HEMOSENSE INC
Form 10-Q
May 11, 2006
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2006

¨ 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: 001-32541

HEMOSENSE, INC.

(Exact name of registrant as specified in its charter)

Delaware	**77-0452938**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

651 River Oaks Parkway, San Jose, California 95134

(Address of principal executive offices) (Zip Code)

(408) 719-1393

(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 such filing requirements for the past 90 days. Yes x 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. (Check one):

Large accelerated Filer ¨ Accelerated filer ¨ Non-accelerated filer 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

As of May 3, 2006, 11,188,887 shares of the registrant s common stock were outstanding.

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PART I - FINANCIAL INFORMATION

ITEM 1. CONDENSED FINANCIAL STATEMENTS

HEMOSENSE, INC.

UNAUDITED CONDENSED BALANCE SHEETS

(in thousands, except per share and share data)

	March 31, 2006	September 30, 2005
Assets		
Current assets:		
Cash and cash equivalents	$ 1,957	$ 3,598
Short term investments	12,337	7,943
Accounts receivable	3,039	2,087
Prepaid expenses and other current assets	691	714
Inventories	2,902	2,744
Total current assets	20,926	17,086
Property and equipment, net	446	512
Technology licenses and prepaid royalties	545	1,179
Other assets	164	226
Total assets	$ 22,081	$ 19,003
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	$ 884	$ 1,029
Accrued expenses and other liabilities	1,280	1,159
Capital lease, current portion	38	37
Borrowings, current portion	2,169	2,000
Total current liabilities	4,371	4,225
Capital lease, net of current portion	34	52
Borrowings, net of current portion	3,639	4,714
Other long term liabilities	11	
Total liabilities	8,055	8,991
Stockholders equity:		
Common stock, $0.001 par value Authorized: 50,000,000 shares; Issued and outstanding: 11,188,887 and 9,604,989 at March 31, 2006 and September 30, 2005, respectively	11	10
Additional paid-in capital	66,543	57,191
Accumulated other comprehensive loss	(31)	(3)
Accumulated deficit	(52,497)	(47,186)
Total shareholders equity	14,026	10,012
Total liabilities and shareholders equity	$ 22,081	$ 19,003

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

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HemoSense, Inc,

UNAUDITED CONDENSED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2006	2005	2006	2005
Revenue	$ 4,042	$ 1,800	$ 7,478	$ 3,417
Cost of goods sold	3,036	2,339	5,367	4,339
Gross profit (loss)	1,006	(539)	2,111	(922)
Operating expenses:				
Research and development	667	229	1,144	540
Sales and marketing	2,064	1,604	3,896	3,200
General and administrative	1,103	525	2,042	872
Total operating expenses	3,834	2,358	7,082	4,612
Loss from operations	(2,828)	(2,897)	(4,971)	(5,534)
Interest income	161	9	306	10
Interest & other expense, net	(318)	(231)	(646)	(441)
Net loss	$ (2,985)	$ (3,119)	$ (5,311)	$ (5,965)
Net loss per share:				
Basic and diluted	$ (0.27)	$ (6.72)	$ (0.49)	$ (14.76)
Shares used to compute net loss per share:				
Basic and diluted	11,165	464	10,849	404

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

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HemoSense, Inc,

UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS

(in thousands)

