INFOSONICS Corp
Form 10-Q
August 14, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2014

Commission File Number - 001-32217

InfoSonics Corporation

(Exact name of registrant as specified in its charter)

Maryland	**33-0599368**
(State or other jurisdiction of	**(IRS Employer**

incorporation or organization) **Identification Number)**

3636 Nobel Drive, Suite #325, San Diego, CA 92122

(Address of principal executive offices including zip code)

(858) 373-1600

(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 has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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. (Check one):

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

As of August 14, 2014, the Registrant had 14,358,062 shares outstanding of its $0.001 par value common stock.

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InfoSonics Corporation

FORM 10-Q

For quarterly period ended June 30, 2014

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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

InfoSonics Corporation and Subsidiaries

Consolidated Statements of Operations and Comprehensive Income (Loss)

(Amounts in thousands, except per share data)

(unaudited)

	For the Three Months Ended June 30, 2014	For the Three Months Ended June 30, 2013	For the Six Months Ended June 30, 2014	For the Six Months Ended June 30, 2013
Net sales	$ 10,445	$ 8,342	$ 22,069	$ 16,163
Cost of sales	8,416	6,612	17,967	13,051
Gross profit	2,029	1,730	4,102	3,112
Operating expenses:				
Selling, general and administrative	1,737	1,799	3,522	3,542
Research and development	157	500	384	898
	1,894	2,299	3,906	4,440
Operating income (loss)	135	(569)	196	(1,328)
Other income (expense):				
Other income (expense)	1	535	(2)	586
Interest, net	(27)	5	(27)	11
Income (loss) before provision for income taxes	109	(29)	167	(731)
Provision for income taxes		(18)	(3)	(25)
Net income (loss)	$ 109	$ (47)	$ 164	$ (756)
Net income (loss) per share:				
Basic	$ 0.01	$ (0.00)	$ 0.01	$ (0.05)
Diluted	$ 0.01	$ (0.00)	$ 0.01	$ (0.05)
Weighted-average number of common shares outstanding:				
Basic	14,356	14,184	14,288	14,184
Diluted	14,814	14,184	14,812	14,184
Comprehensive income (loss):				
Net income (loss)	$ 109	$ (47)	$ 164	$ (756)
Foreign currency translation adjustments	5	(35)	(8)	(2)
Comprehensive income (loss)	$ 114	$ (82)	$ 156	$ (758)

Accompanying notes are an integral part of these consolidated financial statements.

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InfoSonics Corporation

Consolidated Balance Sheets

(Amounts in thousands, except per share data)

	June 30, 2014 (unaudited)	December 31, 2013 (audited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,005	$ 2,369
Trade accounts receivable, net of allowance for doubtful accounts of $163 and $373, respectively	12,775	11,856
Other accounts receivable	67	163
Inventory	3,941	2,467
Prepaid assets	2,256	3,435
Total current assets	21,044	20,290
Property and equipment, net	154	200
Other assets	59	179
Total assets	$ 21,257	$ 20,669
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 1,919	$ 1,161
Accrued expenses	2,678	3,180
Total current liabilities	4,597	4,341
Commitments and Contingencies (Note 12)		
Stockholders equity:		
Preferred stock, $0.001 par value, 10,000 shares authorized (no shares issued and outstanding)		
Common stock, $0.001 par value, 40,000 shares authorized; 14,356 and 14,184 shares issued and outstanding as of June 30, 2014 and December 31, 2013, respectively	14	14
Additional paid-in capital	32,567	32,391
Accumulated other comprehensive loss	(26)	(18)
Accumulated deficit	(15,895)	(16,059)
Total stockholders equity	16,660	16,328
Total liabilities and stockholders equity	$ 21,257	$ 20,669

Accompanying notes are an integral part of these consolidated financial statements.

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InfoSonics Corporation

Consolidated Statements of Cash Flows

(Amounts in thousands)

(unaudited)

	For the Six Months Ended June 30, 2014	2013
Cash flows from operating activities:		
Net income (loss)	$ 164	$ (756)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	78	143
Loss on disposal of fixed assets	11	47
Provision for (recovery of) bad debts	(43)	34
Provision for obsolete inventory	94	(104)
Stock-based compensation expense	41	92
(Increase) decrease in:		
Trade accounts receivable	(876)	2,626
Other accounts receivable	96	5
Inventory	(1,568)	1,077
Prepaids	1,179	(1,247)
Other assets	120	52
Increase (decrease) in:		
Accounts payable	758	(633)
Accrued expenses	(502)	(1,074)
Net cash provided by (used in) operating activities	(448)	262
Cash flows from investing activities:		
Purchase of property and equipment	(43)	(58)
Decrease in restricted cash		1,003
Net cash provided by (used in) investing activities	(43)	945
Cash flows from financing activities:		
Borrowings on line of credit	1,249	
Repayments on line of credit	(1,249)	
Cash received from exercise of stock options	135	
Net cash provided by financing activities	135	
Effect of exchange rate changes on cash	(8)	(2)
Net increase (decrease) in cash and cash equivalents	(364)	1,205
Cash and cash equivalents, beginning of period	2,369	5,230
Cash and cash equivalents, end of period	$ 2,005	$ 6,435
Cash paid for interest	$ 28	$

Cash paid for income taxes	$	$

Accompanying notes are an integral part of these consolidated financial statements.

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InfoSonics Corporation

Condensed Notes to Consolidated Financial Statements

(unaudited)

NOTE 1. Basis of Presentation

The accompanying unaudited consolidated financial statements and these condensed notes have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities Exchange Act of 1934, as amended (the Exchange Act). Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. The preparation of financial statements requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results are likely to differ from those estimates, but management does not believe such differences will materially affect the financial position or results of operations of InfoSonics Corporation (the Company), although they may. These unaudited consolidated financial statements and condensed notes should be read in conjunction with the financial statements and notes as of and for the year ended December 31, 2013 included in the Company s Annual Report on Form 10-K.

