

CoroWare, Inc,  
Form 10-Q  
May 24, 2010

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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 March 31, 2010

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  
(State or Other Jurisdiction  
of Incorporation)

95-4868120  
(I.R.S. Employer  
Identification No.)

4056 148th Avenue NE  
Redmond, WA 98052  
(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 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, a non-accelerated filer,

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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.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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

As of May 14, 2010 there were 14,323,614 shares of the issuer's \$.001 par value common stock issued and outstanding.

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## EXPLANATORY NOTE

All common share amounts and per share amounts in the accompanying financial statements and in this Quarterly Report on Form 10-Q for the three months ended March 31, 2010 reflect the one-for-three hundred reverse stock split of the issued and outstanding shares of common stock of the Company, effective on April 8, 2009.

COROWARE, INC.

March 31, 2010 QUARTERLY REPORT ON FORM 10-Q

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COROWARE, INC.  
CONSOLIDATED BALANCE SHEETS

	March 31, 2010	December 31, 2009
<b>ASSETS</b>		
Current assets:	(Unaudited)	
Cash	\$20,487	\$3,493
Accounts receivable, net	129,416	189,115
Other current assets	19,786	35,651
Total current assets	169,689	228,259
Property and equipment, net	43,795	47,395
Intangible assets, net	31,031	37,681
Other assets, net	4,815	4,815
Deferred financing costs, net	-	6,250
<b>TOTAL ASSETS</b>	<b>\$249,330</b>	<b>\$324,400</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Lines of credit	\$124,680	\$123,696
Accounts payable and accrued expenses	3,180,700	2,968,131
Accrued expenses, related parties	117,000	88,438
Notes payable	317,732	357,732
Notes payable, related parties	423,132	408,229
Derivative liability	1,365,022	2,249,038
Current maturities of convertible debt, net of discount	2,394,729	2,424,391
Redeemable preferred stock, Series B, \$.001 par value, 10,000,000 shares authorized, 159,666 shares issued and outstanding as of March 31, 2010 and December 31, 2009	200,028	274,251
Current maturities of long-term debt	982,450	989,100
Total current liabilities	9,105,473	9,883,006
Total liabilities	9,105,473	9,883,006
Stockholders' deficit:		
Common stock, \$.001 par value, 900,000,000 shares authorized, 9,245,454 and 4,506,191 shares issued and outstanding at March 31, 2010 and December 31, 2009, respectively	9,245	4,506
Additional paid-in capital	15,075,477	14,901,673
Accumulated deficit	(23,905,165)	(24,429,085)
Treasury stock	(35,700 )	(35,700 )
Total stockholders' deficit	(8,856,143 )	(9,558,606 )
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<b>\$249,330</b>	<b>\$324,400</b>

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



COROWARE, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
For the Three Months ended March 31, 2010 and 2009  
(Unaudited)

	2010	2009
Revenues	\$545,809	\$657,989
Cost of revenues	440,436	415,488
Gross profit	105,373	242,501
Operating expenses:		
General and administrative	221,777	222,776
Sales and marketing	30,714	15,685
Depreciation and amortization	10,250	62,774
Total operating expenses	262,741	301,235
Loss from operations	(157,368 )	(58,734 )
Other income (expense):		
Derivative income (expense)	936,711	(1,585,459)
Interest expense, net	(277,381 )	(420,642 )
Gain on debt redemptions	21,958	-
Total other income (expense)	681,288	(2,006,101)
Net income (loss)	\$523,920	\$(2,064,835)