REPROS THERAPEUTICS INC.
Form SC 13G
January 12, 2007

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13G

Under the Securities Exchange Act of 1934

(Amendment No.)*

REPROS THERAPEUTICS, INC.

(Name of Issuer)

COMMON STOCK, PAR VALUE $0.001 PER SHARE

(Title of Class of Securities)

98975L108

(CUSIP Number)

January 4, 2007

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

¨ Rule 13d-1(b)

x Rule 13d-1(c)

¨ Rule 13d-1(d)

* The remainder of this cover page shall be filled out for a reporting person s initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 (Act) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

1	NAMES OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (Entities Only) Atlas Master Fund, Ltd.	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) ¨ (b) ¨	
3	SEC USE ONLY	
4	CITIZENSHIP OR PLACE OF ORGANIZATION Cayman Islands	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	5 SOLE VOTING POWER None	
	6 SHARED VOTING POWER 250,317 (See Item 4)	
	7 SOLE DISPOSITIVE POWER None	
	8 SHARED DISPOSITIVE POWER 250,317 (See Item 4)	
9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 250,317 (See Item 4)	
10	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES* Not Applicable	¨
11	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 2.46%	
12	TYPE OF REPORTING PERSON* CO	

***SEE INSTRUCTIONS BEFORE FILLING OUT.**

CUSIP No. 98975L108 **Page 3 of** 23 **Pages**

1 NAMES OF REPORTING PERSONS

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (Entities Only)

Atlas Global, LLC

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP*

(a) ¨

(b) ¨

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH		
	5	SOLE VOTING POWER None
	6	SHARED VOTING POWER 250,317 (See Item 4)
	7	SOLE DISPOSITIVE POWER None
	8	SHARED DISPOSITIVE POWER 250,317 (See Item 4)

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

250,317 (See Item 4)

10 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES* ¨

Not Applicable

11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

2.46%

12 TYPE OF REPORTING PERSON*

OO

***SEE INSTRUCTIONS BEFORE FILLING OUT.**

CUSIP No. 98975L108 **Page 4 of** 23 **Pages**

1	NAMES OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (Entities Only) Atlas Global Investments, Ltd.	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) ¨ (b) ¨	
3	SEC USE ONLY	
4	CITIZENSHIP OR PLACE OF ORGANIZATION Cayman Islands	

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	**5**	SOLE VOTING POWER None
	6	SHARED VOTING POWER 250,317 (See Item 4)
	7	SOLE DISPOSITIVE POWER None
	8	SHARED DISPOSITIVE POWER 250,317 (See Item 4)

9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 250,317 (See Item 4)	
10	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES* Not Applicable	¨
11	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 2.46%	
12	TYPE OF REPORTING PERSON* OO	

***SEE INSTRUCTIONS BEFORE FILLING OUT.**

1	NAMES OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (Entities Only) Atlas Global Investments II, Ltd.	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) ¨ (b) ¨	
3	SEC USE ONLY	
4	CITIZENSHIP OR PLACE OF ORGANIZATION Cayman Islands	

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	**5**	SOLE VOTING POWER None
	6	SHARED VOTING POWER 250,317 (See Item 4)
	7	SOLE DISPOSITIVE POWER None
	8	SHARED DISPOSITIVE POWER 250,317 (See Item 4)

9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 250,317 (See Item 4)	
10	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES* Not Applicable	¨
11	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 2.46%	
12	TYPE OF REPORTING PERSON* OO	

***SEE INSTRUCTIONS BEFORE FILLING OUT.**

1	NAMES OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (Entities Only) Visium Balanced Fund, LP	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) ¨ (b) ¨	
3	SEC USE ONLY	
4	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware	

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	**5**	SOLE VOTING POWER None
	6	SHARED VOTING POWER 75,214 (See Item 4)
	7	SOLE DISPOSITIVE POWER None
	8	SHARED DISPOSITIVE POWER 75,214 (See Item 4)

9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 75,214 (See Item 4)	
10	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES* Not Applicable	¨
11	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) .74%	
12	TYPE OF REPORTING PERSON* OO	

***SEE INSTRUCTIONS BEFORE FILLING OUT.**

CUSIP No. 98975L108 **Page 7 of** 23 **Pages**

1 NAMES OF REPORTING PERSONS

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (Entities Only)

Visium Long Bias Fund, LP

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP*

(a) ¨

(b) ¨

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH		
	5	SOLE VOTING POWER None
	6	SHARED VOTING POWER 32,822 (See Item 4)
	7	SOLE DISPOSITIVE POWER None
	8	SHARED DISPOSITIVE POWER 32,822 (See Item 4)

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

32,822 (See Item 4)

10 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES* ¨

Not Applicable

11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

.32%

12 TYPE OF REPORTING PERSON*

OO

***SEE INSTRUCTIONS BEFORE FILLING OUT.**

CUSIP No. 98975L108 **Page 8 of** 23 **Pages**

1 NAMES OF REPORTING PERSONS

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (Entities Only)

Visium Balanced Offshore Fund, Ltd.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP*

(a) ¨

(b) ¨

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION

Cayman Islands

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	**5**	SOLE VOTING POWER None
	6	SHARED VOTING POWER 126,495 (See Item 4)
	7	SOLE DISPOSITIVE POWER None
	8	SHARED DISPOSITIVE POWER 126,495 (See Item 4)

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

126,495 (See Item 4)

10 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES* ¨

Not Applicable

11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

1.24%

12 TYPE OF REPORTING PERSON*

CO

***SEE INSTRUCTIONS BEFORE FILLING OUT.**

1	NAMES OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (Entities Only) Visium Balanced Long Bias Fund, Ltd.	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) ¨ (b) ¨	
3	SEC USE ONLY	
4	CITIZENSHIP OR PLACE OF ORGANIZATION Cayman Islands	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	**5**	SOLE VOTING POWER None
	6	SHARED VOTING POWER 90,152 (See Item 4)
	7	SOLE DISPOSITIVE POWER None
	8	SHARED DISPOSITIVE POWER 90,152 (See Item 4)
9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 90,152 (See Item 4)	
10	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES* Not Applicable	¨
11	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) .89%	
12	TYPE OF REPORTING PERSON* CO	

***SEE INSTRUCTIONS BEFORE FILLING OUT.**

1 NAMES OF REPORTING PERSONS

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (Entities Only)

Visium Capital Management, LLC

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP*

(a) ¨

(b) ¨

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	**5**	SOLE VOTING POWER None
	6	SHARED VOTING POWER 324,683 (See Item 4)
	7	SOLE DISPOSITIVE POWER None
	8	SHARED DISPOSITIVE POWER 324,683 (See Item 4)

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

324,683 (See Item 4)

10 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES* ¨

Not Applicable

11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

3.20%

12 TYPE OF REPORTING PERSON*

OO

***SEE INSTRUCTIONS BEFORE FILLING OUT.**

CUSIP No. 98975L108 **Page 11 of** 23 **Pages**

1	NAMES OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (Entities Only) Balyasny Asset Management L.P.	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) ¨ (b) ¨	
3	SEC USE ONLY	
4	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware	

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	**5**	SOLE VOTING POWER 250,317 (See Item 4)
	6	SHARED VOTING POWER 324,683 (See Item 4)
	7	SOLE DISPOSITIVE POWER 250,317 (See Item 4)
	8	SHARED DISPOSITIVE POWER 324,683 (See Item 4)