	Six Months Ended March 31,	
	2006	**2005**
Cash flows from operating activities:		
Net loss	$ (5,311)	$ (5,965)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	389	599
Amortization of debt issuance cost	82	85
Provision/write-off of inventories	(8)	69
Amortization of prepaid royalties	426	130
Accrued interest on note payable	55	46
Stock compensation cost	118	
Changes in current assets and liabilities:		
Accounts receivable	(952)	(80)
Prepaid expenses and other assets	3	(102)
Inventories	(137)	(864)
Accounts payable	(145)	156
Accrued expenses and other liabilities	122	250
Net cash used in operating activities	(5,358)	(5,676)
Cash flows from investing activities:		
Proceeds from sale of short term investments	10,070	
Purchase of short term investments	(14,492)	
Acquisition of property and equipment	(104)	(108)
Net cash used in investing activities	(4,526)	(108)
Cash flows from financing activities:		
Proceeds from issuance of common stock and warrants	9,221	17
Proceeds from issuance of preferred stock, net of issuance cost		3,331
Principal payments on capital lease obligation	(17)	(19)
Proceeds from borrowing		4,593
Repayment of borrowings	(961)	(477)
Net cash provided by financing activities	8,243	7,445
Net increase (decrease) in cash and cash equivalents	(1,641)	1,661
Cash and cash equivalents at beginning of period	3,598	433
Cash and cash equivalents at end of period	$ 1,957	$ 2,094

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

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HEMOSENSE, INC.

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

1) Organization and Basis of Presentation

Description of the Company

HemoSense, Inc., (the Company) was incorporated in the state of Delaware on March 4, 1997 to develop, manufacture and sell easy-to-use, handheld blood coagulation monitoring systems for use by healthcare professionals and patients in the management of warfarin medication. The Company began selling its first product, the INRatio meter and related test strips, in March 2003. Prior to that date, the Company was in the development stage and had been primarily engaged in developing its product technology and raising capital.

Basis of Presentation

The accompanying unaudited condensed financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. With the exception of Statement of Financial Accounting Standards, No. 123(R), which was adopted October 1, 2005, the unaudited interim financial statements have been prepared on the same basis as the annual financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments necessary for the fair statement of the financial statements, have been included. The results of operations of any interim period are not necessarily indicative of the results of operations for the full year or any other interim period. Further, the preparation of unaudited condensed financial statements requires management to make estimates and assumptions that affect the recorded amounts reported therein. Actual results could differ from those estimates. A change in facts or circumstances surrounding the estimate could result in a change to estimates and impact future operating results.

The financial statements and related disclosures have been prepared with the presumption that users of the interim financial statements have read or have access to the audited financial statements for the preceding fiscal year. Accordingly, these financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended September 30, 2005 included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission. The results of operations for the three and six month periods ended March 31, 2006 are not necessarily indicative of the results for the year ending September 30, 2006 or any future interim period.

2) Summary of Significant Accounting Policies

The Company s significant accounting policies are disclosed in its Annual Report on Form 10-K for the year ended September 30, 2005, which was filed with the Securities and Exchange Commission. With the exception of Statement of Financial Accounting Standards (SFAS) 123(R) (SFAS 123(R)) which was adopted October 1, 2005, the Company s significant accounting policies have not materially changed since September 30, 2005.

Warranty

The Company records an accrual for estimated warranty costs when revenue is recognized. Warranty covers replacement costs of defective meters and related test strips. The warranty period is one year. The Company has processes in place to estimate accruals for warranty exposure. The processes include estimated failure rates and replacement costs, and known design changes. Although the Company believes it has the ability to reasonably estimate warranty expenses, unforeseen changes in factors impacting the estimate for warranty could occur and such changes could cause a material change in the Company s warranty accrual estimate. Such a change would be recorded in the period in which the change was

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identified. Changes in the Company s product warranty liability during the three month periods ended March 31, 2006 and March 31, 2005, were as follows (in thousands):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2006	2005	2006	2005
Balance, at the beginning of the period	$ 63	$ 8	$ 59	$ 6
Accruals and charges for warranty for the period	24	19	42	30
Cost of repairs and replacements	(17)	(16)	(31)	(25)
Balance, at the end of the period	70	$ 11	$ 70	$ 11

Balance Sheet Data

Inventories

The components of inventories are as follows (in thousands):

	December 31, 2005	September 30, 2005
Raw materials	$ 1,004	$ 881
Work-in-process	1,554	1,138
Finished goods	344	725
	$ 2,902	$ 2,744