The Company s consolidated financial statements include assets, liabilities and operating results of its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

In the opinion of management, these unaudited consolidated financial statements reflect all normal recurring adjustments considered necessary to fairly present the Company s results of operations, financial position and cash flows as of June 30, 2014 and for all periods presented. The results reported in these consolidated financial statements for the three and six months ended June 30, 2014 are not necessarily indicative of the operating results, financial condition or cash flows that may be expected for the full fiscal year of 2014 or for any future period.

NOTE 2. Stock-Based Compensation

The Company has two stock-based compensation plans: the 2006 Equity Incentive Plan (2006 Plan) and the 2003 Stock Option Plan (2003 Plan). Each of the plans was approved by our stockholders. As of June 30, 2014, options to purchase 709,000 shares were outstanding under the 2006 Plan and 467,000 shares were available for grant thereunder. During the quarter ended June 30, 2014, the final 12,000 options outstanding under the 2003 Plan expired, and the 2003 Plan was terminated.

The Company s stock options vest on an annual or a monthly basis. The Company recognizes stock-based compensation expense on a straight-line basis over the requisite service period of the award, which is generally the option vesting term. Such amount may change as a result of additional grants, forfeitures, modifications in assumptions and other factors. Income tax effects of share-based payments are recognized in the financial statements for those awards which will normally result in tax deductions under existing tax law. During the three and six months ended June 30, 2014, we recorded an expense of $20,000 and $41,000, respectively, related to options previously granted. During the three and six months ended June 30, 2013, we recorded an expense of $25,000 and $52,000, respectively, related to options previously granted. Under current U.S. federal tax law, we receive a compensation expense deduction related to non-qualified stock options only when those options are exercised and vested shares are received. Accordingly, the financial statement recognition of compensation expense for non-qualified stock options creates a deductible temporary difference that results in a deferred tax asset and a corresponding deferred tax benefit in our consolidated statements of operations.

During the six months ended June 30, 2014 and 2013, the Company did not grant any stock options. As of June 30, 2014, there was $101,000 of total unrecognized compensation expense related to non-vested stock options. That expense is expected to be recognized over the remaining weighted-average period of 1.43 years.

A summary of option activity under all of the above plans as of June 30, 2014 and changes during the six months then ended is presented in the table below (shares in thousands):

	Shares	Wtd. Avg. Exercise Price	Wtd. Avg. Remaining Contractual

				Life in Years
Outstanding at December 31, 2013	893	$	0.72	
Granted		$		
Exercised	(172)	$	0.78	
Expired	(12)	$	3.00	
Outstanding at June 30, 2014	709	$	0.67	4.48
Vested and expected to vest	685	$	0.66	4.42
Exercisable at June 30, 2014	503	$	0.64	3.68

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A summary of the status of the Company s non-vested options at June 30, 2014 and changes during the six months then ended is presented below (shares in thousands):

	Shares	Weighted-average grant-date fair value
Non-vested at December 31, 2013	276	$ 0.58
Granted		$
Vested	(70)	$ 0.58
Forfeited		$
Non-vested at June 30, 2014	206	$ 0.58

During the quarter ended June 30, 2010, the Company established a wholly owned subsidiary in Hong Kong to serve as the base for the Company s sales and marketing efforts of its proprietary line of *verykool*® products in Asia-Pacific. It also established a wholly owned subsidiary of the Hong Kong entity in China for the purpose of designing and developing *verykool*® products. The Company funded the combined operations of these entities with $1.0 million and agreed to invest up to $1.0 million in additional funding as needed. In order to provide incentives to the China development team, the Company granted a warrant exercisable for 38% of the equity ownership of the Hong Kong subsidiary to a management company for the benefit of the China employees. The total exercise price of the warrant was $1.00, with vesting to occur one-third upon the first anniversary of the warrant and the remaining two-thirds to vest on a monthly basis over the succeeding 24 months. The warrant had a 6-year life, but was not exercisable until May 5, 2013, the third anniversary of its issuance. However, on April 24, 2013, the memorandum of understanding underlying the warrant was terminated as a consequence of the departure of key management members, which resulted in immediate cancellation of the unexercised warrant.

The Company evaluated the warrant on its Hong Kong subsidiary in accordance with ASC 718-50 and concluded that because the warrants were issued to the management company for allocation at its discretion, the proper treatment of the warrants was as specified in ASC 505-50 as equity-based payments to non-employees in exchange for services. The Company also concluded that the estimated fair value of the warrant at the date of grant was $365,000. The Company recorded the expense for this warrant based upon its estimated fair value on a straight-line basis over the three year performance period. During the three and six months ended June 30, 2013, we recorded an expense of $10,000 and $40,000, respectively, related to this warrant. No similar expense was recorded during the three and six months ended June 30, 2014.

The Company s stock-based compensation is classified in the same expense line items as cash compensation. Information about stock-based compensation included in the unaudited results of operations for the three and six months ended June 30, 2014 and 2013 is as follows (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
Officer compensation	$ 9	$ 15	$ 18	$ 31
Non-employee directors	4	4	9	9
Sales, general and administrative	7	6	14	12
Research and development		10		40
Total stock option/warrant expense, included in total operating expenses	$ 20	$ 35	$ 41	$ 92

NOTE 3. Earnings Per Share

Basic earnings per share are computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding. Diluted earnings per share is computed similarly to basic earnings per share, except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential additional common shares that were dilutive had been issued. Common share equivalents are excluded from the computation if their effect is anti-dilutive. The Company s common share equivalents consist of stock options.