9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 595,000 (See Item 4)	
10	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES* Not Applicable	¨
11	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 5.86%	
12	TYPE OF REPORTING PERSON* OO	

***SEE INSTRUCTIONS BEFORE FILLING OUT.**

1	NAMES OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (Entities Only) Dmitry Balyasny	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) ¨ (b) ¨	
3	SEC USE ONLY	
4	CITIZENSHIP OR PLACE OF ORGANIZATION United States	

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	**5**	SOLE VOTING POWER 595,000 (See Item 4)
	6	SHARED VOTING POWER 324,683 (See Item 4)
	7	SOLE DISPOSITIVE POWER 595,000 (See Item 4)
	8	SHARED DISPOSITIVE POWER 324,683 (See Item 4)

9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 595,000 (See Item 4)	
10	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES* Not Applicable	¨
11	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 5.86%	
12	TYPE OF REPORTING PERSON* IN	

***SEE INSTRUCTIONS BEFORE FILLING OUT.**

Item 1 (a) Name of Issuer:

Repros Therapeutics, Inc. (the Company)

(b) Address of Issuer s Principal Executive Offices:

2408 Timberloch Place; Suite B-7

The Woodlands, TX 77380

Item 2 (a) (c) This statement is filed on behalf of the following:

(1) Atlas Master Fund, Ltd., a Cayman Islands corporation (AMF), with its principal business office at c/o Walkers SPV Limited, Walker House, P.O. Box 908 GT, George Town, Grand Cayman, Cayman Islands, British West Indies.

(2) Atlas Global, LLC, a Delaware limited liability company (AG), with its principal business office at 181 West Madison, Suite 3600, Chicago, IL 60602. AG owns 12.11% of the equity interests in AMF.

(3) Atlas Global Investments, Ltd., a Cayman Islands corporation (AGI1), with its principal business office at c/o Walkers SPV Limited, Walker House, P.O. Box 908 GT, George Town, Grand Cayman, Cayman Islands, British West Indies. AGI1 owns 80.60% of the equity interests in AMF

(4) Atlas Global Investments II, Ltd., a Cayman Islands corporation (AGI2), with its principal business office at c/o Walkers SPV Limited, Walker House, P.O. Box 908 GT, George Town, Grand Cayman, Cayman Islands, British West Indies. AGI2 owns 7.29% of the equity interests in AMF.

(5) Visium Balanced Fund, LP, a Delaware limited partnership (VBF), with its principal business office at c/o Balyasny Asset Management L.P., 135 E. 57th Street, New York, NY 10022.

(6) Visium Long Bias Fund, LP, a Delaware limited partnership (VLBF), with its principal business office at c/o Balyasny Asset Management L.P., 135 E. 57th Street, New York, NY 10022.

(7) Visium Balanced Fund Offshore, Ltd., a Cayman Islands corporation (VBFO), with its principal business office at c/o Morgan Stanley Fund Services (Cayman) Limited, P.O. Box 2681GT, Century yard, 4th Floor, Cricket Square, Hutchins Drive, Grand Cayman, Cayman Islands, British West Indies.

(8) Visium Long Bias Fund Offshore, Ltd., a Cayman Islands corporation (VLBFO), with its principal business office at c/o Morgan Stanley Fund Services (Cayman) Limited, P.O. Box 2681GT, Century yard, 4th Floor, Cricket Square, Hutchins Drive, Grand Cayman, Cayman Islands, British West Indies.

(9) Visium Capital Management, LLC, a Delaware limited liability company (VCM), with its principal business office at c/o Balyasny Asset Management L.P., 135 E. 57th Street, New York, NY 10022. VCM is the investment advisor to each of VBF, VLBF, VBFO and VLBFO.

(10) Balyasny Asset Management L.P., a Delaware limited partnership (BAM), with its principal business office at 181 West Madison, Suite 3600, Chicago, IL 60602. BAM is the sole managing member of AG, the investment advisor to each of AG, AGI1 and AGI2 and the investment subadvisor to each of VBF, VLBF, VBFO and VLBFO.

(11) Dmitry Balyasny, a United States citizen whose business address is 181 West Madison, Suite 3600, Chicago, IL 60602. Dmitry Balyasny is the sole managing member of the general partner of BAM.

(d) Title of Class of Securities:

Common Stock, Par Value $0.001 Per Share

(e) CUSIP Number:

98975L108

Item 3 If this statement is filed pursuant to Rule 13d-1(b), or 13d-2(b) or (c), check whether the person filing is a:

Not Applicable

Item 4 Ownership:

AMF

(a) Amount Beneficially Owned:

250,317 shares

(b) Percent of Class:

2.46%

(c) Number of Shares as to which person has:

(i) sole power to vote or to direct vote:

250,317 shares

(ii) shared power to vote or to direct vote:

None

(iii) sole power to dispose or direct disposition of:

250,317 shares

(iv) shared power to dispose or to direct disposition of:

None

AG

(a) Amount Beneficially Owned:

By virtue of its ownership of 12.11% of the equity interest in AMF, AG may be deemed to beneficially own the 250,317 shares of the Company s Common Stock beneficially owned by AMF.

(b) Percent of Class:

2.46%

(c) Number of Shares as to which person has:

(i) sole power to vote or to direct vote:

None

(ii) shared power to vote or to direct vote:

250,317 shares

(iii) sole power to dispose or direct disposition of:

None

(iv) shared power to dispose or to direct disposition of:

250,317 shares

AGI1

(a) Amount Beneficially Owned:

By virtue of its ownership of 80.60% of the equity interest in AMF, AGI1 may be deemed to beneficially own the 250,317 shares of the Company s Common Stock beneficially owned by AMF.

(b) Percent of Class:

2.46%

(c) Number of Shares as to which person has:

(i) sole power to vote or to direct vote:

None

(ii) shared power to vote or to direct vote:

250,317 shares

(iii) sole power to dispose or direct disposition of:

None

(iv) shared power to dispose or to direct disposition of:

250,317 shares

AGI2

(a) Amount Beneficially Owned:

By virtue of its ownership of 7.29% of the equity interest in AMF, AGI2 may be deemed to beneficially own the 250,317 shares of the Company s Common Stock beneficially owned by AMF.

(b) Percent of Class:

2.46%

(c) Number of Shares as to which person has:

(i) sole power to vote or to direct vote:

None

(ii) shared power to vote or to direct vote:

250,317 shares

(iii) sole power to dispose or direct disposition of:

None

(iv) shared power to dispose or to direct disposition of:

250,317 shares

VBF

(a) Amount Beneficially Owned:

75,214 shares

(b) Percent of Class:

.74%

(c) Number of Shares as to which person has:

(i) sole power to vote or to direct vote:

None

(ii) shared power to vote or to direct vote:

75,214 shares

(iii) sole power to dispose or direct disposition of:

None

(iv) shared power to dispose or to direct disposition of:

75,214 shares

VLBF

(a) Amount Beneficially Owned:

32,822 shares

(b) Percent of Class:

.32%

(c) Number of Shares as to which person has:

(i) sole power to vote or to direct vote:

None

(ii) shared power to vote or to direct vote:

32,822 shares

(iii) sole power to dispose or direct disposition of:

None

(iv) shared power to dispose or to direct disposition of:

32,822 shares

VBFO

(a) Amount Beneficially Owned:

126,495 shares

(b) Percent of Class:

1.24%

(c) Number of Shares as to which person has:

(i) sole power to vote or to direct vote:

None

(ii) shared power to vote or to direct vote:

126,495 shares

(iii) sole power to dispose or direct disposition of:

None

(iv) shared power to dispose or to direct disposition of:

126,495 shares

VLBFO

(a) Amount Beneficially Owned:

90,152 shares

(b) Percent of Class:

.89%

(c) Number of Shares as to which person has:

(i) sole power to vote or to direct vote:

None

(ii) shared power to vote or to direct vote:

90,152 shares

(iii) sole power to dispose or direct disposition of:

None

(iv) shared power to dispose or to direct disposition of:

90,152 shares

VCM

(a) Amount Beneficially Owned:

By virtue of its position as investment advisor to each of VBF, VLBF, VBFO and VLBFO, VCM may be deemed to beneficially own the 324,683 shares of the Company s Common Stock beneficially owned by VBF, VLBF, VBFO and VLBFO.

