

CoroWare, Inc,
Form 10-Q
November 21, 2011

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 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: 000-33231

COROWARE, INC.

(EXACT NAME OF THE COMPANY AS SPECIFIED IN ITS CHARTER)

Delaware	95-4868120
(State or Other	(I.R.S. Employer
Jurisdiction	
of Incorporation)	Identification No.)

1410 Market Street, Suite 200

Kirkland, WA 98033

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(800) 641-2676

(ISSUER REGISTRANT TELEPHONE NUMBER)

Indicate by check mark whether the Company (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 Company 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 Company (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 Company 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 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.

Edgar Filing: CoroWare, Inc, - Form 10-Q

Large accelerated filer	<input type="radio"/>	Accelerated filer	<input type="radio"/>
Non-accelerated filer			
(Do not check if a smaller reporting company)	<input type="radio"/>	Smaller reporting company	<input checked="" type="radio"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of November 14, 2011 there were 796,117,874 shares of the issuer's \$.001 par value common stock outstanding.

-1-

COROWARE, INC.
September 30, 2011 QUARTERLY REPORT ON FORM 10-Q

TABLE OF CONTENTS

PAGE

PART I – FINANCIAL INFORMATION

- Item 1. Consolidated Financial Statements
 - Consolidated Balance Sheets at September 30, 2011 (Unaudited) and December 31, 2010
 - Unaudited Consolidated Statements of Operations for the three and nine months ended September 30, 2011 and 2010
 - Unaudited Consolidated Statements of Cash Flows for the nine months ended September 30, 2011 and 2010
 - Notes to Unaudited Consolidated Financial Statements
- Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations
- Item 3. Quantitative and Qualitative Disclosures About Market Risk
- Item 4. Controls and Procedures

PART II – OTHER INFORMATION

- Item 1. Legal Proceedings
- Item 1A. Risk Factors
- Item 2. Unregistered Sales of Equity Securities and Use of Funds
- Item 3. Defaults Upon Senior Securities
- Item 4. Removed and Reserved
- Item 5. Other Information
- Item 6. Exhibits

SIGNATURES

COROWARE, INC.
CONSOLIDATED BALANCE SHEETS

ASSETS

	September 30, 2011 (Unaudited)	December 31, 2010
Current assets:		
Cash	\$16,614	\$-
Accounts receivable, net	152,865	188,988
Inventory	3,967	4,818
Other current assets	13,434	10,673
Total current assets	186,880	204,479
Property and equipment, net	26,017	31,391
Intangible assets, net	-	11,081
Other assets, net	8,233	4,731
TOTAL ASSETS	\$221,130	\$251,682

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities:		
Lines of credit	\$128,780	\$124,991
Obligations collateralized by receivables	95,796	102,389
Accounts payable and accrued expenses	4,334,579	3,811,415
Accrued expenses, related parties	110,916	150,536
Notes payable	202,232	263,133
Notes payable, related parties	220,269	292,812
Derivative liability	4,905,910	1,825,216
Current maturities of convertible debt, net of discount	2,127,447	2,292,410
Redeemable preferred stock, Series B, \$.001 par value, 10,000,000 shares authorized, 159,666 shares issued and outstanding as of September 30, 2011 and December 31, 2010	425,775	260,958
Small Business Administration Loan	980,450	982,450
Total current liabilities	13,532,153	10,106,310
Long term liabilities:		
Convertible debt, net of discount and current portion	127,373	-
Total liabilities	13,659,526	10,106,310
Commitments		
Stockholders' deficit:		
Common stock, \$.001 par value, 900,000,000 shares authorized, 796,117,874 and 88,590,637 shares issued and 796,117,040 and outstanding at September 30, 2011 and December 31, 2010, respectively	88,589,803	88,591
Additional paid-in capital	15,437,740	15,530,450
Accumulated deficit	(29,636,555)	(25,437,969)
Treasury stock	(35,700)	(35,700)

Total stockholders' deficit	(13,438,396)	(9,854,628)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$221,130	\$251,682

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

-3-

COROWARE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three and Nine Months ended September 30, 2011 and 2010
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Revenues	\$389,089	\$376,648	\$1,277,358	\$1,555,270
Cost of revenues	289,945	243,621	849,347	1,176,497
Gross profit	99,144	133,027	428,011	378,773
Operating expenses:				
General and administrative	182,588	241,093	658,083	730,606
Sales and marketing	68,824	176,636	251,322	271,759
Research and development	20,372	51,097	106,562	86,904
Depreciation and amortization	3,000	10,550	20,081	31,350
Total operating expenses				