

Lifevantage Corp  
Form 10-Q  
November 14, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q**

x **QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2011**

.. **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 000-30489**

**LIFEVANTAGE CORPORATION**

(Exact name of Registrant as specified in its charter)

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**COLORADO**  
(State or other jurisdiction of

**90-0224471**  
(IRS Employer

incorporation or organization)

Identification No.)

**10813 S. River Front Parkway, Ste. 500, South Jordan, UT 84095**

(Address of principal executive offices)

**(858) 312-8000**

(Registrant's telephone number)

(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

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  (Do not check if a smaller reporting company)

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

The number of shares outstanding of the issuer's common stock, par value \$0.001 per share, as of November 1, 2011 was 99,296,293.

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**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements contained in this report and the information incorporated by reference herein may contain forward-looking statements (as such term is defined in Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended). These statements, which involve risks and uncertainties, reflect our current expectations, intentions, or strategies regarding our possible future results of operations, performance, and achievements. Forward-looking statements include, without limitation: statements regarding future products or product development; statements regarding future selling, general and administrative costs and research and development spending; statements regarding our product development strategy; statements regarding the future performance of our network marketing sales channel; and statements regarding future financial performance, results of operations, capital expenditures and sufficiency of capital resources to fund our operating requirements. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and applicable rules of the Securities and Exchange Commission and common law.

These forward-looking statements may be identified in this report and the information incorporated by reference by words such as anticipate, believe, could, estimate, expect, intend, plan, predict, project, should and similar terms and expressions, including references to strategies. These statements reflect our current beliefs and are based on information currently available to us. Accordingly, these statements are subject to certain risks, uncertainties, and contingencies, which could cause our actual results, performance, or achievements to differ materially from those expressed in, or implied by, such statements.

The following factors are among those that may cause actual results to differ materially from our forward-looking statements:

Limited operating history;

Our ability to successfully expand our operations and manage our future growth;

Difficulty in managing growth and expansion;

We reported material weaknesses in our internal control over financial reporting, and if we are unable to improve our internal control over financial reporting, our financial results may not be accurately reported;

Reliance on information technology systems;

We may need to raise additional capital;

The deterioration of global economic conditions and the decline of consumer confidence and spending;

Environmental liabilities stemming from past operations and property ownership;

Significant dependence upon a single product;

Competition in the dietary supplement market;

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The potential failure or unintended negative consequences of our network marketing sales channel;

Our ability to retain independent distributors or to hire new independent distributors on an ongoing basis;

The potential for government or third party actions against us resulting from independent distributor activities that violate applicable laws or regulations;

Our business is subject to strict government regulations;

Our ability to continue to innovate and provide products that are useful to consumers;

Our ability to protect our intellectual property rights and the value of our product;

The effect of current and future government regulations of the network marketing and dietary supplement industries on our business;

The effect of unfavorable publicity on our business;

We are subject to the risk of investigatory and enforcement action by the FTC;

The potential for third party and governmental actions involving our network marketing sales channel;

The potential for product liability claims against us;

Our dependence on third party manufacturers to manufacture our product;

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The ability to obtain raw material for our product;

Product returns may adversely affect our business;

Loss of key personnel could negatively impact our business;

We may not succeed in growing existing markets or opening new markets;

Economic, political and other risks associated with international operations could adversely affect our business;

Our stock is classified as a penny stock;

If we need additional financings in the future it could result in additional dilution;

If holders of our existing warrants and options exercise their securities it would materially dilute the outstanding voting shares and could cause our stock price to decline;

The market price of our securities could be adversely affected by the sales of restricted securities;

Our stock price may experience future volatility;

The illiquidity of our common stock;

Substantial sales of shares of our common stock;

Dilutive effects of outstanding warrants and options;

We have not nor do we intend to issue dividends;

Other factors not specifically described above, including the other risks, uncertainties, and contingencies described under Description of Business, Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations in Items 1 and 7 of our Annual Report on Form 10-K for the year ended June 30, 2011.

