Lifevantage Corp Form 10-Q November 14, 2011 Table of Contents

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)

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 x 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 x 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
 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 issuer s common stock, par value \$0.001 per share, as of November 1, 2011 was 99,296,293.

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;

2

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 or our securities could be adversely effected 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

INDEX

	PAGE
PART I. Financial Information	5
Item 1. Financial Statements:	5
Condensed Consolidated Balance Sheets (unaudited) September 30, 2011 and June 30, 2011	5
Condensed Consolidated Statements of Operations and Other Comprehensive Income (unaudited) For the Three Month Periods	
Ended September 30, 2011 and 2010	6
Condensed Consolidated Statement of Stockholders Deficit- For the Three Month Period Ended September 30, 2011	7
Condensed Consolidated Statements of Cash Flows (unaudited) For the Three Month Periods Ended September 30, 2011 and 2010	8
Notes to Condensed Consolidated Financial Statements (unaudited)	9
Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations	15
Item 3. Quantitative and Qualitative Disclosures About Market Risk	19
Item 4. Controls and Procedures	19
PART II. Other Information	21
Item 1. Legal Proceedings	21
Item 1A. Risk Factors	21
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	21
Item 3. Defaults Upon Senior Securities	21
Item 4. (Removed and Reserved)	21
Item 5. Other Information	21
Item 6. Exhibits	21
Signatures	22

4

PART I Financial Information

Item 1. Financial Statements

LIFEVANTAGE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

ASSETS		As of,		
Durrent assets \$ 9,437,418 \$ 6,370,97 Aukretable securities, available for sale 350,000 350,000 Aukretable securities, available for sale 350,000 350,000 Aukretable securities, available for sale 1,315,996 941,80 Prepaid expenses and deposits 655,386 487,81 Intaglible assets 14,515,098 10,275,25 Operation assets 1944,768 19,075,225 Property and equipment, net 553,206 227,81 Intaglible assets, net 1,944,768 19,062 Property and equipment, net 553,206 227,81 IABRLITIES AND STOCKHOLDERS DEFICIT 92,173 32,17 Counts payable 2,398,011 1,999,692 \$ 799,21 Countissions payable 2,464,248		September 30, 2011	June 30, 2011	
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Deferred rent17,64721,01Capital lease obligation17,163Derivative liabilities19,262,07519,905,40Total liabilities33,309,32933,306,71Commitments and contingencies33,309,32933,306,71Commitments and contingenciesStockholders6Stockholdersdeficit20,000,000 shares authorized, no shares issued or outstanding99,281Common stockpar value \$0.001 per share, 250,000,000 shares authorized and 99,281,084 and 08,794,499 issued and outstanding as of September 30, 2011 and June 30, 2011, respectively99,28198,79Additional paid-in capital68,401,64267,606,2967,606,29	Total current liabilities	14,012,444	13,380,296	
Capital lease obligation17,163Derivative liabilities19,262,07519,905,40Fotal liabilities33,309,32933,306,71Commitments and contingencies33,309,32933,306,71Commitments and contingenciesStockholdersdeficitPreferred stockpar value \$0.001 per share, 50,000,000 shares authorized, no shares issued or outstanding99,281Common stockpar 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, respectively99,28198,79Additional paid-in capital68,401,64267,606,2967,606,29	Long-term liabilities			
Derivative liabilities 19,262,075 19,905,40 Total liabilities 33,309,329 33,306,71 Commitments and contingencies 33,309,329 33,306,71 Commitments and contingencies Stockholders deficit Preferred stock par value \$0.001 per share, 50,000,000 shares authorized, no shares issued or butstanding Stockholders 99,281 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 98,79 Additional paid-in capital 68,401,642 67,606,29	Deferred rent	17,647	21,017	
Fotal liabilities 33,309,329 33,306,71 Commitments and contingencies 33,309,329 33,306,71 Commitments and contingencies 50,000,000 shares authorized, no shares issued or 50,000,000 shares authorized, no shares issued or Preferred stock par value \$0.001 per share, 50,000,000 shares authorized and 99,281,084 and 50,000,000 shares authorized and 99,281,084 and 20,794,499 issued and outstanding as of September 30, 2011 and June 30, 2011, respectively 99,281 98,79 Additional paid-in capital 68,401,642 67,606,29	Capital lease obligation	17,163		
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 28,794,499 issued and outstanding as of September 30, 2011 and June 30, 2011, respectively Additional paid-in capital 68,401,642 67,606,29	Derivative liabilities	19,262,075	19,905,401	
Stockholders deficit Preferred stock par value \$0.001 per share, 50,000,000 shares authorized, no shares issued or putstanding	Total liabilities	33,309,329	33,306,714	
Preferred stock par value \$0.001 per share, 50,000,000 shares authorized, no shares issued or putstanding Common stock par value \$0.001 per share, 250,000,000 shares authorized and 99,281,084 and 28,794,499 issued and outstanding as of September 30, 2011 and June 30, 2011, respectively 99,281 98,79 Additional paid-in capital 68,401,642 67,606,29	Commitments and contingencies			
DeutstandingCommon stock par value \$0.001 per share, 250,000,000 shares authorized and 99,281,084 and08,794,499 issued and outstanding as of September 30, 2011 and June 30, 2011, respectively99,28198,79Additional paid-in capital68,401,64267,606,29	Stockholders deficit			
Common stockpar value \$0.001 per share, 250,000,000 shares authorized and 99,281,084 and98,794,499 issued and outstanding as of September 30, 2011 and June 30, 2011, respectively99,28198,7968,401,64267,606,29				
98,794,499 issued and outstanding as of September 30, 2011 and June 30, 2011, respectively 99,281 98,79 Additional paid-in capital 68,401,642 67,606,29	0			
Additional paid-in capital 68,401,642 67,606,29		99 281	98,795	
		, .)	
Accumulated deficit (84,729,440) (88,453,60	Accumulated deficit		(88,453,607)	

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

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

LIFEVANTAGE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Unaudited)

	For the three months ended September 30,			
		2011		2010
Sales, net),083,299		5,443,349
Cost of sales	2	2,956,779	1	,020,135
Gross profit	17	7,126,520	5	5,423,214
Operating expenses:				
Sales and marketing),542,554		3,410,843
General and administrative	2	2,839,762	1	,507,093
Research and development		234,556		109,793
Depreciation and amortization		79,855		50,716
Total operating expenses	13	3,696,727	5	5,078,445
Operating income	c	3,429,793		344,769
Other income (expense):		,129,195		511,705
Interest expense		(38,792)	(1	,464,623)
Change in fair value of derivative liabilities		804,766		,835,047
Total other income (expense)		765,974		370,424
Net income before income taxes	4	4,195,767		715,193
Income tax expense		(471,600)		
Net income	\$ 3	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	3,955,058	63	3,684,437
Weighted average shares, diluted		1,958,618	89,693,864	
Currency translation adjustment		84,116		(14,328)
Other comprehensive income	\$ 3	3,808,283	\$	700,865

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

LIFEVANTAGE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS DEFICIT

(UNAUDITED)

				Accumulated				
	Common Stock		Additional Paid In	Accumulated	Other Accumulated Comprehensive			
	Shares	Amount	Capital	Deficit Income/(Loss)				Total
Balances, June 30, 2011	98,794,499	\$ 98,795	\$ 67,606,293	\$ (88,453,607)	\$	(59,683)	\$ (20,808,202)	
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	