001 par value; 250,000 shares authorized; no shares issued or outstanding	-	-
Common Stock, \$0.01 par value, 100,000,000 shares authorized; 21,900,808 and 21,000,808 shares issued and outstanding at June 30, 2012 and December 31, 2011, respectively	21,901	21,001
Additional paid-in capital	58,205,925	57,948,111
Accumulated deficit	(73,034,797)	(71,949,921)
Accumulated other comprehensive income	75,915	62,229
Total stockholders' equity (deficit)	(14,731,056)	(13,918,580)
Total liabilities, preferred stock and stockholders' equity (deficit)	\$18,385,619	\$16,358,166

See accompanying notes to consolidated financial statements.

TALON INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net sales	\$ 13,179,849	\$ 12,752,281	\$ 21,925,799	\$ 21,980,474
Cost of goods sold	8,821,120	8,688,943	14,796,314	15,026,583
Gross profit	4,358,729	4,063,338	7,129,485	6,953,891
Sales and marketing expenses	1,166,549	1,065,487	2,263,472	1,964,047
General and administrative expenses	2,217,822	1,996,713	4,365,481	4,279,211
Total operating expenses	3,384,371	3,062,200	6,628,953	6,243,258
Income from operations	974,358	1,001,138	500,532	710,633
Interest expense, net	19,723	23,193	41,760	41,633
Income before provision for income taxes	954,635	977,945	458,772	669,000
Provision for (benefit from) income taxes, net	283,501	321,620	(6,732)	413,603
Net income	\$ 671,134	\$ 656,325	\$ 465,504	\$ 255,397
Series B Preferred Stock Liquidation Preference Increase	(775,190)	(668,268)	(1,550,380)	(1,336,535)
Loss applicable to Common Shareholders	\$ (104,056)	\$ (11,943)	\$ (1,084,876)	\$ (1,081,138)