Common shares from the potential exercise of certain options may be excluded from the computation of earnings (loss) per share if their exercise prices are greater than the Company s average stock price for the period. For the three and six months ended June 30, 2014, no such shares were excluded. For the three and six months ended June 30, 2013, the number of shares excluded was 643,000 and 506,000, respectively. In addition, because their effect would have been anti-dilutive to the loss in the period, common shares from exercise of in-the-money options for the six months ended June 30, 2013 of 137,000 have also been excluded from the computation of net loss per share. There were no in-the-money options for the three months ended June 30, 2013.

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NOTE 4. Income Taxes

The Company made a comprehensive review of its portfolio of uncertain tax positions in accordance with applicable standards of the Financial Accounting Standards Board (FASB). In this regard, an uncertain tax position represents the Company s expected treatment of a tax position taken in a filed tax return, or planned to be taken in a future tax return, that has not been reflected in measuring income tax expense for financial reporting purposes. As a result of this review, the Company concluded that at this time there are no uncertain tax positions, and there has been no cumulative effect on retained earnings.

The Company is subject to U.S. federal income tax as well as income tax in multiple states and foreign jurisdictions. For all major taxing jurisdictions, the tax years 2004 through 2013 remain open to examination or re-examination. As of June 30, 2014, the Company does not expect any material changes to unrecognized tax positions within the next twelve months.

The Company recognizes the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity s financial statements or tax returns. Judgment is required in assessing the future tax consequences of events that have been recognized in our financial statements or tax returns. Fluctuations in the actual outcome of these future tax consequences could materially impact the Company s financial position or results of operations. For the three and six months ended June 30, 2014, deferred income tax assets and the corresponding valuation allowance decreased by $31,000 and $263,000, respectively.

NOTE 5. Inventory

Inventory is stated at the lower of cost (first-in, first-out) or market and consists primarily of cellular phones and cellular phone accessories. The Company records a reserve against inventories to account for obsolescence and possible price concessions required to liquidate inventories below cost. During the six months ended June 30, 2014, the inventory reserve balance was increased by $94,000. As of June 30, 2014 and December 31, 2013, the inventory reserve was $178,000 and $84,000, respectively. From time to time, the Company has prepaid inventory as a result of payments for products which have not been received by the balance sheet date. As of June 30, 2014 and December 31, 2013, the prepaid inventory balances were $1,706,000 and $2,968,000, respectively, which are included in prepaid assets in the accompanying consolidated balance sheets. Inventory consists of the following (in thousands):

	June 30, 2014 (unaudited)	December 31, 2013 (audited)
Finished goods	$ 4,119	$ 2,551
Inventory reserve	(178)	(84)
Net inventory	$ 3,941	$ 2,467

NOTE 6. Property and Equipment

Property and equipment are primarily located in the United States and China, including test fixtures and computer equipment at the Company s development subsidiary in China and certain tooling and product molds located at outsourced manufacturers in Asia. Fixed assets consisted of the following (in thousands):

	June 30, 2014 (unaudited)	December 31, 2013 (audited)
Machinery and equipment	$ 273	$ 278
Tooling and molds	585	557
Furniture and fixtures	130	131
Subtotal	988	966
Less accumulated depreciation	(834)	(766)

Total	$	154	$	200

Depreciation expense for the three and six months ended June 30, 2014 was $30,000 and $78,000, respectively, and for the three and six months ended June 30, 2013 was $87,000 and $143,000, respectively.

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NOTE 7. Accrued Expenses

As of June 30, 2014 and December 31, 2013, accrued expenses consisted of the following (in thousands):

	June 30, 2014 (unaudited)	December 31, 2013 (audited)
Accrued product costs (including warranty)	$ 1,336	$ 1,572
Income taxes payable	100	130
Other accruals	1,242	1,478
Total	$ 2,678	$ 3,180

NOTE 8. Line of Credit

On March 27, 2014, the Company entered into a Loan and Security Agreement and an attendant Intellectual Property Security Agreement (collectively the Agreement) with Silicon Valley Bank, pursuant to which the Company can borrow up to $2 million based upon both its domestic and foreign eligible accounts receivable multiplied by an advance rate of 80% and 70%, respectively, with eligibility determined in accordance with the Agreement (the Credit Facility). The Credit Facility is secured by substantially all of the Company s assets. Borrowings under the Credit Facility will bear interest based on the face amount of the financed receivables at the prime rate plus 4.5% for domestic receivables and 3.53% for foreign receivables. The Credit Facility, which expires September 27, 2015, contains representations and warranties, affirmative, restrictive and financial covenants, and events of default which are customary for credit facilities of this type. At June 30, 2014, the Company was in compliance with all covenants, no amounts were drawn against the Credit Facility and $2,000,000 was available.

NOTE 9. Derivative Instruments and Hedging Activities

On December 9, 2011, the Company entered into a Foreign Exchange Trading Master Agreement and a Pledge Agreement (collectively, the Agreement) with HSBC Bank USA (the Bank). Under the terms of the Agreement, the Company and the Bank could enter into spot and/or forward foreign exchange transactions and/or foreign currency options. The Company used these derivative instruments to manage the foreign currency risk associated with its trade accounts receivable that are denominated in foreign currencies, primarily the Mexican peso. In order to secure its obligations under the Agreement, the Company deposited $1 million into a restricted account. During the three months ended March 31, 2013, the Company elected to terminate the Agreement and the $1 million of restricted funds were returned to its general unrestricted accounts.

NOTE 10. Recent Accounting Pronouncements

Recently Adopted:

In March 2013, the FASB issued an update on a parent s accounting for the cumulative translation adjustment, which we refer to as CTA, upon derecognition of certain subsidiaries or group of assets within a foreign entity or of an investment in a foreign entity. The objective of the update is to resolve the diversity in practice about the appropriate guidance to apply to the release of CTA into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or a business within a foreign entity. The update provides that the entire amount of the CTA associated with the foreign entity would be released when there has been a sale of a subsidiary or group of net assets within a foreign entity and the sale represents the substantially complete liquidation of the investment in the foreign entity. This update is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2013. The update is applied prospectively from the beginning of the fiscal year of adoption. The Company adopted this guidance effective January 1, 2014, which adoption did not have an impact on the Company s consolidated financial statements.