(b) Percent of Class:

3.20%

(c) Number of Shares as to which person has:

(i) sole power to vote or to direct vote:

None

(ii) shared power to vote or to direct vote:

324,683 shares

(iii) sole power to dispose or direct disposition of:

None

(iv) shared power to dispose or to direct disposition of:

324,683 shares

BAM

(a) Amount Beneficially Owned:

By virtue of its position as investment advisor to each of AG, AGI1 and AGI2 and its role as sole managing member of AG, BAM may be deemed to beneficially own the 250,317 shares of the Company s Common Stock beneficially owned by AG, AGI1 and AGI2. By virtue of its position as investment subadvisor to each of VFB, VLBF, VBFO and VLBFO, BAM may be deemed to beneficially own the 324,683 shares of the Company s Common Stock beneficially owned by VFB, VLBF, VBFO and VLBFO.

(b) Percent of Class:

5.86%

ITEM 11. EXECUTIVE COMPENSATION.

The following table sets all compensation paid or accrued by us for the years ended June 30, 2009 and 2008 to our Chief Executive Officer, President and Chief Technology Officer, and Chief Operating Officer. (The "Named Executive Officers")

Annual Compensation						
Name and Principal Position	Fiscal Year	Salary	Bonus	All Other Compensation	No. of Securities Underlying Stock Options Granted	Total
OC Kim, President and	2008	$150,000	$58,137	None	None	$208,137
Acting Financial Officer	2009	$150,000	$32,000	None	97,500	$182,000
Yun J. (David) Lee,	2008	$ 91,667	$35,137	None	None	$126,804
Chief Operating Officer	2009	$120,000	$27,000	None	125,000	$147,000

EMPLOYMENT CONTRACTS

On September 21, 2009 the Company entered into Change of Control Agreements with OC Kim, its President and Acting Chief Financial Officer, Yun J. (David) Lee, Chief Operating Officer, and Yong Bae Won, Vice President-Engineering. Each Change of Control Agreement provides for a lump sum payment to the officer in case of a change of control of the Company. The term includes the acquisition of Common Stock of the Company resulting in one person or company owning more than 50% of the outstanding shares, a significant change in the composition of the Board of Directors of the Company during any 12-month period, a reorganization, merger, consolidation or similar transaction resulting in the transfer of ownership of more than fifty percent (50%) of the Company's outstanding Common Stock, or a liquidation or dissolution of the Company or sale of substantially all of the Company's assets.

The Change of Control Agreement with Mr. Kim is for three years and calls for a payment of $5 million upon a change of control; the agreement with Mr. Lee is for two years and calls for a payment of $2 million upon a change of control; and the agreement with Mr. Won is for two years and calls for a payment of $1 million upon a change of control.

On November 7, 2008, the Company entered into a renewable two-year employment agreement with its President. The annual salary for the officer is $150,000.

LONG-TERM INCENTIVE PLAN AWARDS

In June 2009, the Company adopted the 2009 Stock Option Plan (“2009 Plan”). The 2009 Plan provided for the grant of incentive stock options and non-qualified stock options to the Company’s employees and directors. Options granted under the 2009 Plan generally vest and become exercisable at the rate of between 50% and 100% per year with a life of between four and five years. Upon exercise of granted options, shares are expected to be issued from new shares previously registered for the 2009 Plan.

The Company adopted SFAS No. 123(R), Share-Based Payment, The estimated forfeiture rate considers historical turnover rates stratified into employee pools in comparison with an overall employee turnover rate, as well as expectations about the future. The Company periodically revises the estimated forfeiture rate in subsequent periods if actual forfeitures differ from those estimates. Compensation expense recorded under this method for fiscal 2009 was $2,560 and reduced operating income and income before income taxes by the same amount by increasing compensation expense recognized in selling and administrative expense. The recognized tax benefit related to the compensation expense for fiscal 2009 was nil.

COMPENSATION DISCUSSION AND ANALYSIS

GENERAL PHILOSOPHY - We compensate our executive officers through a mix of base salary and bonus. We plan to add an equity incentive through adoption of a Stock Option Plan in fiscal 2009. Our compensation policies are designed to be competitive with comparable employers and to align management’s incentives with both near term and long-term interests of our stockholders. We use informal methods of benchmarking our executive compensation, based on the experience of our directors or, in some cases, studies of industry standards. Our compensation is negotiated on a case by case basis, with attention being given to the amount of compensation necessary to make a competitive offer and the relative compensation among our executive officers.

BASE SALARIES - We want to provide our senior management with a level of assured cash compensation in the form of base salary that facilitates an appropriate lifestyle given their professional status and accomplishments.

INCENTIVE COMPENSATION - Our practice is to award cash bonuses based upon performance objectives set by the Board of Directors. We maintain a bonus plan which provides our executive officers and non-executive officers the ability to earn cash bonuses based on the achievement of performance targets. The performance targets are set annually by the Board of Directors, and bonuses are awarded to executive officers and non-executive officers on a quarterly basis. The actual amounts of cash bonuses to executive officers and non-executive officers are in the sole discretion of the Board of Directors For fiscal 2009, the performance targets were based on achieving revenue and operating income targets.

SEVERANCE BENEFITS - We are generally at will employer, and have no employment agreements with severance benefits; however, we have entered into Change of Control Agreements with our two executive officers and one other officer that provide them with lump sum payments in the event off a change in control of the Company

RETIREMENT PLANS - We do not maintain any retirement plans.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table sets forth certain information regarding the beneficial ownership of our Common Stock as of June 30, 2009 by each director and executive officer of the Company, each person known to us to be the beneficial owner of more than 5% of the outstanding Common Stock, and all directors and executive officers of the Company as a group. Except as otherwise indicated below, each person has sole voting and investment power with respect to the shares owned, subject to applicable community property laws.

