FRANKLIN WIRELESS CORP
Form 10-K
September 30, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For fiscal year ended June 30, 2015

OR

o **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: 001-14891

FRANKLIN WIRELESS CORP.

(Exact name of Registrant as specified in its charter)

Nevada	**95-3733534**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
6205 Lusk Blvd.	**92121**

San Diego, California (Zip code)

(Address of principal executive offices)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value $.001 per share

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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 o

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 x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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 o Accelerated filer o Non-accelerated filer o 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 o No x

The aggregate market value of the voting common stock held by non-affiliates of the Registrant, based on the closing price of the Registrant's common stock on December 31, 2014, as reported by The OTCQB, was approximately $7,070,303. For the purpose of this calculation only, shares owned by officers, directors (and their affiliates) and 5% or greater stockholders have been excluded. The Registrant does not have any non-voting stock issued or outstanding.

The Registrant has 10,533,869 shares of common stock outstanding as of September 28, 2015.

FRANKLIN WIRELESS CORP.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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NOTE ON FORWARD LOOKING STATEMENTS

You should keep in mind the following points as you read this Report on Form 10-K:

- the terms "we," "us," "our," “Franklin,” “Franklin Wireless,” or the "Company" refer to Franklin Wireless Corp.
- our fiscal year ends on June 30; references to fiscal 2015 and fiscal 2014 and similar constructions refer to the fiscal year ended on June 30 of the applicable year.

This Annual Report on Form 10-K contains statements which, to the extent they do not recite historical fact, constitute "forward looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward looking statements are used under the captions "Business," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and elsewhere in this Annual Report on Form 10-K. You can identify these statements by the use of words like "may," "will," "could," "should," "project," "believe," "anticipate," "expect," "plan," "estimate," "forecast," "potential," "intend," "continue," and variations of these words or comparable words. Forward looking statements do not guarantee future performance and involve risks and uncertainties. Actual results may differ substantially from the results that the forward looking statements suggest for various reasons, including those discussed under the caption "Risk Factors." These forward looking statements are made only as of the date of this Annual Report on Form 10-K. We do not undertake to update or revise the forward looking statements, whether as a result of new information, future events or otherwise.

PART I

ITEM 1. BUSINESS.

BUSINESS OVERVIEW

We are a provider of intelligent wireless solutions including mobile hotspots, routers and modems as well as innovative hardware and software products that support machine-to-machine (M2M) applications and the Internet of Things (IoT). Our M2M and IoT solutions include embedded modules, modems and gateways built to deliver reliable always-on connectivity supporting a broad spectrum of applications. These products are designed to solve wireless connectivity challenges in a variety of vertical markets including video surveillance, digital signage, home security, oil and gas exploration, kiosks, fleet management, smart grid, vehicle diagnostics, telematics and many more.

We have a majority ownership position in Franklin Technology Inc. (FTI), a research and development facility located in Seoul, South Korea. FTI primarily provides design and development services to us for our wireless products.

Our products are generally marketed and sold directly to wireless operators, and indirectly through strategic partners and distributors. Our global customer base extends primarily from the United States to countries in South America, the Caribbean, Europe, the Middle East and Africa ("EMEA") and Asia.

OUR STRUCTURE

We incorporated in 1982 in California and reincorporated in Nevada on January 2, 2008. The reincorporation had no effect on the nature of our business or our management. Our headquarters office is located in San Diego, California. The office is principally composed of marketing, sales, operations, finance and administrative support. It is responsible for all customer-related activities, such as marketing communications, product planning, product management and customer support, along with sales and business development activities on a worldwide basis.

The consolidated financial statements include the accounts of the Company and a subsidiary with a majority voting interest of 51.8% (48.2% is owned by non-controlling interests) as of June 30, 2015 and 2014. In the preparation of consolidated financial statements of the Company, intercompany transactions and balances are eliminated and net earnings are reduced by the portion of the net earnings of subsidiaries applicable to non-controlling interests.