In July 2013, the FASB issued an amendment of the income tax reporting rules intended to clarify that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward if such settlement is required or expected in the event the uncertain tax benefit is disallowed. In situations where a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction or the tax law of the jurisdiction does not require, and the entity does not intend to use the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be netted with the deferred tax asset. The amendment is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. The Company adopted this guidance effective January 1, 2014, which adoption did not have an impact on the Company s consolidated financial statements.

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Issued (Not adopted yet):

In April 2014, the FASB issued ASU No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity , which changes the criteria for determining which disposals can be presented as discontinued operations and modifies related disclosure requirements. Under the new guidance, a discontinued operation is defined as a disposal of a component or group of components that is disposed of and represents a strategic shift that has, or will have, a major effect on an entity s operations and financial results. The new guidance is effective on a prospective basis for annual fiscal periods beginning on or after December 15, 2014. We do not expect the adoption of this new guidance to have an impact on the Company s consolidated financial statements.

NOTE 11. Geographic Information

The Company currently operates in one business segment. Fixed assets are principally located in Company or third-party facilities in the United States and Asia. The unaudited net sales by geographical area for the three and six months ended June 30, 2014 and 2013 were (in thousands):

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Central America	$ 4,205	$ 3,960	$ 8,042	$ 8,875
South America	2,470	2,159	7,097	3,355
Mexico	940	228	1,167	333
U.S.-based Latin American distributors	1,740	1,545	3,534	2,995
United States	727	424	891	576
Europe, Middle East and Africa (EMEA)	353	14	1,282	17
Asia Pacific (APAC)	10	12	56	12
Total	$ 10,445	$ 8,342	$ 22,069	$ 16,163

NOTE 12. Commitments and Contingencies

Viamport Litigation

On May 22, 2012, a lawsuit was filed against the Company in Santo Domingo, Dominican Republic (Case No. FP-12-461) by Viaimport, SRL, a former customer of the Company, and served on the Company on July 12, 2012. The complaint alleged breach of contract and sought U.S. $1 million in damages. On August 31, 2012, the Company filed a lawsuit against Viaimport and its principal, Omar Hassan, in the Circuit Court of the Eleventh Judicial Circuit in and for Miami-Dade County Florida (Case No. 12-34647CA32) for non-payment of purchase obligations aggregating $288,559 and other damages. On August 12, 2013, Viaimport filed a counterclaim against InfoSonics in Miami-Dade County, which was essentially a mirror image of the Dominican Republic complaint. On November 19, 2013, InfoSonics filed a request with the Dominican Republic Court to request dismissal of the case there for lack of jurisdiction in order to have both related actions heard in Miami-Dade County. On June 30, 2014 we entered into a Settlement Agreement with Viaimport and Hassan whereby Viaimport and Hassan, jointly and severally, agreed to pay us $125,000 consisting of an immediate payment of $45,000 and the $80,000 balance in six equal monthly payments. The Company will record the payments as bad debt recoveries when received. The lawsuits in Miami have been dismissed with prejudice and the dismissal with prejudice of the Dominican Republic actions are awaiting acknowledgment by the Court.

Blue Spike Litigation

On October 8, 2013, Blue Spike, LLC (Blue Spike) filed a patent infringement lawsuit against the Company in the U.S. District Court for the Eastern District of Texas, alleging that certain of our products infringe claims of U.S. Patent No. 5,745,569. Blue Spike is seeking recovery of unspecified monetary damages. We do not believe we infringe the Blue Spike patent and intend to defend ourselves vigorously. On February 10, 2014 we filed an answer with the Court stating that we do not infringe and setting forth multiple defenses. Due to the inherent uncertainty of litigation, we cannot identify probable or estimable damages related to the lawsuit at this time.

The Company may become involved in certain other legal proceedings and claims which arise in the normal course of business. Other than as described above, as of the filing date of this report, the Company did not have any significant litigation outstanding.

NOTE 13. Fair Value of Financial Instruments

The FASB accounting guidance requires disclosure of fair value information about financial instruments, whether or not recognized in the accompanying consolidated balance sheets. Fair value as defined by the guidance is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value estimates of financial instruments are not necessarily indicative of the amounts we might pay or receive in actual market transactions. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. Effective April 1, 2008 the Company adopted and follows ASC 820, Fair Value Measurements and Disclosures (ASC 820) which established a fair value hierarchy that requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instruments categorization within the hierarchy is based on the lowest level of input that is significant to the fair value measurement.

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The Company s cash and cash equivalents and restricted cash are measured at fair value in the Company s consolidated financial statements and are valued using unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs under ASC 820). The carrying amount of our accounts receivable, other accounts receivable, prepaid expenses, accounts payable and accrued expenses reported in the consolidated balance sheets approximates fair value because of the short maturity of those instruments.

At June 30, 2014 and December 31, 2013, we did not have any material applicable nonrecurring measurements of nonfinancial assets and nonfinancial liabilities.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements, Safe Harbor Statement and Other General Information

This discussion and analysis of financial condition and results of operations should be read in conjunction with the accompanying unaudited consolidated financial statements and condensed notes thereto and other information included in this report and our Annual Report on Form 10-K for the year ended December 31, 2013 (including our 2013 audited consolidated financial statements and related notes thereto and other information). Our discussion and analysis of financial condition and results of operations are based upon, among other things, our unaudited consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States (GAAP). The preparation of financial statements in conformity with GAAP requires us to, among other things, make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent liabilities as of the date of our most recent balance sheet, and the reported amounts of revenues and expenses during the reporting periods. We review our estimates and assumptions on an ongoing basis. Our estimates are based on our historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results are likely to differ from these estimates under different assumptions or conditions, but we do not believe such differences will materially affect our financial position or results of operations, although they may. Our critical accounting policies, the policies we believe are most important to the presentation of our financial statements and require the most difficult, subjective and complex judgments are outlined in Critical Accounting Policies in our Annual Report on Form 10-K. All references to results of operations in this discussion generally are to results from continuing operations, unless otherwise noted.

