

INSIGNIA SYSTEMS INC/MN  
Form 10-Q  
July 31, 2012

Table of Contents

**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, 2012**

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: 1-13471

INSIGNIA SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Minnesota  
(State or other jurisdiction of incorporation or organization)

41-1656308  
(IRS Employer Identification No.)

**8799 Brooklyn Blvd.**

**Minneapolis, MN 55445**

(Address of principal executive offices)

**(763) 392-6200**

(Registrant's telephone number, including area code)

**Not applicable.**

(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 report(s), 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, 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    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

Number of shares outstanding of Common Stock, \$.01 par value, as of July 26, 2012 was 13,602,280.

Insignia Systems, Inc.

**TABLE OF CONTENTS**

<b><u>PART I. FINANCIAL INFORMATION</u></b>	2
<b><u>Item 1. Financial Statements</u></b>	2
<u>Condensed Balance Sheets – June 30, 2012 (unaudited) and December 31, 2011</u>	2
<u>Statements of Operations – Three and six months ended June 30, 2012 and 2011 (unaudited)</u>	3
<u>Statements of Cash Flows – Six months ended June 30, 2012 and 2011 (unaudited)</u>	4
<u>Notes to Financial Statements – June 30, 2012 (unaudited)</u>	5
<b><u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u></b>	8
<b><u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u></b>	14
<b><u>Item 4. Controls and Procedures</u></b>	14
<b><u>PART II. OTHER INFORMATION</u></b>	15
<b><u>Item 1. Legal Proceedings</u></b>	15
<b><u>Item 1A. Risk Factors</u></b>	15
<b><u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u></b>	15
<b><u>Item 3. Defaults Upon Senior Securities</u></b>	15
<b><u>Item 4. Mine Safety Disclosures</u></b>	15
<b><u>Item 5. Other Information</u></b>	15
<b><u>Item 6. Exhibits</u></b>	16

Table of Contents**PART I. FINANCIAL INFORMATION**

## Item 1. Financial Statements

**Insignia Systems, Inc.****CONDENSED BALANCE SHEETS**

	June 30, 2012 (Unaudited)	December 31, 2011
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$19,607,000	\$23,202,000
Accounts receivable, net	2,601,000	2,663,000
Inventories	305,000	321,000
Deferred tax assets, net	483,000	483,000
Income tax receivable	1,295,000	373,000
Prepaid expenses and other	633,000	814,000
Total Current Assets	24,924,000	27,856,000
Other Assets:		
Property and equipment, net	2,438,000	2,759,000
Other assets, net	3,638,000	3,979,000
Total Assets	\$31,000,000	\$34,594,000
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$2,174,000	\$2,444,000
Accrued liabilities	1,812,000	1,902,000
Income tax payable	—	748,000
Deferred revenue	310,000	91,000
Total Current Liabilities	4,296,000	5,185,000
Long-Term Liabilities:		
Accrued compensation	—	800,000
Deferred tax liabilities, net	326,000	326,000
Accrued income taxes	424,000	424,000
Total Liabilities	5,046,000	6,735,000
Commitments and Contingencies	—	—
Shareholders' Equity:		
Common stock, par value \$0.01:		
Authorized shares - 40,000,000		

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Issued and outstanding shares - 13,602,000 at June 30, 2012 and 13,630,000 at December 31, 2011	136,000	136,000
Additional paid-in capital	22,586,000	22,418,000
Retained earnings	3,232,000	5,305,000
Total Shareholders' Equity	25,954,000	27,859,000
Total Liabilities and Shareholders' Equity	\$31,000,000	\$34,594,000

*See accompanying notes to financial statements.*

Table of Contents**Insignia Systems, Inc.****STATEMENTS OF OPERATIONS**

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2012	2011	2012	2011
Services revenues	\$4,311,000	\$4,446,000	\$7,779,000	\$8,820,000
Products revenues	462,000	580,000	991,000	1,153,000
Total Net Sales	4,773,000	5,026,000	8,770,000	9,973,000
Cost of services	2,988,000	2,705,000	5,675,000	5,248,000
Cost of goods sold	291,000	383,000	701,000	751,000
Total Cost of Sales	3,279,000	3,088,000	6,376,000	5,999,000
Gross Profit	1,494,000	1,938,000	2,394,000	3,974,000
Operating Expenses:				
Selling	1,128,000	1,408,000	2,774,000	2,963,000
Marketing	255,000	433,000	689,000	847,000
General and administrative	825,000	1,237,000	1,899,000	3,263,000
Gain from litigation settlement, net	—	—	—	(89,762,000)
Total Operating Expenses, net	2,208,000	3,078,000	5,362,000	(82,689,000)
Operating Income (Loss)	(714,000 )	(1,140,000 )	(2,968,000 )	86,663,000
Other income	7,000	21,000	14,000	42,000
Income (Loss) Before Taxes	(707,000 )	(1,119,000 )	(2,954,000 )	86,705,000
Income tax benefit (expense)	211,000	444,000	881,000	(33,507,000)
Net Income (Loss)	\$(496,000 )	\$(675,000 )	\$(2,073,000 )	\$53,198,000
Net income (loss) per share:				
Basic	\$(0.04 )	\$(0.04 )	\$(0.15 )	\$3.37
Diluted	\$(0.04 )	\$(0.04 )	\$(0.15 )	\$3.26
Shares used in calculation of net income (loss) per share:				
Basic	13,602,000	15,542,000	13,607,000	15,766,000
Diluted	13,602,000	15,542,000	13,607,000	16,341,000
Cash dividends declared per common share:	\$0.00	\$0.00	\$0.00	\$2.00

*See accompanying notes to financial statements.*





Table of Contents**Insignia Systems, Inc.****STATEMENTS OF CASH FLOWS**

(Unaudited)

Six Months Ended June 30	2012	2011
<b>Operating Activities:</b>		
Net income (loss)	\$ (2,073,000)	\$ 53,198,000
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	567,000	256,000
Deferred income tax expense	—	5,385,000
Stock-based compensation expense	250,000	372,000
Changes in operating assets and liabilities:		
Accounts receivable	62,000	(195,000 )
Inventories	16,000	(20,000 )
Income tax receivable	(922,000 )	—
Prepaid expenses and other	322,000	(618,000 )
Accounts payable	(270,000 )	(860,000 )
Accrued liabilities	(890,000 )	(164,000 )
Income tax payable	(748,000 )	15,143,000
Accrued income taxes	—	353,000
Excess tax benefit from stock options	—	(2,240,000 )
Deferred revenue	219,000	216,000
Net cash provided by (used in) operating activities	(3,467,000)	70,826,000
<b>Investing Activities:</b>		
Purchases of property and equipment	(46,000 )	(1,180,000 )
Acquisition of selling arrangement	—	(4,000,000 )
Proceeds from sale of investments	—	500,000
Net cash used in investing activities	(46,000 )	(4,680,000 )
<b>Financing Activities:</b>		
Proceeds from issuance of common stock	131,000	3,090,000
Excess tax benefit from stock options	—	2,240,000
Dividends paid	—	(31,335,000)
Repurchase of		