3) Stock-Based Compensation

Stock Option Plans

1997 Stock Option Plan

In 1997, the Company adopted the 1997 Stock Option Plan (the 1997 Plan), as amended, under which 1.1 million shares of the Company s common stock have been reserved for issuance to employees, directors and consultants. Options granted under the 1997 Plan may be incentive stock options or non-statutory stock options. Stock purchase rights may also be granted under the 1997 Plan. Incentive stock options may only be granted to employees. Options granted or stock purchased under the 1997 Plan must become exercisable or the Company s right to repurchase lapse no less than 20% after one year and ratably over 4 years thereafter. In addition, as of March 31, 2006 there were 133,779 unvested options granted under the 1997 plan to certain employees and directors in which the vesting will fully accelerate upon the occurrence of a change in control. The exercise price of incentive stock options and non-statutory stock options shall be no less than 100% and 85%, respectively, of the fair value per share of the Company s common stock on the grant date, as determined by the Board of Directors. The term of the options is ten years. Since the implementation of the 2005 Equity Incentive Plan, no additional options will be granted from this plan and the plan will terminate when all the shares have been either exercised, cancelled or expire.

2005 Equity Incentive Plan

In March 2005, the Company s board of directors and stockholders approved the 2005 Equity Incentive Plan (the 2005 Plan), which became effective upon completion of its initial public offering on July 1, 2005. In addition, as of March 31, 2006 there were 141,462 unvested options granted under the 2005 plan to certain employees and directors in which the vesting will fully accelerate upon the occurrence of a change in control. The Company has reserved a total of 530,000 shares of its common stock for issuance under the 2005 Plan, all of which are available for future grant. In addition, any unused shares in or any unvested shares under the 1997 Plan as of the effective date of an initial public offering has been added to the 2005 Plan.

Stock-Based Compensation

Effective October 1, 2005, the Company adopted SFAS 123(R), using the modified prospective application transition method, which establishes accounting for stock-based awards exchanged for employee services. Accordingly, stock-based compensation cost is measured at the beginning of the requisite service period, based on the fair value of the award, over the requisite service period. The Company previously applied Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees* and related Interpretations, as permitted by SFAS No. 123, *Accounting for Stock-Based Compensation* (SFAS 123).

Periods prior to the adoption of SFAS 123(R)

Prior to the adoption of SFAS 123(R), the Company provided the disclosures required under SFAS No. 123, *Accounting for Stock-Based Compensation,* as amended by SFAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosures.* The Company generally did not recognize employee stock-based compensation expense in its statement of operations for periods prior to the adoption of SFAS 123(R) as most options granted had an exercise price equal to the market value of the underlying common stock on the date of grant.

Proforma disclosure for the three and six months ended March 31, 2005 are not presented to illustrate the effect on net loss and net loss per share as if the Company had applied the fair value recognition provisions of SFAS 123(R) to options granted under the Company s stock-based compensation plans prior to the adoption because all stock options granted were prior to the Company s initial public offering, which was completed in July 2005, were valued using the minimum value method.

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Adoption of SFAS 123(R)

The effect of recording stock-based compensation for the three and six month periods ended March 31, 2006 was as follows (in thousands):

	Three Months Ended March 31, 2006	Six Months Ended March 31, 2006
Stock-based compensation expense by type of award:		
Employee stock options	$ 83	$ 131
Amounts capitalized in inventory	(3)	(13)
Total compensation expense	$ 80	$ 118
Effect on loss per share	$ (0.01)	$ (0.01)

Total stock-based compensation recognized in our condensed statement of operations related to the adoption of SFAS 123(R) for the quarter three and six months ended March 31, 2006 is as follows (in thousands, except per share data):

	Three Months Ended March 31, 2006	Six Months Ended March 31 2006
Research and development	$ 5	$ 8
Sales and marketing	18	30
General and administrative	45	68
Total operating expense	$ 68	$ 106
Cost of Goods sold	12	12
Total compensation expense	$ 80	$ 118
Increase in basic and diluted net loss per share attributable to common stockholders	$ (0.01)	$ (0.01)

As required by SFAS 123(R), management has made an estimate of expected forfeitures and is recognizing compensation costs only for those equity awards expected to vest.