This report contains forward-looking statements, including, without limitation, statements about customer relationships, marketing of our *verykool*® products, sales levels, cost reductions, operating efficiencies, profitability and adequacy of working capital, that are based on current management expectations and which involve certain risks and uncertainties. These risks and uncertainties, in whole or in part, could cause such expectations to fail to be achieved and have a material adverse effect on our business, financial condition and results of operations, and include, without limitation: (1) intense competition internationally, including competition from alternative business models, such as manufacturer-to-carrier sales, which may lead to reduced prices, lower sales, lower gross margins, extended payment terms with customers, increased capital investment and interest costs, bad debt risks and product supply shortages; (2) our ability to develop new *verykool*® handsets and successfully introduce them into new markets; (3) the ability of the Company to have access to adequate capital to fund its operations; (4) extended general economic downturn in world markets; (5) inability to secure adequate supply of competitive products on a timely basis and on commercially reasonable terms; (6) foreign exchange rate fluctuations, devaluation of a foreign currency, adverse governmental controls or actions, political or economic instability, or disruption of a foreign market, including, without limitation, the imposition, creation, increase or modification of tariffs, taxes, duties, levies and other charges and other related risks of our international operations which could significantly increase selling prices of our products to our customers and end-users; (7) the ability to attract new sources of profitable business from expansion of products or services or risks associated with entry into new markets, including geographies, products and services; (8) an interruption or failure of our information systems or subversion of access or other system controls may result in a significant loss of business, assets, or competitive information; (9) significant changes in supplier terms and relationships or shortages in product supply; (10) loss of business from one or more significant customers; (11) customer and geographical accounts receivable concentration risk and other related risks; (12) rapid product improvement and technological change resulting in inventory obsolescence; (13) uncertain political and economic conditions internationally, including terrorist or military actions; (14) the loss of a key executive officer or other key employees and the integration of new employees; (15) changes in consumer demand for multimedia wireless handset products and features; (16) our failure to adequately adapt to industry changes and to manage potential growth and/or contractions; (17) seasonal buying patterns; (18) the resolution of any litigation for or against the Company; and (19) the ability of the Company to generate taxable income in future periods. These forward-looking statements speak only as of the date of this release and we undertake no obligation to publicly update any forward-looking statements to reflect new information, events or circumstances after the date of this release. We have instituted in the past, and continue to institute, changes to our strategies, operations and processes to address risks and uncertainties and to mitigate their impacts on our results of operations and financial condition. However, no assurances can be given that we will be successful in these efforts. For a further discussion of significant risk factors to consider, see Risk Factors below in this report and Item 1A. Risk Factors of our Annual Report on Form 10-K. In addition, other risks or uncertainties may be detailed from time to time in our future SEC filings.

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Overview

We are a provider of wireless handsets, tablets and accessories to carriers, distributors and original equipment manufacturers (OEMs) in Latin America, Asia Pacific, Europe, Africa and the United States. We design, develop, source and sell our proprietary line of products under the *verykool*® brand and on a private label basis to certain customers (collectively referred to as our *verykool*® products). We first introduced our *verykool*® brand in 2006 and *verykool*® products include entry-level, mid-tier and high-end products.

For the five years prior to March 2012, our business had two primary components: (1) legacy distribution of wireless handsets supplied by major manufacturers, primarily Samsung, and (2) provision of our own proprietary *verykool*® products that we originally sourced from independent design houses and original design manufacturers (ODMs). Our revenue peaked in 2006 when we recorded approximately $241 million of net sales. In late 2009, however, a stiff import tariff on certain electronic devices, including wireless handsets, was enacted in Argentina, followed by another import regulation in March 2011. These actions resulted in a rapid decline and eventual end of our distribution agreement with Samsung on March 31, 2012. Since April 1, 2012, our business has and is expected to continue to be centered on our *verykool*® product line.

The *verykool*® brand is our flagship product. In order to better control the roadmap for this product line, in April 2010 we established an in-house design center in China where we now design a number of phones in our product portfolio. We contract with electronic manufacturing services (EMS) providers to manufacture all *verykool*® products we design. We continue to source most of our phones from independent design houses and ODMs and maintain personnel in China to oversee production and conduct quality control.

Industry and Market Trends and Risks

The wireless business is extremely competitive. The industry is characterized by rapid technological development driven by faster and more capable chipsets, innovative software features and applications and faster networks provided by wireless carriers. In this environment, it is extremely difficult to differentiate our products, and price pressure is constant.

Historically, our business has been concentrated in countries in Latin America. In earlier years, the majority of our revenue was derived from distribution sales of Samsung products in Argentina, typically at very thin margins. As mentioned above, in late 2009, Argentina enacted a significant import tariff on certain electronic devices, including wireless handsets, that ultimately resulted in the conclusion of our distribution business on March 31, 2012.

In late 2010, we began private label sales of our *verykool*® products into the Asia Pacific market with initial sales to customers in both China and India, and in 2011, we added customers in Western Europe, Russia, Singapore, Africa and certain other Southeast Asian countries. The economic profile of the consumer markets in both Latin America and Asia Pacific are similar in that they are extremely price sensitive. As a consequence, unlike the U.S. domestic market that is dominated by large providers, these markets have been more open to smaller providers such as InfoSonics who are able to supply more competitively priced handsets with similar features. Our private label business has been sporadic, and is no longer an area of future focus.