	Shares Beneficially Owned	
Name and Address	Number	Percent
OC Kim 5440 Morehouse Drive, Suite 1000, San Diego, CA 92121	1,499,195	11.33%
Gary Nelson 5440 Morehouse Drive, Suite 1000, San Diego, CA 92121	269,562	2.04%
Jaeman Lee 5440 Morehouse Drive, Suite 1000, San Diego, CA 92121	3,370,356(1)	25.47%
Joon Won Jyoung 5440 Morehouse Drive, Suite 1000, San Diego, CA 92121	540,169	4.08%
Johnathan Chee 5440 Morehouse Drive, Suite 1000, San Diego, CA 92121	7,324	0.01%
All directors and executive officers of the Company as a group (4 persons)	5,686,606	42.93%

(1) Consists of shares owned by C-Motech Co. Ltd., of which Jaeman Lee is an officer.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

We purchased CDMA wireless data products in the amount of $21,655,374, or 98.6% of total purchases, from C-Motech, for the year ended June 30, 2009 and had related accounts payable of $4,466,741 as of June 30, 2009. C-Motech owns 3,370,356 shares, or 25.5%, of our Common Stock and Jaeman Lee, Chief Executive Officer of C-Motech Co. Ltd., has served as a director of the Company since September 2006.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The aggregate fees billed for the two most recently completed fiscal period ended June 30, 2009 for the audit of our annual financial statements and services normally provided by the independent accountant for this fiscal period were as follows:

	FY 2009	FY 2008
Audit Fees	$38,000 *	$67,500
Audit-Related Fees	-	2,604
Tax Fees	-	15,000
Total Fees	$38,000	$85,104

In the above table, "audit fees" are fees billed by the Company's external auditor for services provided in auditing our company's annual financial statements for the subject year. The fees set forth on the foregoing table for the year ended June 30, 2009 relate to year-end audit as of and for the year ended June 30, 2009 audit services from BDO Seidman, LLP. All of the services described above were approved in advance by the Board of Directors.

*- This does not include $13,500 for quarterly review fees for fiscal year ending June 30, 2009 which was performed by the previous accounting firm, Choi, Kim, & Park, LLP.

On July 27, 2009, the Board of Directors of the Company dismissed Choi, Kim & Park, LLP ("CKP"). CKP's audit reports on the Company's financial statements for the fiscal year ended June 30, 2008 and 2007 did not contain an adverse opinion or a disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting principles. During the Company's two most recent fiscal years and for the subsequent interim period through July 27, 2009, there were no disagreements between the Company and CKP on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure which, if not resolved to the satisfaction of CKP would have caused CKP to make reference to the subject matter of the disagreement in connection with its report.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) 1. Index to the financial statements

(b) Exhibits

The following Exhibits are files as part of, or incorporated by reference into, this Report on Form 10-K:

Exhibit No.	Description
2.1	Articles of Merger and Agreement and Plan of Reorganization, filed January 2, 2008 with the Nevada Secretary of State (1)
3.1	Restated Articles of Incorporation of Franklin Wireless Corp. (1)
3.2	Amended and Restated Bylaws of Franklin Wireless Corp.
10.1	Co-Development, Co-Ownership and Supply Agreement, dated January 5, 2005 between the Company and C-Motech Co., Ltd. (2)
10.2	Lease, dated May 1, 2008, between the Company and RDLFA, LLC, a California Limited Liability Company (3)
10.3	Employment Agreement, dated November 7, 2008, between Franklin Wireless Corp. and OC Kim
10.4	Change of Control Agreement, dated September 21, 2009, between Franklin Wireless Corp. and OC Kim
10.5	Change of Control Agreement, dated September 21, 2009, between Franklin Wireless Corp. and David Lee
14.1	Code of Ethics (3)
31	Certificate of Chief Executive Officer Acting Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certificate of Chief Executive Officer and Acting Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(1) Incorporated by reference from Report on Form 10-QSB for the quarterly period ended March 31, 2008, filed on May 14, 2008

(2) Incorporated by reference from Annual Report on Form 10-KSB for the year ended June 30, 2005, filed on May 23, 2006

(3) Incorporated by reference from Annual Report on Form 10-KSB for the year ended June 30, 2008, filed on September 26. 2008

(c) Supplementary Information

None.

SIGNATURES

In accordance with Section 13 of 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Franklin Wireless Corp.

By: /s/ OC Kim

OC Kim, President

Dated: October 13, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
(1) Principal Executive, Financial and Accounting Officer		
/s/ OC KIM OC Kim	President, Acting Chief Financial Officer and a Director	October 13, 2009
(3) Directors		
/s/ GARY NELSON Gary Nelson	Chairman of the Board of Directors	October 13, 2009
Jae Man Lee	Director	October __, 2009
Joon Won Jyoung	Director	October __, 2009
/s/ JOHNATHAN CHEE Johnathan Chee	Director	October 13, 2009

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FRANKLIN WIRELESS CORP.

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Franklin Wireless Corp.
San Diego, California

We have audited the accompanying balance sheet of Franklin Wireless Corp. (the "Company") as of June 30, 2009 and the related statements of income, stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Franklin Wireless Corp. at June 30, 2009, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

BDO Seidman, LLP
Los Angeles, California
October 13, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Franklin Wireless Corp.
San Diego, California

We have audited the accompanying balance sheets of Franklin Wireless Corp. as of June 30, 2008 and 2007 and the related statements of operations, changes in stockholders' equity (deficiency), and cash flows for the years ended June 30, 2008, 2007 and 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The disclosures to the financial statements for the year ended June 30, 2008 in Notes 3 and 14 have been amended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Franklin Wireless Corp. as of June 30, 2008 and 2007, and the results of its operations and cash flows for the years ended June 30, 2008, 2007 and 2006 in conformity with accounting principles generally accepted in the United States of America.

Choi, Kim & Park, LLP
Los Angeles, California
September 22, 2008, except for Paragraphs 4, 14, 15, and 16 of Note 3, and Paragraphs 3 through 7 of Note 14, as to which the date is April 1, 2009

FRANKLIN WIRELESS CORP.
Balance Sheets

	Fiscal Years Ended June 30,	
	2009	2008
ASSETS		
Current assets:		
Cash and cash equivalents	$6,253,529	$6,172,569
Accounts receivable	2,812,607	4,534,069
Inventories	2,618,344	72,162
Prepaid expenses and other current assets	4,107	23,430
Prepaid income taxes	18,503	355,393
Deferred tax assets, current	169,731	–
Total current assets	11,876,821	11,157,623
Property and equipment, net	89,807	68,012
Deferred tax assets, non-current	1,880,081	–
Other assets	11,016	15,411
TOTAL ASSETS	$13,857,725	$11,241,046
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Trade accounts payable	$45,112	$349,758
Trade accounts payable – related party	4,466,741	3,697,893
Advanced payments from customers	970	390,000
Accrued liabilities	108,827	875,046
Note payable	–	334,000
Total current liabilities	4,621,650	5,646,697
Stockholders’ equity:		
Preferred stock, par value $0.001 per share, authorized 10,000,000 shares; No preferred stock issued or outstanding as of June 30, 2009 and 2008	–	–
Common stock, par value $0.001 per share, authorized 50,000,000 shares; 13,231,491 shares issued and outstanding as of June 30, 2009 and 2008	13,232	13,232
Additional paid-in capital	5,018,721	5,016,161
Retained earnings	4,204,122	564,956
Total stockholders’ equity	9,236,075	5,594,349
TOTAL LIABILITIES AND STOCKHOLDERS’ EQUITY	$13,857,725	$11,241,046

See accompanying notes to financial statements.

FRANKLIN WIRELESS CORP.
Statements of Operations

	Fiscal Years Ended June 30, 2009	2008	2007 (Consolidated)
Net sales	$24,000,504	$34,723,299	$ 10,385,090
Cost of goods sold	18,824,010	27,029,015	7,689,730
Gross profit	5,176,494	7,694,284	2,695,360
Operating expenses:			
Selling, general, and administrative	2,859,707	3,300,071	1,382,426
Total operating expenses	2,859,707	3,300,071	1,382,426
Income from operations	2,316,787	4,394,213	1,312,934
Other income (expense):			
Interest income	84,845	135,094	38,515
Loss on disposal of property and equipment	(19,346)	–	(767)
Impairment of intangible assets	–	(73,171)	(19,167)
Other income, net	34,556	50,226	3,772
Total other income, net	100,055	112,149	22,353
Net income before income taxes	2,416,842	4,506,362	1,335,287
Income tax provision (benefit)	(1,222,324)	589,449	35,190
Net income	$3,639,166	$3,916,913	$ 1,300,097
Basic earnings per share	$0.28	$0.30	$ 0.10
Diluted earnings per share	$0.27	$0.30	$ 0.10
Weighted average common shares outstanding – basic	13,231,491	13,231,491	12,824,643
Weighted average common shares outstanding – diluted	13,250,417	13,231,491	12,824,643

See accompanying notes to financial statements.