Stock Options: During the three and six months ended March 31, 2006, the Company granted approximately 169,000 and 218,000 stock options, respectively, with an estimated total grant-date fair value of $994,000 and $1.4 million, respectively. The Company estimated that the stock-based compensation for the awards not expected to vest was $143,000 and $216,000. During the three and six months ended March 31, 2006, the Company recorded stock-based compensation related to stock options of $83,000 and $131,000, respectively, for all unvested options granted prior and after the adoption of SFAS 123(R).

Valuation Assumptions

In connection with the adoption of SFAS 123(R), the Company estimated the fair value of stock options using a Black-Scholes valuation model. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option valuation model and the straight-line attribution approach with the following weighted-average assumptions:

	Three Months Ended March 31, 2006	Six Months Ended March 31, 2006
Expected volatility	58 %	59 %
Risk free interest rate	4.60 %	4.52 %
Dividend yield	0.0 %	0.0 %
Expected life	6.18 Years	6.19 Years

Proforma disclosure for the three and six months ended March 31, 2005 are not presented to illustrate the effect on net loss and net loss per share as if the Company had applied the fair value recognition provisions of SFAS 123(R) to options granted under the Company s stock based compensations plans prior to the adoption because all stock options granted were prior to the Company s initial public offering, which was completed in July 2005, were valued at the minimum value method.

Expected Term: Due to insufficient historical information, given consideration to the contractual terms of the stock-based awards, the Company adopted the simplified method for estimating the expected term pursuant to Staff Accounting Bulletin No. 107 (SAB 107) to represents the period that the Company s stock-based awards are expected to be outstanding.

Expected Volatility: The fair value of stock based payments made through the quarter ended March 31, 2006 were valued using the Black-Scholes valuation method with a volatility factor based on the Company s historical stock prices and comparable companies.

Expected Dividend: The Black-Scholes valuation model calls for a single expected dividend yield as an input. The Company has not issued any dividends.

Risk-Free Interest Rate: The Company bases the risk-free interest rate used in the Black-Scholes valuation method on the implied yield currently available on U.S. Treasury constant maturities with an approximate equivalent remaining term.

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Estimated Pre-vesting Forfeitures: When estimating forfeitures, the Company considers voluntary termination behavior.

Stock Option Activity

The following is a summary of options activities (amount in thousands, except per share amounts):

	Options Outstanding		
	Shares Available for Grant	Number of Shares	Weighted Average Exercise Price
Balance as of September 30, 2005	42	1,028	$ 1.37
Increase in authorized shares	480		
Granted	(218)	218	6.23
Canceled	15	(15)	4.40
Exercised		(102)	0.78
Expired	1	(1)	2.8
Balance as of March 31, 2006	320	1,128	$ 2.32

The options outstanding and exercisable at March 31, 2006 were in the following exercise price ranges (amount in thousands, except per share amounts):

	Options Outstanding				Options Exercisable			
Range of Exercise Prices	Number of Outstanding Shares	Weighted Average Remaining Contractual Life (in Yrs)	Weighted Average Exercise Price	Aggregate Intrinsic Value	Number of Outstanding Shares	Weighted Average Remaining Contractual Life (in Yrs)	Weighted Average Exercise Price	Aggregate Intrinsic Value
$0.00 1.00	821	7.5	$ 0.79	$ 3,658	591	7.5	$ 0.79	$ 2,634
1.01 2.00	2	3.5	2.00	7	2	3.5	2.00	7
2.01 5.00	10	4.1	2.80	24	10	4.1	2.80	24
5.01 5.85	31	9.9	5.67					
5.86 7.00	161	9.7	6.10		4	9.7	5.86	
7.01 9.00	103	9.5	7.54		4	9.9	7.48	
	1,128	8.0	$ 2.32	$ 3,689	611	8.0	$ 0.90	$ 2,665

The aggregate intrinsic value in the table above represents the total intrinsic value, based on the Company s average stock price of $5.85 during the quarter ended March 31, 2006, which would have been received by the option holders had all option holders exercised their options during the period. The total number of in-the-money options exercisable as of March 31, 2006 was 603,000.