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Results of Operations

The following table sets forth certain items from our consolidated statements of operations as a percentage of net sales for the periods indicated:

	Three months ended June 30,		Six months ended June 30,	
	2014	**2013**	**2014**	**2013**
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	80.6%	79.3%	81.4%	80.7%
Gross profit	19.4%	20.7%	18.6%	19.3%
Operating expenses:				
Selling, general and administrative	16.6%	21.5%	16.0%	21.9%
Research and development	1.5%	6.0%	1.7%	5.6%
	18.1%	27.5%	17.7%	27.5%
Operating income (loss)	1.3%	(6.8%)	0.9%	(8.2%)
Other income (expense):				
Other income (expense)	0.0%	6.4%	0.0%	3.6%
Interest, net	(0.3%)	0.1%	(0.1%)	0.1%
Income (loss) before income taxes	1.0%	(0.3%)	0.8%	(4.5%)
Provision for income taxes	0.0%	(0.2%)	0.0%	(0.2%)
Net income (loss)	1.0%	(0.5%)	0.8%	(4.7%)

Three months ended June 30, 2014 compared with three months ended June 30, 2013

Net Sales

For the three months ended June 30, 2014, our net sales amounted to $10,445,000, an increase of $2.1 million, or 25%, from $8,342,000 in the same period last year. Increased sales were recorded in a number of territories, with the largest gain of over 300% coming in Mexico where sales grew from $228,000 in the second quarter of 2013 to $940,000 in the second quarter of 2014. Sales in South America increased 14% from $2,159,000 to $2,470,000, principally due to a higher level of sales to our customer in Peru. Sales in Central America increased 6% from $3,960,000 to $4,205,000, principally due to a higher level of sales to our customer in Puerto Rico. Sales to U.S.-based distribution customers shipping into Latin America increased 13% from $1,545,000 to $1,740,000. Sales in the U.S. increased 71% from $424,000 to $727,000. We also shipped $363,000 of private-label products, principally to customers in EMEA, in the second quarter of 2014 compared to only $26,000 in private label sales in the prior year quarter.

In terms of units, we shipped approximately 483,000 units in the second quarter of 2014, an increase of 12% compared to the second quarter of 2013. Our average unit selling price increased by 12%, from $19.25 to $21.59, the result of a shift in product mix to a higher volume of higher-priced phones.

Gross Profit and Gross Margin

For the three months ended June 30, 2014, our gross profit amounted to $2,029,000, an increase of $299,000, or 17%, from $1,730,000 in the same period last year, primarily as a result of the increased sales volume, and partially offset by an increase in our inventory reserve of $51,000 during the quarter. Our gross profit margin percentage for the three months ended June 30, 2014 declined slightly to 19.4% from 20.7% in the same period last year.

Operating Expenses

For the three months ended June 30, 2014, total operating expenses amounted to $1,894,000, a decrease of $405,000, or 18%, compared to $2,299,000 in the same period last year. Selling, general and administrative expenses for the three months ended June 30, 2014 amounted to $1,737,000, a 3% decrease compared to $1,799,000 in the prior year quarter. Increased legal fees, personnel and insurance costs were offset by a bad debt recovery and decreased operating expenses in other areas. R&D expenses for the three months ended June 30, 2014 amounted to $157,000, a decrease of $343,000, or 69%, compared to $500,000 in the prior year quarter. The decrease was primarily due to the restructuring of the development team and reduction of the employee base implemented during the first half of 2013.

Other Income (Expense)

Other income (expense) in the three months ended June 30, 2014 was comprised primarily of $27,000 of interest expense related to borrowings during the second quarter of 2014 against both our bank line of credit and vendor credit lines that also bear interest. For the three months ended June 30, 2013, other income of $535,000 included $527,000 related to the legal defeasance of a previously recorded supplier obligation that had been included in accrued expenses on our balance sheet. Interest income on a customer installment obligation amounted to $5,000.

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Provision for Income Taxes

Because of our prior operating losses, our tax provisions for the three months ended June 30, 2014 and 2013 were nominal with the exception of an $18,000 provision for income taxes for the three months ended June 30, 2013 relating to a foreign dividend received from one of our wholly owned subsidiaries.

Six months ended June 30, 2014 compared with six months ended June 30, 2013

Net Sales

For the six months ended June 30, 2014, our net sales amounted to $22,069,000, an increase of $5,906,000, or 37%, from $16,163,000 in the same period last year. Sales to customers in South America more than doubled and increased $3,742,000, primarily as a result of increased sales to our customer in Peru; private-label sales to customers primarily in EMEA increased by $1,309,000; sales to customers in Mexico grew by $834,000; sales to U.S.-based non-carrier Latin American distributors rose by $539,000; and sales to U.S. customers increased by $315,000. These increases were partially offset by a decrease of $832,000 in sales to customers in Central America, primarily as a result of decreased sales to a customer in Guatemala.

In terms of units, we shipped approximately 1,048,000 units in the first half of 2014, an increase of 30% compared to the first half of 2013. Our average unit selling price increased by 5%, from $20.02 to $21.03, the result of a shift in product mix to a higher volume of higher-priced phones.

Gross Profit and Gross Margin

For the six months ended June 30, 2014, our gross profit amounted to $4,102,000, an increase of $990,000, or 32%, from $3,112,000 in the same period of the prior year, primarily as a result of the increased sales volume, and partially offset by an increase in our inventory reserve of $94,000 during the period. Our gross profit margin for the six months ended June 30, 2014 declined to 18.6% of net sales from 19.3% in the same period last year.

Operating Expenses

For the six months ended June 30, 2014, total operating expenses amounted to $3,906,000, a decrease of $534,000, or 12%, compared to $4,440,000 in the same period last year. Selling, general and administrative expenses for the six months ended June 30, 2014 amounted to $3,522,000, almost unchanged from $3,542,000 in the prior year period. Increased legal fees, personnel and insurance costs were offset by a bad debt recovery and decreased operating expenses in other areas. R&D expenses for the six months ended June 30, 2014 amounted to $384,000, a decrease of $514,000, or 57%, compared to $898,000 in the prior year period. The decrease was primarily due to the restructuring of the development team and reduction of the employee base implemented during the first half of 2013.