Accounting Standards Codification (“ASC”) 280, “Segment Reporting,” 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 have one reportable segment, consisting of the sale of wireless access products. We generate revenues from four geographic areas, consisting of the United States, the Caribbean and South America, EMEA and Asia. The following enterprise-wide disclosure is prepared on a basis consistent with the preparation of the consolidated financial statements. The following table contains certain financial information by geographic area:

	Fiscal Year Ended June 30,	
Net sales:	2015	2014
United States	$36,710,081	$18,036,635
Caribbean and South America	1,416,052	2,109,320
Europe, the Middle East and Africa ("EMEA")	4,578,970	3,789,414
Asia	3,639,130	7,017,528
Totals	$46,344,233	$30,952,897

Long-lived assets, net (property and equipment and intangible assets):	June 30, 2015		June 30, 2014	
United States	$	785,144	$	1,786,910
Asia		571,629		837,371
Totals	$	1,356,773	$	2,624,281

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OUR PRODUCTS

We were the world's first supplier of both CDMA EVDO Rev A and dual-mode (CDMA Rev A/WiMAX) Universal Serial Bus (USB) modems. Our mobile broadband products include a variety of wireless USB modems as well as Wi-Fi mobile hotspot routers and embedded modules, which operate over LTE, HSPA, or CDMA networks. Our products provide consumers with an easy and convenient way in which to wirelessly connect to the Internet from laptop or desktop computers. These high-speed devices support the viewing of web pages and sending and receiving email with large file attachments, as well as downloading pictures, videos and music content. Our products are based on widely deployed cellular technologies and operate across 3G and 4G networks including:

- Code Division Multiple Access ("CDMA") technology 1xEVDO – Evolution-Data Optimized technology in both Rev 0 and Rev A releases.
- High Speed Packet Access ("HSPA") based on the Universal Mobile Telecommunications System standard, sometimes referred to as Wideband Code Division Multiple Access ("WCDMA") technology.
- Long Term Evolution (LTE) 4G mobile broadband standard. The LTE specification provides downlink peak rates of at least 100 Mbps, uplink peak rates of at least 50 Mbps and radio access network (RAN) round-trip times of less than 10 milliseconds.

The following are representative selections of our current CDMA, HSPA and LTE wireless data products:

Mobile Broadband Products:

Routers:

- Mobile hotspots: Single-mode and dual-mode (3G and 4G) portable Wi-Fi routers that provide wireless Internet access for multiple devices simultaneously including laptops, tablets and portable gaming devices.

USB Modems:

- USB modems: Single-mode and dual-mode modems that plug into the Universal Serial Bus (USB) port of laptop or desktop computers, providing an easy and convenient way for users to connect to wireless broadband networks.

IoT and M2M Products:

IoT Gateway Devices:

- Wireless modems and gateway devices deliver reliable always-on connectivity supporting a broad spectrum of M2M and IoT applications. Featuring industrial grade ruggedized housings, these versatile and compact modems and routers provide 3G and 4G connectivity and include Wi-Fi and GPS functionality and support IoT cloud management.

Embedded Modules:

- Include single-mode and dual-mode modules that provide network connectivity for a wide-variety of products like vending machines, cargo containers, utility meters and video cameras. The primary market for these devices is original equipment manufacturers (OEMs) who seek reliable embedded module solutions for their wireless data needs.

Bus Information System:

- Represents a full end-to-end IoT solution and includes both hardware and software engineered by the Company. This innovative system features Franklin's newly developed intelligent gateway that supports GPS, Wi-Fi, OBDII, CCTV and black box integration and includes a fully functional information system.

CUSTOMERS

Our global customer base is comprised of wireless operators, strategic partners and distributors located primarily in the United States, the Caribbean and South America, EMEA and Asia.

SALES AND MARKETING

We market and sell our products primarily to wireless operators located in the United States, EMEA, South America and the Caribbean regions mainly through our internal, direct sales organization and, to a lesser degree, indirectly through strategic partners and distributors. The sales process is supported with a range of marketing activities, including trade shows, product marketing and public relations.

All of our wireless devices must pass Federal Communications Commission (FCC) testing in order to be sold in United States markets. CDMA Development Group (“CDG”) test certifications are required in order to launch any CDMA wireless data products with wireless operators in North America, the Caribbean and South America. PCS Type Certification Review Board (“PTCRB”) test certifications are required for all HSPA/GSM wireless data products. LTE test certifications, as defined by the 3GPP governing body, are required for LTE wireless data products. Certifications are issued as being a qualifier of CDG 1, CDG 2 and CDG 3, PTCRB and 3GPP.

PRODUCTION AND MANUFACTURING OPERATIONS

For the fiscal year ended June 30, 2015, the manufacturing of the majority of our products was contracted out to one company located in Asia.

EMPLOYEES

As of June 30, 2015, we had 66 employees. We also use the services of consultants and contract workers from time to time. Our employees are not represented by any collective bargaining organization, and we have never experienced a work stoppage.

ITEM 1A. RISK FACTORS.

The following risk factors do not purport to be a complete explanation of the risks involved in our business.