FRANKLIN WIRELESS CORP.
Statements of Stockholders' Equity (Deficit)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Stock Subscription	Total Stockholders' Equity (Deficit)
Balance – June 30, 2006	12,602,911	$12,603	$4,616,790	$(4,652,054)	$(17,395)	$(40,056)
Issuance of common stock	628,580	629	399,371	–	–	400,000
Cash receipt of stock subscription receivables	–	–	–	–	6,000	6,000
Net income	–	–	–	1,300,097	–	1,300,097
Balance – June 30, 2007	13,231,491	13,232	5,016,161	(3,351,957)	(11,395)	1,666,041
Cash receipt from stock subscription receivables	–	–	–	–	11,395	11,395
Net income	–	–	–	3,916,913	–	3,916,913
Balance – June 30, 2008	13,231,491	13,232	5,016,161	564,956	–	5,594,349
Share-based compensation	–	–	2,560	–	–	2,560
Net income	–	–	–	3,639,166	–	3,639,166
Balance – June 30, 2009	13,231,491	$13,232	$5,018,721	$4,204,122	$–	$9,236,075

See accompanying notes to financial statements.

FRANKLIN WIRELESS CORP.
Statements of Cash Flows

	Fiscal Years Ended June 30, 2009	2008	2007 (Consolidated)
CASH FLOWS FROM OPERATIONS ACTIVITIES:			
Net income	$3,639,166	$3,916,913	$ 1,300,097
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Loss on disposal of property and equipment	19,346	–	767
Impairment of intangible assets	–	73,171	19,167
Depreciation	20,692	10,518	7,135
Amortization of intangible assets	–	57,093	70,544
Write off of uncollectible accounts receivable	2,715	1,250	–
Forgiveness of debt	(33,400)	–	–
Deferred tax assets	(2,049,812)	–	–
Share-based compensation	2,560	–	–
Increase (decrease) in cash due to change in:			
Accounts receivable	1,718,747	(4,490,404)	(43,165)
Inventory	(2,546,182)	(61,332)	(10,830)
Prepaid expense and other current assets	19,323	(16,781)	(6,649)
Prepaid income taxes	336,890	(355,393)	–
Other assets	4,395	(10,250)	(709)
Trade accounts payable including related party	464,202	3,979,587	67,478
Accrued liabilities	(766,219)	696,021	(11,944)
Advance payment from customers	(389,030)	35,500	354,500
Net cash provided by (used in) operating activities	443,393	3,835,893	1,746,391
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(61,833)	(52,312)	(21,405)
Purchases of intangible assets	–	–	(115,780)
Net cash used in investing activities	(61,833)	(52,312)	(137,185)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payment of note payable	(300,600)	(100,000)	(100,000)
Proceeds from issuance of common stock	–	–	400,000
	–	11,395	–

Receipt of stock subscription receivable			
Net cash provided by (used in) financing activities	(300,600)	(88,605)	300,000
Net increase in cash and cash equivalents	80,960	3,694,976	1,909,206
Cash and cash equivalents, beginning of year	6,172,569	2,477,593	568,387
Cash and cash equivalents, end of year	$6,253,529	$6,172,569	$ 2,477,593
Supplemental disclosure of cash flow information:			
Cash paid during the years for:			
Interest	$–	$–	$ –
Income taxes	$1,173,046	$259,842	$ 800

See accompanying notes to financial statements.

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FRANKLIN WIRELESS CORP.
Notes to Financial Statements

NOTE 1 – BUSINESS OVERVIEW

The Company designs and sells broadband high speed wireless data communication products such as third generation (“3G”) and fourth generation (“4G”) wireless modules and modems. The Company focuses on wireless broadband USB modems, which provide a flexible way for wireless subscribers to connect to the wireless broadband network with any laptop, table PC or desktop USB port without a PC card slot. The broadband wireless data communication products are positioned at the convergence of wireless communications, mobile computing and the Internet, each of which the Company believes represents a growing market.

The Company’s wireless products are based on Evolution Data Optimized technology ("EV-DO technology") of Code Division Multiple Access ("CDMA"), High-Speed Packet Access technology (“HSPA technology”) of Wideband Code Division Multiple Access (“WCDMA), and Worldwide Interoperability for Microwave Access (“WIMAX”) based on the IEEE 802.16 standard, which enable end users to send and receive email with large file attachments, play interactive games, and receive, send and download high resolution picture, video, and music contents.

In 2008, the Company launched the CGU-628A HSDPA USB modem and CGU-720A HSUPA, which provide a flexible way for users to connect to high-speed downlink and uplink packet access networks, the CDM-650 Stand-alone Revision 0 USB modem, which provides internet connection in remote locations without cable or DSL services, and the CMU-300 WIMAX plus CDMA USB modem.

The Company markets its products directly to wireless operators and indirectly through strategic partners and distributors. Its global customer base extends from the United States to Caribbean and South American countries. The Company’s Universal Serial Bus (“USB”) modems are certified by Sprint, Comcast Cable, Clearwire, Time Warner Cable, Cellular South, Mobi PCS, NTELOS, Cincinnati Bell, and ACS in the United States, by IUSACELL in Mexico, by Telefonica and Movilnet in Venezuela, by Centennial in Puerto Rico, by Alegro in Ecuador, by CellularOne in Bermuda and by TSTT in Trinidad and Tobago. The Company has built upon its strong customer relationships to help drive strategic marketing initiatives with its customers that provide additional opportunities to expand market reach by combining the Company’s expertise in wireless technologies with its customers’ sales and marketing base, creating access to additional indirect distribution channels.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SEGMENT REPORTING

SFAS No. 131, “Disclosures About Segments of an Enterprise and Related Information,” requires public companies to report financial and descriptive information about their reportable operating segments. We identify our operating segments based on how management internally evaluates separate financial information, business activities and management responsibility. We operate in a single business segment consisting of sale of wireless access products with operating facility in the United States. We generate revenues from two geographic areas which consist of United States and Caribbean and South America.

The following enterprise wide disclosure was prepared on a basis consistent with the preparation of the financial statements. The following table contains certain financial information by geographic area:

Net sales:	2009	2008	2007
United States	$14,334,956	$9,374,467	$4,279,050
Caribbean and South America	9,665,548	25,348,832	6,106,040
Totals	$24,000,504	$34,723,299	$10,385,090

Long-lived assets:	June 30, 2009	June 30, 2008
United States	$89,807	$68,012
	$89,807	$68,012

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates.

REVENUE RECOGNITION

The Company recognizes revenue from product sales when persuasive evidence of an arrangement exists, the price is fixed or determinable, collection is reasonably assured and delivery of products has occurred or services have been rendered. Accordingly, the Company recognizes revenues from product sales upon shipment of the product to the customers or when the products are received by the customers in accordance with shipping or delivery terms. The Company provides a factory warranty for one year form the shipment which is covered by its vendor under the purchase agreement between the Company and the vendor.

CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flow, the Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

SHIPPING AND HANDLING COSTS

Most of shipping and handling costs are paid by the customers directly to the shipping companies. The Company does not collect and incur shipping and handling costs. As a result, the Company did not incur shipping and handling costs for the years ended June 30, 2009, 2008, and 2007.

INVENTORIES

The Company's inventories consist of finished goods and are stated at the lower of cost or market, cost being determined on a first-in, first-out basis. The Company assesses the inventory carrying value and reduces it, if necessary, to its net realizable value based on customer orders on hand and internal demand forecasts using management's best estimates given information currently available. The Company's customer demand is highly unpredictable and can fluctuate significantly caused by factors beyond its control. The Company may maintain an allowance for inventories for potentially excess and obsolete inventories and inventories that are carried at costs that are higher than their estimated net realizable values. As of June 30, 2009 and 2008, no allowance was recorded.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Significant additions or improvements extending useful lives of assets are capitalized. Maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Computers and software	5 years
Furniture and fixtures	7 years

Expenditures for maintenance and repairs are charged to operations as incurred while renewals and betterments are capitalized.

LONG-LIVED ASSETS

In accordance with Statement of Financial Accounting Standards No. 144 (“SFAS 144”), "Accounting for Impairment on Disposal of Long-lived Assets", the Company reviews for impairment of long-lived assets whenever events or circumstances indicate that the carrying amount of assets may not be recoverable. The Company considers the carrying value of assets may not be recoverable based upon its review of the following events or changes in circumstances: the asset’s ability to continue to generate income from operations and positive cash flow in future periods; loss of legal ownership or title to the assets; significant changes in its strategic business objectives and utilization of the asset; or significant negative industry or economic trends. An impairment would be recognized when estimated future cash flows expected to result from the use of the asset are less than its carrying amount.

WARRANTIES

We provide a factory warranty for one year form the shipment which is covered by our vendor under the purchase agreement between the Company and the vendor. These products are shipped directly from its vendor to its customers. As a result, the Company is not exposed to warranty exposure and does not accrue any warranty expenses.

ADVERTISING AND PROMOTION COSTS

Costs associated with advertising and promotions are expensed as incurred. Advertising and promotion costs amounted to $40,677, $1,370,125 and $302,522 for the years ended June 30, 2009, 2008, and 2007, respectively.

INCOME TAXES

The Company adopted the provisions of FASB interpretation (FIN) No. 48, “Accounting for Uncertainty in Income Taxes — an interpretation of FASB statement No. 109,” which prescribes a recognition threshold and measurement process for recording in the financial statements, uncertain tax positions taken or expected to be taken in a tax return. Under FIN 48, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained.

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The Company recognizes federal and state tax liabilities or assets based on its estimate of taxes payable to or refundable by tax authorities in the current fiscal year. The Company also recognizes federal and state tax liabilities or assets based on its estimate of future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are computed by applying the U.S. federal rate of 34% and California state tax rate of 8.84% to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is required when it is more likely than not that the Company will not be able to realize all or a portion of its deferred tax assets.

Income tax provision (benefit) from continuing operations for the years ended June 30, 2009 and 2008 consists of the following:

	Years Ended June 30,		
	2009	2008	2007
Current income tax expense:			
Federal	$611,955	$433,067	$26,409
State	215,533	156,382	8,781
	827,488	589,449	35,190
Deferred income tax expense (benefit):	(2,049,812)	–	–
Provision (benefit) for income taxes	$(1,222,324)	$589,449	$35,190

The provision for income taxes reconciles to the amount computed by applying effective federal statutory income tax rate to income before provision for income taxes as follows:

	Years Ended June 30,					
	2009	%	2008	%	2007	%
Federal tax provision, at statutory rate	$821,916	34.0	$1,532,163	34.0	$453,998	34.0
State tax, net of fed tax benefit	140,403	5.8	329,327	7.3	118,358	8.8
Nondeductible expenses	6,924	0.3	5,957	0.1	5,217	0.4
Alternative minimum tax credit	–	–	(23,291)	(0.5)	–	–
Reduction in valuation allowance	(2,194,532)	(90.8)	(1,213,017)	(26.9)	(546,519)	(40.9)
Others	2,965	(0.1)	(41,690)	(0.9)	4,136	0.3
Provision for income taxes	$(1,222,324)	(50.8)	$589,449	13.1	$35,190	2.6

Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of our deferred tax assets are as follows:

	2009	2008
Current deferred tax assets (liabilities):		
Net operating losses	$135,622	$170,883
Other, net	34,109	16,493
Non-current deferred tax assets (liabilities):		
Net operating losses	1,911,272	2,011,633
Other, net	(31,191)	(4,477)
Total deferred tax assets	2,049,812	2,194,532
Less valuation allowance	–	(2,194,532)
Net deferred tax asset	$2,049,812	$–

The significant component of the deferred tax asset at June 30, 2009 and 2008 was the Company's federal net operating loss carry-forward in the amounts of approximately $1,901,020 and $2,034,327, respectively, based on the applicable federal tax rate of 34%. SFAS No. 109 requires a valuation allowance to be recorded when it is more likely than not that some or all of the deferred tax assets will not be realized. At June 30, 2009, management believed that it is more likely than not that all of the deferred tax assets will be realized, and prior recorded valuation allowances for the full amount of the net deferred tax asset were reversed based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are realizable.

As of June 30, 2009, the Company has federal net operating loss carry-forwards of approximately $5,584,000 and state net operating loss carry-forwards of approximately $1,676,000 for income tax purposes with application of IRC Section 382 limitation on net operating losses as result of the Company's ownership change in prior periods. The Federal and state net operating loss carry-forwards will begin to expire from 2010 to 2026 and 2010 to 2016, respectively.

EARNINGS PER SHARE

The Company reports earnings per share in accordance with Statement of Financial Accounting Standards No. 128, "Earnings Per Share". Basic earnings per share are computed using the weighted average number of shares outstanding during the fiscal year. Diluted earnings per share include the potentially dilutive effect of outstanding common stock options.

On January 8, 2008, a reverse stock split was implemented in connection with the reincorporation, under which the shareholders will receive one share of Franklin-Nevada for each 70 shares held in Franklin-California. As a result of the reverse stock split, a conversion was made to the weighted average number of shares outstanding for the fiscal years of 2008 and 2007 that took into consideration the effect of a reverse split on the total number of shares outstanding, in order to compare the current weighted average number of shares outstanding to its historical numbers in a consistent form of valuation. In order to adjust a weighted average number of shares outstanding of the Company, the number of pre-split outstanding shares was divided by the split ratio.

CONCENTRATIONS OF CREDIT RISK

The Company extends credit to its customers and performs ongoing credit evaluations of such customers. The Company evaluates its accounts receivable on a regular basis for collectability and provides for an allowance for potential credit losses as deemed necessary. No reserve was required and recorded for any of the years presented.

Substantially all of the Company's revenues are derived from sales of wireless data products. Any significant decline in market acceptance of its products or in the financial condition of its existing customers could impair the Company's ability to operate effectively.

A significant portion of the Company's revenue is derived from a small number of customers. Three customers accounted for 31.9%, 17.1%, and 14.5% of total revenues for the year ended June 30, 2009, and had related account receivables in the amounts of $12,150, $1,040,000, and $0, or 0.4%, 37.0% and 0.0% of total account receivables at June 30, 2009, respectively. Three customers accounted for 37.0%, 34.3%, and 13.3% of total revenues for the year ended June 30, 2008, and had related account receivables in the amounts of $611,820, $3,250,000, and $0, or 13.5%, 71.7% and 0% of total account receivables at June 30, 2008, respectively.

