

MoSys, Inc.  
Form 10-Q  
November 07, 2006

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

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**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, 2006

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 000-32929

**MoSys, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction  
of Incorporation or organization)

**77-0291941**

(I.R.S. Employer  
Identification Number)

**755 N. Mathilda Avenue  
Sunnyvale, California, 94085**

(Address of principal executive office and zip code)

**(408) 731-1800**

(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 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 large accelerated filer in Rule 12b-2 of the Exchange Act.

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Large 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

As of October 30, 2006, 31,424,785 shares of the Registrant's common stock, \$0.01 par value, were outstanding.

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**MOSYS, INC.**

**FORM 10-Q**  
**September 30, 2006**

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**PART I FINANCIAL INFORMATION****Item 1. Financial Statements**

**MOSYS, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands, except per share data)

	September 30, 2006 (unaudited)	December 31, 2005 *
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 6,184	\$ 9,171
Short-term investments	77,417	59,479
Accounts receivable, net	487	638
Unbilled contracts receivable	52	368
Prepaid expenses and other current assets	2,287	2,632
Total current assets	86,427	72,288
Long-term investments	3,492	17,339
Property and equipment, net	843	1,121
Goodwill	12,326	12,326
Other assets	593	563
Total assets	\$ 103,681	\$ 103,637
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 665	\$ 236
Accrued expenses and other liabilities	2,020	2,564
Accrued litigation settlement	2,400	
Deferred revenue	302	1,309
Total current liabilities	5,387	4,109
Long-term portion of restructuring liability	94	196
Total liabilities	5,481	4,305
Commitment and contingencies		
Stockholders' equity:		
Preferred stock		
Common stock	313	308
Additional paid-in capital	104,763	100,247
Accumulated other comprehensive loss	(137)	(389)
Accumulated deficit	(6,739)	(834)
Total stockholders' equity	98,200	99,332
Total liabilities and stockholders' equity	\$ 103,681	\$ 103,637

\* Derived from audited financial statements.

The accompanying notes are an integral part of these condensed consolidated financial statements.

**MOSYS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)  
(In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
<b>Net revenue:</b>				
Product	\$	\$	\$	\$ 10
Licensing	3,333	3,233	7,302	6,386
Royalty	705	897	2,598	3,484
Total net revenue	4,038	4,130	9,900	9,880
<b>Cost of net revenue</b>				
Licensing	172	668	906	1,743
Total cost of net revenue	172	668	906	1,743
Gross profit	3,866	3,462	8,994	8,137
<b>Operating expenses:</b>				
Research and development	2,018	1,359	6,099	4,282
Selling, general and administrative	3,350	2,721	8,785	7,403
Litigation settlement	2,400		2,400	
Restructuring expenses				114
Total operating expenses	7,768	4,080	17,284	11,799
Loss from operations	(3,902 )	(618 )	(8,290 )	(3,662 )
Interest, other income and expenses	1,043	679	2,421	1,797
Income(loss) before provision for income taxes	(2,859 )	61	(5,869 )	(1,865 )
Provision for income taxes	(8 )	(11 )	(36 )	(33 )
Net income(loss)	\$ (2,867 )	\$ 50	\$ (5,905 )	\$ (1,898 )
<b>Net income(loss) per share:</b>				
Basic	\$ (0.09 )	\$ 0.00	\$ (0.19 )	\$ (0.06 )
Diluted	\$ (0.09 )	\$ 0.00	\$ (0.19 )	\$ (0.06 )
<b>Shares used in computing net income(loss) per share:</b>				
Basic	31,386	30,531	31,233	30,479
Diluted	31,386	31,504	31,233	30,479
<b>Allocation of stock-based compensation to cost of net revenue and operating expenses included above</b>				
Cost of net revenue	\$ 23	\$	\$ 126	\$
Research and development	279		741	
Selling, general and administrative	401	10	1,063	29
	\$ 703	\$ 10	\$ 1,930	\$ 29

The accompanying notes are an integral part of these condensed consolidated financial statements.

**MOSYS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**  
**(In thousands)**

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2006</b>	<b>2005</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (5,905 )	\$ (1,898 )
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	361	467
Stock based compensation	1,930	29
Allowance for doubtful accounts	(105 )	105
Changes in current assets and liabilities:		
Accounts receivable	256	(238 )
Unbilled contract receivable	316	(663 )
Prepaid expenses and other assets	315	507
Deferred revenue	(1,007 )	(162 )
Accounts payable	429	35
Accrued expenses and other liabilities	(608 )	(351 )
Accrued litigation settlement	2,400	
Restructuring liability	(38 )	(100 )
Net cash used in operating activities	(1,656 )	(2,269 )
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(83 )	(991 )
Proceeds from sales and maturity of marketable securities	43,059	146,023
Purchase of marketable investments	(46,898 )	(168,187 )
Net cash used in investing activities	(3,922 )	(23,155 )
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of common stock		