WE MAY NEED ADDITIONAL FINANCING DUE TO LIMITED RESOURCES. Our financial resources are limited, and the amount of funding that is required to develop and commercialize our products and technologies is highly uncertain. Adequate funds may not be available when needed or on terms satisfactory to us. Lack of funds may cause us to delay, reduce and/or abandon certain or all aspects of our development and commercialization programs. We may seek additional financing through the issuance of equity or convertible debt securities. In such event, the percentage ownership of our stockholders would be reduced, stockholders may experience additional dilution, and such securities may have rights, preferences and privileges senior to those of our Common Stock. There can be no assurance that additional financing will be available on terms favorable to us or at all. If adequate funds are not available or are not available on acceptable terms, we may not be able to fund our expansion, take advantage of desirable acquisition opportunities, develop or enhance services or products or respond to competitive pressures. Such inability could have a materially adverse effect on our business, results of operations and financial conditions.

WE MAY INFRINGE THE INTELLECTUAL PROPERTY RIGHTS OF OTHERS. The industry in which we operate has many participants that own, or claim to own, proprietary intellectual property. In the past we have received, and in the future may receive, claims from third parties alleging that we, and possibly our customers, violate their intellectual property rights. Rights to intellectual property can be difficult to verify and litigation may be necessary to establish whether or not we have infringed the intellectual property rights of others. In many cases, these third parties are companies with substantially greater resources than us, and they may be able to, and may choose to, pursue complex litigation to a greater degree than we could. Regardless of whether these infringement claims have merit or not, we may be subject to the following:

- We may be liable for potentially substantial damages, liabilities and litigation costs, including attorneys' fees;
- We may be prohibited from further use of the intellectual property and may be required to cease selling our products that are subject to the claim;
- We may have to license the third party intellectual property, incurring royalty fees that may or may not be on commercially reasonable terms. In addition, there is no assurance that we will be able to successfully negotiate and obtain such a license from the third party;
- We may have to develop a non-infringing alternative, which could be costly and delay or result in the loss of sales. In addition, there is no assurance that we will be able to develop such a non-infringing alternative;
- The diversion of management's attention and resources;
- Our relationships with customers may be adversely affected; and,
- We may be required to indemnify our customers for certain costs and damages they incur in such a claim.

In the event of an unfavorable outcome in such a claim and our inability to either obtain a license from the third party or develop a non-infringing alternative, then our business, operating results and financial condition may be materially adversely affected and we may have to restructure our business.

Absent a specific claim for infringement of intellectual property, from time to time we have and expect to continue to license technology, intellectual property and software from third parties. There is no assurance that we will be able to maintain our third party licenses or obtain new licenses when required and this inability could materially adversely affect our business and operating results and the quality and functionality of our products. In addition, there is no assurance that third party licenses we execute will be on commercially reasonable terms.

Under purchase orders and contracts for the sale of our products we may provide indemnification to our customers for potential intellectual property infringement claims for which we may have no corresponding recourse against our third party licensors. This potential liability, if realized, could materially adversely affect our business, operating results and financial condition.

WE OPERATE IN AN INTENSIVELY COMPETITIVE MARKET. The wireless broadband data access market is highly competitive, and we may be unable to compete effectively. Many of our competitors or potential competitors have significantly greater financial, technical and marketing resources than we do. To survive and be competitive, we will need to continuously invest in research and development, sales and marketing, and customer support. Increased competition could result in price reductions, and smaller customer orders. Our failure to compete effectively could seriously impair our business.

WE OPERATE IN THE HIGH-RISK TELECOM SECTOR. We are in a volatile industry. In addition, our revenue model is evolving and relies substantially on the assumption that we will be able to successfully complete the development and sales of our products and services in the marketplace. Our prospects must be considered in the light of the risk, uncertainties, expenses and difficulties frequently encountered by companies in the early stages of development and marketing. In order to be successful in the market we must, among other things:

- Complete development and introduction of functional and attractive products and services;
- Attract and maintain customer loyalty;
- Establish and increase awareness of our brand and develop customer loyalty;
- Provide desirable products and services to customers at attractive prices;
- Establish and maintain strategic relationships with strategic partners and affiliates;
- Rapidly respond to competitive and technological developments;
- Build operations and customer service infrastructure to support our business; and
- Attract, retain, and motivate qualified personnel.

We cannot guarantee that we will be able to achieve these goals, and our failure to achieve them could adversely affect our business, results of operations, and financial condition. We expect that revenues and operating results will fluctuate in the future. There is no assurance that any or all of our efforts will produce a successful outcome.