Other Income (Expense)

Other income (expense) in the six months ended June 30, 2014 was comprised primarily of $27,000 of interest expense related to borrowings during the second quarter of 2014 against both our bank line of credit and vendor credit lines that also bear interest. For the six months ended June 30, 2013, other income of $586,000 consisted principally of $527,000 related to the legal defeasance of a previously recorded supplier obligation that had been included in accrued expenses on our balance sheet and $55,000 related to a forfeited customer deposit. Interest income on a customer installment obligation amounted to $11,000.

Provision for Income Taxes

Because of our prior operating losses, our tax provisions for the six months ended June 30, 2014 and 2013 were generally insignificant with the exception of the inclusion of an $18,000 provision for taxes in the three months ended June 30, 2013 relating to a foreign dividend received from one of our wholly owned subsidiaries.

Liquidity and Capital Resources

Historically, our primary sources of liquidity have been cash generated from operations, lines of credit (bank and vendor) and, from time to time, the sale of stock, to provide capital needed to support our business. However, for most of the past three years, we have not had a bank line of credit, and our major manufacturing suppliers have not provided us with any vendor credit. In fact, we typically have been required by these suppliers to pay 15% deposits at the time we place an order and the 85% balance prior to shipment. In the three months ended March 31, 2014, there were two significant events affecting our liquidity. First, two of our primary product vendors agreed to provide us with up to $4 million in vendor credit with 60-day payment terms provided that we reimburse them for the cost of credit insurance and pay a finance charge with aggregate effective annual interest rates of between 9.5% and 10.1%. In addition, on March 27, 2014 we entered into a Loan and Security Agreement with a bank for a $2 million revolving line of credit, subject to availability based upon domestic and foreign eligible accounts receivable multiplied by an advance rate of 80% and 70%, respectively. During much of the quarter ended March 31, 2014, we found that our business was constrained by the lack of capital. This was remedied in the quarter ended June 30, 2014 by the new vendor and bank financing described above. We believe that these resources, combined with our existing working capital, will adequately fund our operations for the coming year.

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In the six months ended June 30, 2014, we used $448,000 in cash for operations. This consisted of $1,568,000 used to fund increased inventories, $780,000 for increased trade and other accounts receivable and $502,000 to reduce accrued expenses. These uses were partially offset by $1,299,000 generated by reductions in prepaids and other assets, $758,000 from increased accounts payables and $345,000 in net income after adjustments for non-cash charges. During the six-month period we borrowed and repaid $1,249,000 against our bank line of credit, spent $43,000 on equipment and received $135,000 from the exercise of stock options.

As of June 30, 2014, we had $2.0 million of cash and cash equivalents, $16.4 million of net working capital and no outstanding funded debt.

Critical Accounting Policies

There have been no material changes to our critical accounting policies and estimates affecting the application of those accounting policies since our Annual Report on Form 10-K for the year ended December 31, 2013.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The primary objective of the following information is to provide forward-looking quantitative and qualitative information about our potential exposure to market risk. The term market risk for us refers to the risk of loss arising from adverse changes in interest rates and various foreign currencies. The disclosures are not meant to be precise indicators of expected future losses, but rather indicators of reasonably possible losses. This forward-looking information provides indicators of how we view and manage our ongoing market risk exposures.

Interest Rates

At June 30, 2014, we had $1,029,000 of vendor payables outstanding which bear interest at an effective annual rate of 9.6%, and no rate-sensitive investments.

Foreign Exchange and Other Risks

At June 30, 2014 and December 31, 2013, foreign currency cash accounts in Mexican pesos amounted to $4,000 and $18,000, respectively. Also at June 30, 2014 and December 31, 2013, accounts receivable denominated in Mexican pesos amounted to $981,000 and $165,000, respectively. All of our sales transactions are denominated in U.S. dollars with the exception of sales to certain customers in Mexico, which are priced in pesos. Product costs and the majority of our operating expenses are also denominated in U.S. dollars, but payroll and other costs of our Chinese development and quality control teams are denominated in Chinese Yuan Renminbi.

Foreign currency risks are associated with our cash, receivables, payroll and payables denominated in foreign currencies. Fluctuations in exchange rates will result in foreign exchange gains and losses on these foreign currency assets and liabilities, which are included in other income (expense) in our consolidated statements of operations. For the six month periods ended June 30, 2014 and 2013, foreign exchange losses amounted to $1,000 and $1,000, respectively.

As a result of our international sales, our future operating results could also be adversely affected by a variety of factors, including changes in specific countries political, economic or regulatory conditions and trade protection measures, particularly in China.

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Item 4. Controls and Procedures

Disclosure Controls

An evaluation was performed pursuant to Rule 13a-15(b) of the Exchange Act under the supervision and with the participation of our management, including the President and Chief Executive Officer and the Vice President and Chief Financial Officer, of the effectiveness of the Company s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this quarterly report. These disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that this information is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on the evaluation, the President and Chief Executive Officer and the Vice President and Chief Financial Officer concluded that the Company s disclosure controls and procedures were effective as of the end of the period covered by this quarterly report.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during our second quarter ended June 30, 2014, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Viamport Litigation

On May 22, 2012, a lawsuit was filed against the Company in Santo Domingo, Dominican Republic (Case No. FP-12-461) by Viaimport, SRL, a former customer of the Company, and served on the Company on July 12, 2012. The complaint alleged breach of contract and sought U.S. $1 million in damages. On August 31, 2012, the Company filed a lawsuit against Viaimport and its principal, Omar Hassan, in the Circuit Court of the Eleventh Judicial Circuit in and for Miami-Dade County Florida (Case No. 12-34647CA32) for non-payment of purchase obligations aggregating $288,559 and other damages. On August 12, 2013, Viaimport filed a counterclaim against InfoSonics in Miami-Dade County, which was essentially a mirror image of the Dominican Republic complaint. On November 19, 2013, InfoSonics filed a request with the Dominican Republic Court to request dismissal of the case there for lack of jurisdiction in order to have both related actions heard in Miami-Dade County. On June 30, 2014 we entered into a Settlement Agreement with Viaimport and Hassan whereby Viaimport and Hassan, jointly and severally, agreed to pay us $125,000 consisting of an immediate payment of $45,000 and the $80,000 balance in six equal monthly payments. The Company will record the payments as bad debt recoveries when received. The lawsuits in Miami have been dismissed with prejudice and the dismissal with prejudice of the Dominican Republic actions are awaiting acknowledgment by the Court.

