

QUICKLOGIC CORPORATION
Form 10-Q
December 22, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

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 July 2, 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: 000-22671

QUICKLOGIC CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

77-0188504

(I.R.S. Employer Identification No.)

1277 ORLEANS DRIVE SUNNYVALE, CA 94089

(Address of principal executive offices, including Zip Code)

(408) 990-4000

(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 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.

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 Securities Exchange Act of 1934). Yes No

As of December 14, 2006, 28,679,626 shares of the registrant's common stock were outstanding.

QUICKLOGIC CORPORATION

FORM 10-Q

JUNE 30, 2006

	Page
<u>Part I. Financial Information</u>	3
<u>Item 1. Financial Statements</u>	3
<u>Condensed Unaudited Consolidated Statements of Operations for the three and six months ended June 30, 2006 and 2005</u>	3
<u>Condensed Unaudited Consolidated Balance Sheets as of June 30, 2006 and December 31, 2005</u>	4
<u>Condensed Unaudited Consolidated Statements of Cash Flows for the six months ended June 30, 2006 and 2005</u>	5
<u>Condensed Unaudited Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended June 30, 2006 and 2005</u>	6
<u>Notes to Condensed Unaudited Consolidated Financial Statements</u>	7
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	28
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	41
<u>Item 4. Controls and Procedures</u>	42
<u>Part II. Other Information</u>	43
<u>Item 1. Legal Proceedings</u>	43
<u>Item 1A. Risk Factors</u>	44
<u>Item 4. Submission of Matters to a Vote of Security Holders</u>	57
<u>Item 6. Exhibits</u>	58
<u>Signatures</u>	59

PART I. Financial Information**Item 1. Financial Statements**

QUICKLOGIC CORPORATION
CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2006	2005	June 30, 2006	2005
Revenue	\$ 9,249	\$ 12,770	\$ 18,582	\$ 25,297
Cost of revenue	4,221	4,614	7,981	9,502
Gross profit	5,028	8,156	10,601	15,795
Operating expenses:				
Research and development	2,357	2,334	4,757	4,788
Selling, general and administrative	4,594	4,042	9,211	8,340
Income (loss) from operations	(1,923)	1,780	(3,367)	2,667
Write-down of marketable securities		(1,466)		(1,466)
Interest expense	(96)	(53)	(170)	(106)
Interest income and other, net	341	90	633	170
Income (loss) before income taxes	(1,678)	351	(2,904)	1,265
Provision for income taxes	21	31	23	81
Net income (loss)	\$ (1,699)	\$ 320	\$ (2,927)	\$ 1,184
Net income (loss) per share:				
Basic	\$ (0.06)	\$ 0.01	\$ (0.10)	\$ 0.04
Diluted	\$ (0.06)	\$ 0.01	\$ (0.10)	\$ 0.04
Weighted average shares:				
Basic	28,519	26,747	28,290	26,566
Diluted	28,519	27,921	28,290	27,678

See accompanying Notes to Condensed Unaudited Consolidated Financial Statements.

QUICKLOGIC CORPORATION
CONDENSED UNAUDITED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value amount)

	June 30, 2006	December 31, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 30,173	\$ 28,283
Short-term investment in Tower Semiconductor Ltd.	1,252	1,297
Accounts receivable, net of allowances for doubtful accounts of \$669 and \$1,042, respectively	4,475	5,556
Inventory	7,433	7,830
Other current assets	1,206	1,265
Total current assets	44,539	44,231
Property and equipment, net	6,019	5,697
Investment in Tower Semiconductor Ltd.	630	653
Other assets	4,385	4,415
TOTAL ASSETS	\$ 55,573	\$ 54,996