



(Address of Principal Executive Offices)

**(818) 444-4100**

(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 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, 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 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 Exchange Act). Yes  No

At November 11, 2016, the issuer had 92,274,255 shares of Common Stock, \$.001 par value, issued and outstanding.

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**TALON INTERNATIONAL, INC.**

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**TALON INTERNATIONAL, INC.****CONSOLIDATED BALANCE SHEETS**

	<b>September 30, 2016 (Unaudited)</b>	<b>December 31, 2015</b>
Assets		
Current assets:		
Cash and cash equivalents	\$4,190,883	\$2,852,315
Accounts receivable, net	3,917,457	3,796,209
Inventories, net	599,792	655,360
Current deferred income tax assets, net	963,432	997,067
Prepaid expenses and other current assets	618,211	554,389
Total current assets	10,289,775	8,855,340
Property and equipment, net	846,120	781,893
Intangible assets, net	4,269,867	4,313,948
Deferred income tax assets, net	4,498,749	5,046,345
Other assets	342,420	267,325
Total assets	\$20,246,931	\$19,264,851
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$5,914,445	\$6,087,561
Accrued severance payments	93,333	526,671
Accrued commissions	463,208	645,503
Other accrued expenses	2,075,190	1,956,130
Current portion of capital lease obligations	23,283	21,940
Total current liabilities	8,569,459	9,237,805
Revolving line of credit from related party, net of discounts and deferred financing costs	3,930,861	3,492,772
Capital lease obligations, net of current portion	43,150	60,784
Deferred income tax liabilities	3,413	5,406
Other liabilities	247,440	257,903
Total liabilities	12,794,323	13,054,670
Commitments and contingencies (Note 11)		
Stockholders' Equity:		
Common Stock, \$0.001 par value, 300,000,000 shares authorized; 92,274,255 and 92,267,831 shares issued and outstanding at September 30, 2016 and December 31,	92,274	92,268

2015, respectively		
Additional paid-in capital	64,982,967	64,754,306
Accumulated deficit	(57,711,272)	(58,738,782)
Accumulated other comprehensive income	88,639	102,389
Total stockholders' equity	7,452,608	6,210,181
Total liabilities and stockholders' equity	\$20,246,931	\$19,264,851

See accompanying notes to consolidated financial statements.

## TALON INTERNATIONAL, INC.

## CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net sales	\$ 10,856,283	\$ 9,992,091	\$ 36,575,804	\$ 36,587,791
Cost of goods sold	7,055,176	6,618,550	23,158,892	24,617,384
Gross profit	3,801,107	3,373,541	13,416,912	11,970,407
Sales and marketing expenses	1,706,173	1,494,693	4,969,179	4,778,754
General and administrative expenses	1,866,292	1,715,617	6,180,658	6,401,400
Total operating expenses	3,572,465	3,210,310	11,149,837	11,180,154
Income from operations	228,642	163,231	2,267,075	790,253
Interest expense, net	157,244	127,966	463,652	328,527
Loss on extinguishment of debt	-	134,049	-	134,049
Income (loss) before provision for income taxes	71,398	(98,784)	1,803,423	327,677
Provision for (benefit from) income taxes	50,703	(8,431)	775,913	128,746
<b>Net income (loss)</b>	<b>\$ 20,695</b>	<b>\$ (90,353)</b>	<b>\$ 1,027,510</b>	<b>\$ 198,931</b>
<b>Basic and diluted net income (loss) per share</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.01</b>	<b>\$ 0.00</b>
Weighted average number of common shares outstanding - Basic	92,274,255	92,267,831	92,271,066	92,267,831
Weighted average number of common shares outstanding - Diluted	93,220,191	92,267,831	93,405,895	93,519,892
<b>Net income (loss)</b>	<b>\$ 20,695</b>	<b>\$ (90,353)</b>	<b>\$ 1,027,510</b>	<b>\$ 198,931</b>
Other comprehensive loss from foreign currency translation	(2,276)	(10,220)	(13,750)	(9,630)
<b>Total comprehensive income (loss)</b>	<b>\$ 18,419</b>	<b>\$ (100,573)</b>	<b>\$ 1,013,760</b>	<b>\$ 189,301</b>

See accompanying notes to consolidated financial statements.

## TALON INTERNATIONAL, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	<b>Nine Months Ended September 30,</b>	
	<b>2016</b>	<b>2015</b>
<i>Cash flows from operating activities:</i>		
Net income	\$ 1,027,510	\$ 198,931
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	224,360	189,309
Loss on extinguishment of debt	-	134,049
Loss (gain) on disposal of property and equipment	(144 )	281
Amortization of deferred financing cost and debt discounts	78,206	109,117
Stock based compensation	229,368	92,808
Deferred income taxes (benefits), net	579,237	(29,590 )
Change in provision for bad debt	(25,282 )	(7,370 )
Inventory valuation provisions (recoveries), net	(6,846 )	10,882
Adjustment to intangible asset cost	34,267	-
Changes in operating assets and liabilities:		
Accounts receivable	(113,562 )	(446,813 )
Inventories	60,691	(69,326 )
Prepaid expenses and other current assets	(66,500 )	(32,923 )
Other assets.	(76,074 )	(97,293 )
Accounts payable and accrued expenses	(246,845 )	943,966
Other liabilities	(10,296 )	47,670
Net cash provided by operating activities	1,688,090	1,043,698
<i>Cash flows from investing activities:</i>		
Proceeds from sale of equipment	475	350
Acquisitions of property and equipment	(284,700 )	(121,393 )
Acquisitions of intangibles	-	(22,898 )
Net cash used in investing activities	(284,225 )	(143,941 )
<i>Cash flows from financing activities:</i>		
Revolving line of credit from related party borrowings	-	2,000,000
Payments of term loan payable	-	(2,833,334)
Revolving credit loan borrowings	-	700,000
Payment of revolving credit loan	-	(600,000 )
Payment of financing costs associated with credit facilities	-	(138,715 )
Payment of capital leases	(16,291 )	(6,799 )
Payments related to taxes on the exercise of stock options	(700 )	-
Net cash used in financing activities	(16,991 )	(878,848 )

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Net effect of foreign currency exchange translation on cash	(48,306 )	(58,421 )
Net increase (decrease) in cash and cash equivalents	1,338,568	(37,512 )