Information regarding the Company s stock options transactions for the three and six months ended March 31, 2006 and 2005 are (in thousands except for per options information):

	Three Months Ended March 31,	Six Months Ended March 31,
	2006	2006
Total fair value of shares vested	$ 107	$ 131
Total intrinsic value of options exercised	454	488
Total cash received from employees from exercises of options	61	80
Weighted average exercise price of options granted	$ 5.88	$ 6.23

In connection with the above exercises, there was no tax benefit realized by the Company due to the Company s current loss position. The Company issues new shares of common stock upon exercise of stock options.

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A summary of the status of the Company s non-vested shares as of March 31, 2006 and changes during the period ended March 31, 2006, is presented below (amount in thousands, except per share amounts):

	Number of Shares	Weighted Average Grant Dated Fair Value
Non-vested at September 30, 2005	423	$ 2.14
Granted	218	6.23
Vested	(109)	1.21
Cancelled /forfeited	(15)	4.40
Non-vested at March 31, 2006	517	4.00

As of March 31, 2006, there was $527,000 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under both of the plans. The cost is expected to be recognized over a weighted average period of 3 years.

4) Net Loss Per Share

Basic earnings per share is computed by dividing net loss (numerator) by the weighted average number of common shares outstanding (denominator) during the period. Diluted earnings per share gives effect to all potential dilutive common stock outstanding during a period, if dilutive.

The following outstanding options, redeemable convertible preferred stock and warrants were excluded from the computation of diluted net loss per common share for the periods presented because including them would have had an antidilutive effect (in thousands):

	Three and six months Ended March 31,	
	2006	2005
Redeemable convertible preferred stock (as if converted)		5,489
Options to purchase common stock	1,128	999
Warrants to purchase redeemable convertible preferred stock (as if converted)		127
Warrants to purchase common stock	922	45

5) Contingencies

The Company is not presently party to any material litigation.

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6) Segment Reporting

The Company derives significant revenue from outside the United States, primarily in Europe. Revenue by geographic area, based on the customer shipment location, were as follows, (in thousands)

	Three Months Ended March 31,		Six Months Ended March 31,	
Revenue by Geographic Area	**2006**	**2005**	**2006**	**2005**
United States	$ 3,294	$ 1,362	$ 6,111	$ 2,428
Germany	249	261	517	616
Spain	165	101	333	174
Other	334	76	517	199
Total revenue	$ 4,042	$ 1,800	$ 7,478	$ 3,417

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion contains trend information and other forward-looking statements that involve a number of risks and uncertainties. Forward-looking statements include, but are not limited to, statements such as those regarding anticipated growth or expansion of our business, expansion of reimbursement, our ability to achieve cost reductions and increases in production volumes, increases in gross margin, increases in research and development and sales and marketing expenses over the course of the next fiscal year, decreases in general and administrative expenses over the course of the next fiscal year, and the sufficiency of our cash to fund our operations for the next twelve months. Our actual results could differ materially from our historical results and those discussed in the forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, those identified Part II, Item 1A, Risk Factors. This discussion should be read in conjunction with the Consolidated Financial Statements and accompanying notes and with our Annual Report on Form 10-K for the year ended September 30, 2005.

