

SONA MOBILE HOLDINGS CORP
Form 10QSB
August 19, 2008

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, 2008

☐ 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 000-12817

SONA MOBILE HOLDINGS CORP.
(Exact name of registrant as specified in its charter)

Delaware	95-3087593
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

245 Park Avenue, New York, New York 10167
(Address of principal executive office)

(888) 306-7662
(Registrant's telephone number, including area code)

Securities registered under Section 12(b) of the Exchange Act:

None	None
(Title of Each Class)	(Name of each Exchange on Which Registered)

Securities registered under Section 12(g) of the Exchange Act:

Common Stock
(Title of Class)

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 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 outstanding of the registrant’s Common Stock, \$0.01 par value, as of August 15, 2008 was 57,832,857 shares.

FORM 10-Q REPORT
JUNE 30, 2008

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FORWARD-LOOKING STATEMENTS

Certain statements made in this Quarterly Report on Form 10-Q are “forward-looking statements” regarding the plans and objectives of management for future operations and market trends and expectations. The words “expect,” “believe,” “plan,” “intend,” “estimate,” “anticipate,” “propose,” “seek” and similar words and variations thereof, when used, are intended specifically to identify forward-looking statements. Such statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The forward-looking statements included herein are based on current expectations that involve numerous risks and uncertainties, including but not limited to those set forth in our Annual Report on Form 10-KSB as filed on March 31, 2008 and in each of our Registration Statements on Form S-1, as amended and filed with the SEC on April 1, 2008. Our plans and objectives are based, in part, on assumptions involving the continued expansion of our business. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that our assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, we cannot assure you that the forward-looking statements included in this report will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives and plans will be achieved. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management’s analysis only as of the date hereof. We do not undertake any obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof.

The terms the “Company”, “Sona”, “we”, “our”, “us”, and derivatives thereof, as used herein refer to Sona Mobile Holdings Corp., a Delaware corporation, and its subsidiaries and its predecessor, Sona Mobile, Inc., a Washington corporation.

PART I
FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements
Sona Mobile Holdings Corp. And Subsidiaries
Consolidated Balance Sheet

	At June 30, 2008 (unaudited)	At December 31, 2007 (audited)
Assets		
Current:		
Cash and cash equivalents	\$ 548,102	\$ 2,367,026
Accounts receivable (net of allowance for doubtful accounts of \$44,185 and \$52,175)	155,764	119,652
Tax credits receivable	–	51,220
Prepaid expenses & deposits	95,316	98,415
Total current assets	799,182	2,636,313
Property and equipment:		
Computer equipment	260,151	192,248
Furniture and equipment	92,679	85,603
Less: accumulated depreciation	(164,845)	(116,094)
Total property and equipment	187,985	161,757
Software development costs (Note 3(h))	–	471,988
Debt issuance costs, net (Note 11)	261,148	315,179
Total Assets	\$ 1,248,315	\$ 3,585,237
Liabilities and Stockholders' Equity		
Current:		
Accounts payable	\$ 725,747	\$ 316,473
Accrued liabilities & payroll (Note 9)	403,737	510,921
Deferred revenue (Note 10)	162,211	55,795
Total current liabilities	1,291,695	883,189
Note payable (Note 13)	471,750	–
Long term convertible debt, net (Note 11)	2,449,354	2,335,034
Total Liabilities	4,212,799	3,218,223
Stockholders' equity:		
	–	–

Preferred Stock – 2,000,000 shares authorized, par value \$.01 per share – no shares issued and outstanding		
Common Stock – 120,000,000 shares authorized, par value \$.01 per share – 57,895,780 and 57,832,857 shares issued and outstanding respectively	578,957	578,328
Additional paid-in capital	17,796,097	17,570,902
Common Stock purchase warrants	3,925,661	3,925,661
Unamortized stock based compensation	–	(5,833)
Accumulated other comprehensive (loss)	(59,012)	(64,110)
Accumulated deficit	(25,206,187)	(21,637,934)
Total stockholders' equity	(2,964,484)	367,014
Total Liabilities and Stockholders' Equity	\$ 1,248,315	\$ 3,585,237

See accompanying notes to consolidated financial statements.

Item 1. Consolidated Financial Statements (Continued)

Sona Mobile Holdings Corp. and Subsidiaries

Consolidated Statements of Operations and Comprehensive Loss

	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net Revenue	\$ 188,777	267,182	\$ 280,982	415,309
Operating expenses				
Depreciation and amortization	55,255	15,722	145,285	28,007
General and administrative expenses	595,418	696,133	1,133,763	1,241,723
Professional fees	56,273	228,332	373,768	625,791
Development expenses	449,168	372,130	1,131,272	917,177
Selling and marketing expenses	177,860	299,695	406,828	645,963
Total operating expenses	1,333,974	1,612,012	3,190,916	3,458,661
Operating loss	(1,145,197)	(1,344,830)	(2,909,934)	(3,043,352)
Interest income	2,326	39,256	15,658	94,995
Interest expense	(117,160)	—	(234,320)	(464)
Other income and expense (note 16)	(435,052)	2,194	(439,658)	(9,631)
Net loss	\$ (1,695,083)	(1,303,380)	\$ (3,568,254)	(2,958,452)
Foreign currency translation adjustment	(279)	(25,912)	5,097	(24,845)
Comprehensive loss	\$ (1,695,362)	(1,329,292)	\$ (3,563,157)	(2,983,297)
Net loss per share of common stock – basic and diluted	\$ (0.03)	(0.02)	\$ (0.06)	(0.05)
Weighted average number of shares of common stock outstanding – basic and diluted (note 6)	57,884,717	57,782,692	57,858,930	57,794,312

See accompanying notes to consolidated financial statements.

Item 1. Consolidated Financial Statements (Continued)

Sona Mobile Holdings Corp. and Subsidiaries

Consolidated Statements of Cash Flows

	Six months ended June 30,	
	2008	2007
	(unaudited)	(unaudited)
Cash provided by (used in):		
Operating activities		
Net loss	\$ (3,568,254)	\$ (2,958,452)
Adjustments for:		
Depreciation and amortization	145,285	28,007
Loss on disposal of fixed assets	—	5,171
Write-down of software development costs	432,656	—
Amortization of debt discount charged to interest expense	114,320	—
Amortization of restricted stock-based compensation	42,987	8,200
Stock based compensation	188,670	183,751
Changes in non-cash working capital assets and liabilities:		
Accounts receivable, net	(36,112)	116,206
Tax credit receivable	51,220	—
Prepaid expenses & deposits	3,099	21,392
Accounts payable	409,274	(93,612)
Accrued liabilities & payroll	(107,184)	83,432
Deferred revenue	106,416	51,581
Net cash used in operating activities	(2,217,623)	(2,554,324)
Investing activities		
Software development costs	—	(316,821)
Acquisition of property & equipment	(78,081)	(78,914)
Net cash used in investing activities	(78,081)	(395,735)
Financing activities		
Proceeds from note payable, net	471,750	—
Net cash provided by financing activities	471,750	—
Effect of exchange rate changes on cash & cash equivalents	5,030	(9,937)