WE OPERATE IN A FIELD WITH RAPIDLY CHANGING TECHNOLOGY. We cannot be certain that our products and services will function as anticipated or be desirable to our intended markets. Our current or future products and services may fail to function properly, and if our products and services do not achieve and sustain market acceptance, our business, results of operations and profitability may suffer. If we are unable to predict and comply with evolving wireless standards, our ability to introduce and sell new products will be adversely affected. If we fail to develop and introduce products on time, we may lose customers and potential product orders.

WE DEPEND ON THE DEMAND FOR WIRELESS NETWORK CAPACITY. The demand for our products is completely dependent on the demand for broadband wireless access to networks. If wireless operators do not deliver acceptable wireless service, our product sales may dramatically decline. Thus, if wireless operators experience financial or network difficulties, it will likely reduce demand for our products.

WE DEPEND ON COLLABORATIVE ARRANGEMENTS. The development and commercialization of our products and services depend in large part upon our ability to selectively enter into and maintain collaborative arrangements with developers, distributors, service providers, network systems providers, core wireless communications technology providers and manufacturers, among others.

THE LOSS OF ANY OF OUR MATERIAL CUSTOMERS COULD ADVERSELY AFFECT OUR REVENUES AND PROFITABILITY, AND THEREFORE SHAREHOLDER VALUE. We depend on a small number of customers for a significant portion of our revenues. For the year ended June 30, 2015, net revenues from our two largest customers represented 68% and 10% of our consolidated net sales, respectively. We have a written agreement with each of these customers that governs the sale of products to them, but the agreements do not obligate them to purchase any quantity of products from us. If these customers were to reduce their business with us, our revenues and profitability could materially decline.

OUR PRODUCT DELIVERIES ARE SUBJECT TO LONG LEAD TIMES. Due to our limited capital resources, we often experience long-lead times to ship products to our customers, often in excess of 45 days. This could cause us to lose customers, who may be able to secure faster delivery times from our competitors, and require us to maintain higher levels of working capital.

OUR PRODUCT-TO-MARKET CHALLENGE IS CRITICAL. Our success depends on our ability to quickly enter the market and establish an early mover advantage. We must implement an aggressive sales and marketing campaign to solicit customers and strategic partners. Any delay could seriously affect our ability to establish and exploit effectively an early-to-market strategy.

AS OUR BUSINESS EXPANDS INTERNATIONALLY, WE WILL BE EXPOSED TO ADDITIONAL RISKS RELATING TO INTERNATIONAL OPERATIONS. Our expansion into international operations exposes us to additional risks unique to such international markets, including the following:

- Increased credit management risks and greater difficulties in collecting accounts receivable;
- Unexpected changes in regulatory requirements, wireless communications standards, exchange rates, trading policies, tariffs and other barriers;
- Uncertainties of laws and enforcement relating to the protection of intellectual property;
- Language barriers; and
- Potential adverse tax consequences.

Furthermore, if we are unable to further develop distribution channels in countries in North America, the Caribbean and South America, EMEA and Asia, we may not be able to grow our international operations, and our ability to increase our revenue will be negatively impacted.

GOVERNMENT REGULATION COULD RESULT IN INCREASED COSTS AND INABILITY TO SELL OUR PRODUCTS. Our products are subject to certain mandatory regulatory approvals in the United States and other regions in which we operate. In the United States, the Federal Communications Commission regulates many aspects of communications devices. Although we have obtained all the necessary Federal Communications Commission and other required approvals for the products we currently sell, we may not obtain approvals for future products on a timely basis, or at all. In addition, regulatory requirements may change or we may not be able to obtain regulatory approvals from countries other than the United States in which we may desire to sell products in the future.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

We lease approximately 11,318 square feet located in San Diego, California, at a monthly rent of $16,576; although the lease expired on August 31, 2015, we continue to occupy the premises with the consent of the landlord. Rent expense related to this lease was $198,914 for the years ended June 30, 2015 and 2014. On September 10, 2015, we signed a lease for a new office space consisting of approximately 12,775 square feet, also located in San Diego, California, at a monthly rent of $23,115, which we anticipate will commence on November 1, 2015. In addition to monthly rent, the new lease includes payment for certain common area costs. The term of the lease for the new office space is four years from the lease commencement date. Our facility is covered by an appropriate level of insurance and we believe it to be suitable for our use and adequate for our present needs.