When considering these forward-looking statements, you should keep in mind the cautionary statements in this report and the documents incorporated by reference. We have no obligation and do not undertake to update or revise any such forward-looking statements to reflect events or circumstances after the date of this report.



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## LIFEVANTAGE CORPORATION AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	As of,	
	September 30, 2011	June 30, 2011
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 9,437,418	\$ 6,370,974
Marketable securities, available for sale	350,000	350,000
Accounts receivable, net	1,315,996	941,802
Inventory	2,756,298	2,124,663
Prepaid expenses and deposits	655,386	487,812
Total current assets	14,515,098	10,275,251
Long-term assets		
Property and equipment, net	553,206	227,811
Intangible assets, net	1,944,768	1,963,277
Deposits	92,173	32,173
<b>TOTAL ASSETS</b>	<b>\$ 17,105,245</b>	<b>\$ 12,498,512</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities		
Accounts payable	\$ 1,209,692	\$ 799,210
Commissions payable	2,398,011	1,999,969
Reserve for sales returns	625,525	435,135
Other accrued expenses	2,464,248	2,242,222
Customer deposits	34,815	33,893
Revolving line of credit and accrued interest	433,948	433,984
Short-term derivative liabilities	6,846,205	7,435,883
Total current liabilities	14,012,444	13,380,296
Long-term liabilities		
Deferred rent	17,647	21,017
Capital lease obligation	17,163	
Derivative liabilities	19,262,075	19,905,401
Total liabilities	33,309,329	33,306,714
Commitments and contingencies		
Stockholders' deficit		
Preferred stock - par value \$0.001 per share, 50,000,000 shares authorized, no shares issued or outstanding		
Common stock - par value \$0.001 per share, 250,000,000 shares authorized and 99,281,084 and 98,794,499 issued and outstanding as of September 30, 2011 and June 30, 2011, respectively	99,281	98,795
Additional paid-in capital	68,401,642	67,606,293
Accumulated deficit	(84,729,440)	(88,453,607)



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Accumulated other comprehensive income/(loss)	24,433	(59,683)
Total stockholders' deficit	(16,204,084)	(20,808,202)
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<b>\$ 17,105,245</b>	<b>\$ 12,498,512</b>

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

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## LIFEVANTAGE CORPORATION AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Unaudited)

	For the three months ended September 30,	
	2011	2010
Sales, net	\$ 20,083,299	\$ 6,443,349
Cost of sales	2,956,779	1,020,135
Gross profit	17,126,520	5,423,214
Operating expenses:		
Sales and marketing	10,542,554	3,410,843
General and administrative	2,839,762	1,507,093
Research and development	234,556	109,793
Depreciation and amortization	79,855	50,716
Total operating expenses	13,696,727	5,078,445
Operating income	3,429,793	344,769
Other income (expense):		
Interest expense	(38,792)	(1,464,623)
Change in fair value of derivative liabilities	804,766	1,835,047
Total other income (expense)	765,974	370,424
Net income before income taxes	4,195,767	715,193
Income tax expense	(471,600)	
Net income	\$ 3,724,167	715,193
Net income per share, basic	\$ 0.04	\$ 0.01
Net income (loss) per share, diluted	\$ 0.02	\$ (0.01)
Weighted average shares, basic	98,955,058	63,684,437
Weighted average shares, diluted	121,958,618	89,693,864
Currency translation adjustment	84,116	(14,328)
Other comprehensive income	\$ 3,808,283	\$ 700,865

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

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LIFEVANTAGE CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS DEFICIT  
(UNAUDITED)

	Common Stock		Additional Paid In Capital	Accumulated Deficit	Accumulated Other	Total
	Shares	Amount			Comprehensive Income/(Loss)	
<b>Balances, June 30, 2011</b>	<b>98,794,499</b>	<b>\$ 98,795</b>	<b>\$ 67,606,293</b>	<b>\$ (88,453,607)</b>	<b>\$ (59,683)</b>	<b>\$ (20,808,202)</b>
Options/Warrants issued for services			355,221			355,221
Exercise of options and warrants	486,585	486	440,128			440,614
Currency translation adjustment					84,116	84,116
Net income				3,724,167		3,724,167