Overview

We develop, manufacture and sell easy-to-use, handheld blood coagulation monitoring systems for use by patients and healthcare professionals in the management of warfarin medication. Our product, the INRatio System, measures the patient s blood clotting time to ensure that patients with a propensity to form clots are maintained within the therapeutic range with the proper dosage of oral anticoagulant therapy. Our system is 510(k) cleared by the U.S. Food and Drug Administration, or FDA, for use by healthcare professionals as well as for patient self-testing. Our system is also CE marked in Europe. The INRatio System is targeted to both the professional, or point-of-care, market as well as the patient self-testing market, the latter being an opportunity that has emerged primarily following the establishment of Medicare reimbursement in 2002 for mechanical heart valve patients.

We believe the key factors underlying our past and anticipated future revenue growth include:

the ease of use and reliability of our INRatio System with quality controls integrated into the test strip;

continued and expanded reimbursement by insurance companies and Medicare;

our network of national, regional and international distribution partners;

our field sales personnel and marketing programs;

placing additional meters worldwide in the point-of-care environment;

rapid development of a patient self-testing market;

adoption of the INRatio System by patients and their treating physicians; and

the continual improvement of our technology.

Currently, Medicare and private payors reimburse Prothrombin time, international normalized ratio, or PT/INR testing in the point-of-care environment for all indications. Medicare reimburses patient self-testing only for patients with mechanical heart valves, while reimbursement policies among private payors vary. Our revenue growth is dependent on such

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reimbursement continuing without any significant erosion in the reimbursement amounts. We believe that there is a significant additional opportunity in patient self-testing for other indications, such as atrial fibrillation, in the event that reimbursement is expanded. If Medicare reimbursement for patient self-testing by atrial fibrillation patients is not established in a timely fashion or at all, our future revenue growth will be substantially limited.

Our cost of goods sold represents the cost of manufacturing our products. Our meters are manufactured for us by an electronics manufacturing service company, and we incur direct labor costs to assemble meters into packaged kits at our facility. Our cost of goods sold for the meter also includes an allowance for product warranty obligations. Our disposable test strips are manufactured by us at our facility, and our cost of goods sold is comprised of cost of materials, direct labor, associated overhead, yield losses and lot rejects, royalties on sales, and license fee costs. Included in royalties on sales is a royalty payable in connection with our settlement with Inverness.

On April 5, 2006 we signed an agreement with J-PAC, a medical device assembly and packaging services company, to provide highly customized packaging services for our test strips. We believe that the expansion of our production capacity through this agreement will help us meet expected demand for test strips and move us towards our ultimate goal of profitability. As a result the cost of our test strip should decline over the remainder of the fiscal year.

The manufacturing cost structure for our test strips currently includes a large component of fixed costs which is being spread over production that has not been fully maximized. We expect that increases in production volume will be a significant factor for cost reduction for our test strips. We achieved a gross margin for the first time during the quarter ended September 30, 2005 which has continued through the quarter ended March 31, 2006, where we achieved a 25% gross margin. We believe continuing volume increases and process improvements will sustain and enhance cost reductions for our products in the future.

Results of Operations

The following table sets forth our results of operations (in thousands) expressed as a percentage of total revenue. Our historical operating results are not necessarily indicative of the results for any future period.

	Three Months Ended March 31,					
	2006		2005		Amount of Increase (Decrease)	Percent Increase (Decrease)
	Amount	% of Sales	Amount	% of Sales		
Revenue	$ 4,042	100%	$ 1,800	100%	$ 2,242	125%
Cost of goods sold	3,036	75	2,339	130	697	30
Gross profit (loss)	1,006	25	(539)	(30)	1,545	287
Operating expenses						
Research and development	667	17	229	13	438	191
Sales and marketing	2,064	51	1,604	89	460	29
General and administrative	1,103	27	525	29	578	110
Total operating expenses	3,834	95	2,358	131	1,476	63
Loss from operations	(2,828)	(70)	(2,897)	(161)	69	2
Interest income	161	4	9	1	152	1,689
Interest and other expense, net	(318)	(8)	(231)	(13)	(87)	38
Net loss	$ (2,985)	(74)%	$ (3,119)	(173)%	$ 134	4%

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	Six Months Ended March 31,