

ARC WIRELESS SOLUTIONS INC
Form 10-Q
August 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 June 30, 2009

OR

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

For the transition period from _____

000-18122
(Commission File Number)

ARC Wireless Solutions, Inc.
(Exact name of registrant as specified in its charter)

Utah
(State or other jurisdiction of
incorporation)

87-0454148
(IRS Employer Identification
Number)

10601 West 48th Avenue
Wheat Ridge, Colorado, 80033-2660
(Address of principal executive offices including zip code)

(303) 421-4063
(Registrant's telephone number, including area code)

Not Applicable
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

Edgar Filing: ARC WIRELESS SOLUTIONS INC - Form 10-Q

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 “small reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

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 Exchange Act).
Yes No

As of August 1, 2009, the Registrant had 3,091,000 shares outstanding of its \$.0005 par value common stock.

ARC Wireless Solutions, Inc.

Quarterly Report on FORM 10-Q For The Period Ended

June 30, 2009

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1.	Financial Statements	
	Condensed Consolidated Balance Sheets as of June 30, 2009 (unaudited) and December 31, 2008	4
	Condensed Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2009 and 2008 (unaudited)	5
	Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2009 and 2008 (unaudited)	6
	Notes to Condensed Consolidated Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	15
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	17
Item 4.	Controls and Procedures	18

PART II. OTHER INFORMATION

Item 1.	Legal Proceedings	18
Item 1A.	Risk Factors	18
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	18
Item 3.	Defaults Upon Senior Securities	19
Item 4.	Submission of Matters to a Vote of Security Holders	19
Item 5.	Other Information	19
Item 6.	Exhibits	20

Signatures	21
Exhibit 31.1	22
Exhibit 31.2	23
Exhibit 32.1	24

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

ARC Wireless Solutions, Inc.
Condensed Consolidated Balance Sheets
(in thousands, except for share amounts)

	June 30, 2009 (unaudited)	December 31, 2008 *
Assets		
Current assets:		
Cash and equivalents	\$ 11,892	\$ 12,943
Accounts receivable – trade, net	692	867
Inventory, net	1,031	1,107
Net assets of discontinued operations (Note 2)	1	16
Other current assets	74	49
Total current assets	13,690	14,982
Property and equipment, net	358	381
Other assets:		
Intangible assets, net	120	124
Deposits	68	33
Total assets	\$ 14,236	\$ 15,520
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 512	\$ 832
Accrued severance	-	451
Accrued expenses	236	450
Net liabilities of discontinued operations (Note 2)	8	8
Current portion of capital lease obligations	113	86
Total current liabilities	869	1,827
Capital lease obligations, less current portion	27	77
Total liabilities	896	1,904
Stockholders' equity:		
Preferred stock, \$.001 par value, 2,000,000 authorized, none issued and outstanding	-	-
Common stock, \$.0005 par value, 250,000,000 authorized, 3,091,000 issued in 2009 and 2008, respectively.	2	2
Additional paid-in capital	20,751	20,735
Accumulated deficit	(7,413)	(7,121)
Total stockholders' equity	13,340	13,616
Total liabilities and stockholders' equity	\$ 14,236	\$ 15,520

* These numbers were derived from the audited financial statements for the year ended December 31, 2008. See accompanying notes.

ARC Wireless Solutions, Inc.
Condensed Consolidated Statements of Operations
(Unaudited, in thousands except for share and per share amounts)

	Three Months Ended June		Six Months Ended June 30,	
	2009	30, 2008	2009	2008
Sales, net	\$ 1,226	\$ 1,727	\$ 2,313	\$ 3,608
Cost of sales	707	1,056	1,357	2,216
Gross profit	519	671	956	1,392
Operating expenses:				
Selling, general and administrative expenses	531	941	1,273	1,871
Loss from continuing operations	(12)	(270)	(317)	(479)
Other income (expense):				
Interest and other expense, net	(6)	(22)	(9)	(31)
Other income	15	104	48	222
Total other income	9	82	39	191
Loss from continuing operations before income taxes	(3)	(188)	(278)	(288)
Provision for income taxes	-	-	-	-
Loss from continuing operations	\$ (3)	\$ (188)	\$ (278)	\$ (288)
Loss from discontinued operations	(2)	(8)	(14)	(15)
Net loss	\$ (5)	\$ (196)	\$ (292)	\$ (303)
Net loss per share – continuing operations – basic and diluted	\$ (.00)	\$ (.06)	\$ (.09)	\$ (.09)
Net loss per share – discontinued operations – basic and diluted	\$ (.00)	\$ (.00)	\$ (.00)	\$ (.01)
Net loss per share – basic and diluted	\$ (.00)	\$ (.06)	\$ (.09)	\$ (.10)
Weighted average shares – basic and diluted	3,091,000	3,091,000	3,091,000	3,091,000

See accompanying notes.

Edgar Filing: ARC WIRELESS SOLUTIONS INC - Form 10-Q

ARC Wireless Solutions, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited, in thousands)

	Six Months Ended June 30,	
	2009	2008
Operating activities		
Net loss from continuing operations	\$ (278)	\$ (288)
Adjustments to reconcile net loss from continuing operations to net cash used in operating activities:		
Depreciation and amortization	114	98
Non-cash expense for issuance of stock and options	16	18
Provision for doubtful accounts	-	36
Changes in operating assets and liabilities:		
Accounts receivable, trade	175	339
Inventory	76	52
Prepays and other current assets	(24)	(45)
Other assets	(35)	3
Accounts payable and accrued expenses	(985)	(221)
Net cash used in continuing operations	(941)	(8)
Net cash provided by (used in) discontinued operations	-	2
Net cash used in operating activities	(941)	(6)
Investing activities		
Patent acquisition costs	(3)	(12)
Purchase of plant and equipment	(83)	(43)
Net cash used in investing activities, continuing operations	(86)	(55)
Financing activities		
Net advances from line of credit	-	2,134
Net repayment of line of credit and capital lease obligations	(24)	(2,482)
Net cash used in financing activities, continuing operations	(24)	(348)
Net change in cash	(1,051)	(409)
Cash and cash equivalents, beginning of period	12,943	14,931
Cash and cash equivalents, end of period	\$ 11,892	\$ 14,522
Supplemental cash flow information:		
Cash paid for interest, continuing operations	\$ 9	