The Company purchases its wireless products from one design and manufacturing company located in South Korea. If this company were to experience delays, capacity constraints or quality control problems, product shipments to its customers could be delayed, or its customers could consequently elect to cancel the underlying product purchase order, which would negatively impact the Company's revenue. The Company purchased wireless data products from this supplier in the amounts of $21,655,374 and $27,090,347 for the years ended June 30, 2009 and 2008, respectively, and had related accounts payable of $4,466,741 and $3,697,893 at June 30, 2009 and 2008, respectively.

The Company maintains its cash accounts with established commercial banks. Such cash deposits periodically exceed the Federal Deposit Insurance Corporation insured limit of $100,000 for each account. However, the Company does not anticipate any losses on excess deposits.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations (SFAS No. 141R). SFAS No. 141R establishes principles and requirements for how companies recognize and measure identifiable assets acquired, liabilities assumed, and any non-controlling interest in connection with a business combination; recognize and measure the goodwill acquired in a business combination or a gain from a bargain purchase; and determine what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141R is effective for business combinations for which the acquisition date is on or after January 1, 2009. The Company does not expect the adoption of SFAS No. 141R to have a material impact on the results of operations or financial position.

In December 2007, the FASB issued SFAS No. 160, Non-controlling Interests in Consolidated Financial Statements-an amendment of ARB No. 51 (SFAS No. 160). SFAS No. 160 applies to all companies that prepare consolidated financial statements, except not-for-profit organizations, but will affect only those entities that have an outstanding non-controlling interest in one or more subsidiaries or that deconsolidate a subsidiary. SFAS No. 160 is effective for the Company on January 1, 2009. Earlier adoption is prohibited. The Company does not expect the adoption of SFAS No. 160 to have a material impact on the results of operations or financial position.

In February 2008, the FASB issued FASB Staff Position (FSP) No. FAS 157-2, Effective Date of FASB Statement No. 157 (FSP No. 157-2). The FSP amends SFAS No. 157 to delay the effective date for non-financial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. For items within its scope, the FSP defers the effective date of SFAS No. 157 to fiscal years beginning after November 15, 2008. The Company does not expect the adoption of FSP No. 157-2 to have a material effect on the results of operations or financial position.

In May 2008, the FASB issued SFAS No. 162 (“SFAS No. 162”), “The Hierarchy of Generally Accepted Accounting Principles.” This statement identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with accounting principles generally accepted in the United States (“GAAP”). While this statement formalizes the sources and hierarchy of GAAP within the authoritative accounting literature, it does not change the accounting principles that are already in place.

In May 2009, the FASB issued SFAS No. 165, Subsequent Events (SFAS No. 165), effective for financial periods ending after June 15, 2009. SFAS No. 165 established principles and requirements for subsequent events, including the period after the balance sheet date during which management of a reporting entity shall evaluate events for potential disclosure in the financial statements, the circumstances that warrant disclosure, and the specific disclosure requirements for transactions that occur after the balance sheet date. The adoption of SFAS No. 165 did not have a material effect on the results of the Company's operations and financial position.

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R) (SFAS No. 167). SFAS No. 167 amends FIN 46 (revised December 2003), Consolidation of Variable Interest Entities (FIN 46R), regarding when and how to determine, or re-determine, whether an entity is a variable interest entity. In addition, SFAS No. 167 replaces FIN 46R's quantitative approach for determining who has a controlling financial interest in a variable interest entity with a qualitative approach. Furthermore, SFAS No. 167 requires ongoing assessments of whether an entity is the primary beneficiary of a variable interest entity. SFAS No. 167 is effective beginning January 1, 2010. The Company does not expect the adoption of SFAS No. 167 to have a material effect on the results of operations or financial position.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at:

	June 30, 2009	June 30, 2008
Computers and software	$86,579	$48,827
Furniture and fixtures	45,267	52,894
	131,846	101,721
Less accumulated depreciation	(42,039)	(33,709)
Total	$89,807	$68,012

NOTE 4 - NOTE PAYABLE

Notes payable consisted of the following at:

	June 30, 2009	June 30, 2008
Non-interest bearing note	$–	$334,000
Total	–	334,000
Less current portion	–	(334,000)
Total	$–	$–

On October 30, 2007, the Board of Directors approved the dissolution of its only subsidiary, ARG, which had been inactive since August 2003. As a part of the dissolution, the Company assumed a note payable from ARG in the amount of $434,000. For the year ended June 30, 2008, the Company repaid $100,000, and the remaining note amounted to $334,000. For the year ended June 30, 2009, the

Company paid $300,600, net of a 10% discount of $33,400. The discount of $33,400 was presented as a forgiveness of debt in the statements of income.

NOTE 5 - ACCRUED LIABILITIES

Accrued liabilities consisted of the following at:

	June 30, 2009	June 30, 2008
Accrued salaries	$–	$135,000
Accrued vacations	46,995	-
Accrued professional fees	32,625	31,500
Taxes payable	2,552	689,421
Other accrued liabilities	26,655	19,125
Total	$108,827	$875,046

NOTE 6 – EARNINGS PER SHARE

The Company calculates earnings per share in accordance with SFAS No. 128, Earnings Per Share, which requires a dual presentation of basic and diluted earnings per share. Basic earnings per share is calculated by dividing net income by the weighted-average shares of common stock outstanding, which is reduced by shares repurchased and held in treasury, during the period. Diluted earnings per share is calculated by using the weighted-average shares of common stock outstanding adjusted to include the potentially dilutive effect of outstanding stock options.

The following table sets forth the computation of basic and diluted net income per common share:

	Years Ended June 30,		
	2009	2008	2007
Net income	$ 3,639,166	$ 3,916,913	$ 1,300,097
Weighted-average shares of common stock outstanding:			
Basic	13,231,491	13,231,491	12,824,643
Dilutive effect of common stock equivalents arising from stock options	18,926	-	-
Diluted	13,250,417	13,231,491	12,824,643
Basic earnings per share	$ 0.28	$ 0.30	$ 0.10
Diluted earnings per share	$ 0.27	$ 0.30	$ 0.10

NOTE 7 - COMMITMENTS AND CONTINGENCIES

LEASES

The Company leases its administrative facilities under a non-cancelable operating lease that expires on August 31, 2011. In addition to the minimum annual rental commitments, the lease provides for periodic cost of living increases in the base rent and payment of common area costs. Rent expense related to the operating lease was $107,704 and $62,848 for the years ended June 30, 2009 and 2008, respectively.

The Company leases a corporate housing facility for its vendors under a non-cancelable operating lease that expires on May 9, 2010. Rent expense related to the operating lease was $18,194 and $17,829 for the years ended June 30, 2009 and 2008, respectively.