Blue Spike Litigation

On October 8, 2013, Blue Spike, LLC (Blue Spike) filed a patent infringement lawsuit against the Company in the U.S. District Court for the Eastern District of Texas, alleging that certain of our products infringe claims of U.S. Patent No. 5,745,569. Blue Spike is seeking recovery of unspecified monetary damages. We do not believe we infringe the Blue Spike patent and intend to defend ourselves vigorously. On February 10, 2014 we filed an answer with the Court stating that we do not infringe and setting forth multiple defenses. Due to the inherent uncertainty of litigation, we cannot identify probable or estimable damages related to the lawsuit at this time.

The Company may become involved in certain other legal proceedings and claims which arise in the normal course of business. Other than as described above, as of the filing date of this report, the Company did not have any significant litigation outstanding.

Item 1A. Risk Factors

In addition to the risk factors included below and other information set forth in this report, you should carefully consider the factors discussed in Part I. Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2013, which factors and information could materially affect our business, financial condition or operating results. The risk factors and uncertainties described in our last Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q (including this one) and filed since such annual report are not the only risks and uncertainties facing our business. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially affect our business, financial condition or operating results. Except as set forth below, there have been no material changes to the risk factors included in our last Annual Report on Form 10-K.

The loss or reduction in orders from principal customers, a reduction in the prices we are able to charge these customers or default by these customers on accounts receivable could have a negative impact upon our financial results.

Our three largest customers in the three months ended June 30, 2014 represented 23%, 14% and 10%, respectively, of our net sales during that period, and 32%, 14% and 15%, respectively, of our accounts receivable at June 30, 2014. The markets we serve and are targeting for future business are subject to significant price competition and other competitive pressures, and our current customers are not contractually obligated to purchase products from us. For these and other reasons, our customers may seek to obtain products or services from us at lower prices than we have been able to charge in the past, and they could terminate our relationship or reduce their purchases from us in favor of lower-priced or other alternatives. In addition, we have experienced losses of certain customers through industry or vendor consolidation, a trend that may increase in our markets and in the ordinary course of business. The further loss of any of our principal customers, the default by these customers on the amounts they owe us, a reduction in the amount of product or services our principal customers order from us or the inability to maintain current terms, including price, with these or other customers could have an adverse effect on our financial condition, results of operations and liquidity.

We have been experiencing net losses and expect that net losses may occur for an uncertain period of time. If we operate at a loss, our business may not be financially viable.

We have reported seven consecutive loss years with aggregate net losses of $22.7 million. As of June 30, 2014, our cash balance was $2.0 million, we had net working capital of $16.4 million and we had no outstanding funded debt. Given the continued economic volatility and the uncertainty of most global markets, we cannot clearly evaluate the financial viability of our business or our long-term prospects with any certainty. While our business plan includes a number of objectives to reach and maintain profitability, if we do not succeed in these objectives, our business might continue to experience losses and may not be sustainable in the future.

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Risks Related To Our Common Stock

The market for our common stock is volatile and our stock price could decline.

The stock market in general, including the market for telecommunications-related stocks in particular, has been highly volatile. The market price of our common stock has fluctuated significantly between $0.38 and $4.69 from January 1, 2013 through August 8, 2014, particularly in 2014, as has our trading volume, and are likely to remain volatile. Investors in our common stock may experience a decrease in the value of their stock, including decreases unrelated to our operating performance or prospects, resulting in a substantial loss on their investment. In addition, an active trading market for our common stock may not be sustained, which could affect the ability of our stockholders to sell their shares and could depress the market price of their shares.

We may be delisted from The NASDAQ Capital Market if we do not satisfy continued listing requirements.

At various times over the last several years we faced potential delisting from The NASDAQ Stock Market for failure to maintain the minimum $1.00 bid price per share requirement for continued listing. If our common stock trades for 30 consecutive business days below the $1.00 minimum closing bid price requirement, NASDAQ will send us a deficiency notice advising us that we will be afforded a compliance period of 180 calendar days to regain compliance with the applicable requirements. Because of our most recent failure to comply with this requirement in December 2012, we were afforded two 180-day periods by The NASDAQ Stock Market to regain compliance. On January 9, 2014, after the closing bid price of our stock had been at $1.00 per share or greater for 10 consecutive business days, we were notified by The NASDAQ Stock Market that we had regained compliance.

Item 6. Exhibits

Exhibit Number	Description of Exhibit
10.1	Loan and Security Agreement dated as of March 27, 2014 between Silicon Valley Bank and InfoSonics Corporation. (1)
10.2	Intellectual Property Security Agreement dated as of March 27, 2014 between Silicon Valley Bank and InfoSonics Corporation. (1)
10.3	Employment Agreement effective as of April 9, 2014 between InfoSonics and Vernon A. LoForti.
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
32.1	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

(1) Incorporated by reference to the Company s Current Report on Form 8-K filed on April 1, 2014.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	InfoSonics Corporation
Date: August 14, 2014	By: /s/ JOSEPH RAM **Joseph Ram** **President and Chief Executive Officer**
Date: August 14, 2014	By: /s/ VERNON A. LOFORTI **Vernon A. LoForti** **Vice President and Chief Financial Officer**