The following table summarizes the Company's contractual obligations and commitments as of June 30, 2009, and the effect such obligations could have on its liquidity and cash flow in future periods:

	Payments Due by June 30,				
Lease	2010	2011	2012	2013	Total
Administrative office facility	$ 112,900	$ 117,418	$ 19,696	$ -	$ 250,014
Corporate housing facility	13,380	-	-	-	13,380
Total Obligation	$ 126,280	$ 117,418	$ 19,696	$ -	$ 263,394

LITIGATION

The Company is from time to time involved in certain legal proceedings and claims arising in the ordinary course of business. On January 14, 2009, DNT, LLC filed a complaint in the United States District Court for the Eastern District of Virginia against one of its customers as one of six nominal defendants on behalf of alleged patent infringement of U.S. Patent No. RE 37,660 by the products that have been provided by the Company. Pursuant to the Company's agreement with the customer, the customer has sent the notice that the Company will defend and indemnify it in this matter, including hiring counsel to prepare an answer or other response to the complaint. As of June 30, 2009, this legal proceeding is pending, but the Company does not expect a material adverse effect on its financial condition for the year ended June 30, 2009 and thereafter.

CO-DEVELOPMENT, CO-OWNERSHIP AND SUPPLY AGREEMENT

The Company's sole facility is located in San Diego, California. Manufacturing of the Company products has ordinarily been contracted out to C-Motech Co. Ltd. ("C-Motech"), an electronics manufacturing company located in South Korea.

In January 2005, the Company entered into a manufacturing and supply agreement (the "Agreement") with C-Motech for the manufacture of its products. Under the agreement, C-Motech provides the Company with services including all licenses, component procurement, final assembly, testing, quality control, fulfillment and after-sale service. The Agreement provides exclusive rights to market and sell CDMA wireless data products in countries in North America, the Caribbean, and South America. Furthermore, the Agreement provides that the Company is responsible for marketing, sales, field testing, and certifications of these products to wireless service operators and other commercial buyers within a designated territory, and C-Motech is responsible for design, development, testing, CDG certification, and completion of these products. Under the Agreement, products include all access devices designed with Qualcomm's MSM 5100, 5500, 6500, and 6800 chipset solutions provided or designed by C-Motech or both companies. Both companies own the rights to the products: USB modems, Card Bus, PCI Bus and Module designed with MSM 5500 dual band products. On January 30, 2007, C-Motech also certified that the Company has the exclusive right to sell CDU-680 EVDO USB modems directly and indirectly in these territories.

The initial term of the Agreement was for two years, commencing on January 5, 2005. The agreement automatically renews for successive one year periods unless either party provides a written notice to terminate at least sixty days prior to the end of the term. This agreement may be amended or supplemented by mutual agreement of the parties, as is necessary to document the addition of any new products. The agreement will be valid for an additional one year period and expires on January 4, 2010.

NOTE 8 – STOCK-BASED COMPENSATION

In June 2009, the Company adopted the 2009 Stock Incentive Plan ("2009 Plan"). The 2009 Plan provided for the grant of incentive stock options and non-qualified stock options to the Company's employees and directors. Options granted under the 2009 Plan generally vest and become exercisable at the rate of between 50% and 100% per year with a life between four and five years. Upon exercise of granted options, shares are expected to be issued from new shares previously registered for the 2009 Plan.

The Company adopted SFAS No. 123, "Accounting for Share-Based Payments, as Revised" ("SFAS 123R"), using a modified prospective application, and the Black-Scholes model, as permitted under SFAS 123R. Under this application, the Company is required to record compensation expense for all awards granted after the date of adoption and for the unvested portion of previously granted awards that remain outstanding at the date of adoption. Compensation cost will be recognized over the period that an employee provides service in exchange for the award.

The estimated forfeiture rate considers historical turnover rates stratified into employee pools in comparison with an overall employee turnover rate, as well as expectations about the future. The Company periodically revises the estimated forfeiture rate in subsequent periods if actual forfeitures differ from those estimates. Compensation expense recorded under this method for fiscal 2009 was

$2,560 and reduced operating income and income before income taxes by the same amount by increasing compensation expense recognized in selling and administrative expense. The recognized tax benefit related to the compensation expense for fiscal 2009 was nil.

The fair value of each option on the date of grant was estimated using the Black-Scholes method based on the following weighted-average assumptions:

	June 30, 2009
Risk-free interest rate	3.26%
Expected term	3.50 years
Expected volatility	20.61%
Expected dividend yield	0%

The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected term of the option; the expected term represents the weighted-average period of time that options granted are expected to be outstanding giving consideration to vesting schedules and using the simplified method pursuant to SAB No. 107, Share-Based Payment; the expected volatility is based upon historical volatilities of the Company's common stock; and the expected dividend yield is based upon the Company's current dividend rate and future expectations.

The weighted-average grant-date fair value of stock options granted for fiscal 2009 was $0.09 per share.

A summary of the status of the Company's stock options is presented below:

Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (In Years)	Aggregate Intrinsic Value (In thousands)
Outstanding at June 30, 2008	-	$ -	-	-
Granted	472,500	0.45	-	-
Exercised	-	-	-	-
Forfeited or Expired	(25,000)	0.45	-	-
Outstanding at June 30, 2009	447,500	$ 0.45	1.5	$ 97,988
Exercisable at June 30, 2009	-	$ -	-	$ -
Vested and Expected to Vest at June 30, 2009	-	$ -	-	$ -

The weighted-average grant-date fair value of stock options granted for fiscal 2009 was $0.09 per share.

The aggregate intrinsic value in the preceding table represents the total pretax intrinsic value, based upon the Company's closing stock price of $0.70 as of June 30, 2009, which would have been received by the option holders had all option holders exercised their options as of that date.

As of June 30, 2009, there was $17,646 of total unrecognized compensation cost related to non-vested stock options granted. That cost is expected to be recognized over a weighted-average period of 1.4 years.

NOTE 9 – RELATED PARTY TRANSACTIONS

The Company purchased CDMA wireless data products in the amount of $21,655,374, and $27,090,347 from C-Motech, for the years ended June 30, 2009 and 2008 respectively, and had related accounts payable of $4,466,741 and $3,697,893 as of June 30, 2009 and 2008, respectively. C-Motech owns 3,370,356 shares, or 25.5%, of the Company’s Common Stock and Jaeman Lee, Chief Executive Officer of C-Motech Co. Ltd., has served as a director of the Company since September 2006.

NOTE 10 - SUBSEQUENT EVENTS

On September 21, 2009, the Company entered into Change of Control Agreements (“Agreement”) with OC Kim, President, David Yun Lee, Chief Operating Officer, and Yong Bae Won, Vice President-Engineering. Each Agreement provides for a lump sum payment to the officer in case of a change of control of the Company. The term includes the acquisition of common stock of the Company resulting in one person or company owning more than 50% of the outstanding shares, a significant change in the composition of the Board of Directors of the Company during any twelve-month period, a reorganization, merger, consolidation or similar transaction resulting in the transfer of ownership of more than fifty percent of the Company's outstanding Common Stock, or a liquidation or dissolution of the Company or sale of substantially all of the Company's assets.

The Agreement with Mr. Kim is for three years and calls for a payment of $5 million upon a change of control; the agreement with Mr. Lee is for two years and calls for a payment of $2 million upon a change of control; and the agreement with Mr. Won is for two years and calls for a payment of $1 million upon a change of control.

In May 2009, the FASB Issued Statement of Financial Accounting Standards No. 165, "Subsequent Events" ("FAS 165"). FAS 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The standard, which includes a new required disclosure of the date through which an entity has evaluated subsequent events, is effective for interim or annual periods ending after June 15, 2009. The Company's management evaluated all events or transactions that occurred after June 30, 2009 up through October 13, the date the Company issued the financial statements for the year ended June 30, 2009. During this period, the Company did not have any material recognizable subsequent events other than those disclosed in this note to the financial statements for the year ended June 30, 2009 included elsewhere in this Form 10-K.

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