Our Korea-based subsidiary, Franklin Technology, Inc. (“FTI”), leases approximately 10,000 square feet of office space in Seoul, Korea, at a monthly rent of approximately $8,000. The lease has been extended to September 1, 2017 with no change to the monthly rent. Beginning on June 12, 2015, FTI leased an additional office space consisting of approximately 2,682 square feet, also located in Seoul Korea, at a monthly rent of approximately $2,700, and the lease expires on September 1, 2017. In addition to monthly rent, the lease provides for periodic cost of living increases in the base rent and payment for certain common area costs. These facilities are covered by an appropriate level of insurance and we believe them to be suitable for our use and adequate for our present needs. Rent expense related to these leases was approximately $98,400 and $96,000 for the years ended June 30, 2015 and 2014, respectively.

We lease one corporate housing facility for our vendors and employees who travel, under a non-cancelable operating lease that expired on September 13, 2015 and was extended to September 5, 2016. During the year ended June 30, 2014, we leased an additional corporate housing facility which was terminated in April 2014. Rent expense related to these leases was $10,573 and $20,209 for the years ended June 30, 2015 and 2014, respectively.

ITEM 3. LEGAL PROCEEDINGS.

Refer to NOTE 9 - COMMITMENTS AND CONTINGENCIES in the Consolidated Financial Statements.

ITEM 4. MINE SAFETY DISCLOSURES.

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES.

MARKET PRICE OF OUR COMMON STOCK

Shares of our Common Stock are quoted and traded on the OTCQB under the trading symbol "FKWL." The following table sets forth the range of high and low bid quotations per share for the Common Stock as reported during the years ended June 30, 2015 and 2014. The bid price reflects inter-dealer prices and does not include retail mark-up, markdown, or commission.

	High	**Low**
Year Ended June 30, 2015		
First Quarter	$1.80	$1.43
Second Quarter	$1.72	$1.40
Third Quarter	$1.75	$1.30
Fourth Quarter	$1.86	$1.45
Year Ended June 30, 2014		
First Quarter	$2.00	$1.32
Second Quarter	$1.90	$1.35
Third Quarter	$1.77	$1.50
Fourth Quarter	$2.05	$1.56

We have one class of common stock. As of June 30, 2015, we had 944 shareholders of record. Since many of the shares of our common stock are held by brokers and other institutions on behalf of shareholders, the total number of beneficial holders represented by these record holders is not practicably determinable.

DIVIDENDS

We have never declared or paid any dividends on our Common Stock. We currently intend to retain all available funds for use in the operation and development of our business and, therefore, and do not expect to declare or pay any cash dividends in the foreseeable future.

EQUITY COMPENSATION PLAN INFORMATION

The following table summarizes share and exercise price information about our equity compensation plans as of June 30, 2015:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	850,337	$ 1.24	805,000
Equity compensation plans not approved by security holders	–	N/A	–
Total	850,337	$ 1.24	805,000

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ITEM 6. SELECTED FINANCIAL DATA.

As a “smaller reporting company” as defined by Rule 12b-2 of the Exchange Act, we are not required to include this item.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and related notes included elsewhere in this report. This report contains certain forward-looking statements relating to future events or our future financial performance. These statements are subject to risks and uncertainties which could cause actual results to differ materially from those discussed in this report. You are cautioned not to place undue reliance on this information which speaks only as of the date of this report. We are not obligated to publicly update this information, whether as a result of new information, future events or otherwise, except to the extent we are required to do so in connection with our obligation to file reports with the SEC. For a discussion of the important risks to our business and future operating performance, see the discussion under the caption “Item 1A. Risk Factors” and under the caption “Factors That May Influence Future Results of Operations” below. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this report might not occur.

BUSINESS OVERVIEW

We are a provider of intelligent wireless solutions including mobile hotspots, routers and modems as well as innovative hardware and software products that support machine-to-machine (M2M) applications and the Internet of Things (IoT). Our M2M and IoT solutions include embedded modules, modems and gateways built to deliver reliable always-on connectivity supporting a broad spectrum of applications. These products are designed to solve wireless connectivity challenges in a variety of vertical markets including video surveillance, digital signage, home security, oil and gas exploration, kiosks, fleet management, smart grid, vehicle diagnostics, telematics and many more.

We have a majority ownership position in Franklin Technology Inc. (FTI), a research and development facility located in Seoul, South Korea. FTI primarily provides design and development services to us for our wireless products.

Our products are generally marketed and sold directly to wireless operators, and indirectly through strategic partners and distributors. Our global customer base extends primarily from the United States to countries in South America, the

Caribbean, Europe, the Middle East and Africa ("EMEA") and Asia.

FACTORS THAT MAY INFLUENCE FUTURE RESULTS OF OPERATIONS

We believe that our revenue growth will be influenced largely by (1) the successful maintenance of our existing customers, (2) the rate of increase in demand for wireless data products, (3) customer acceptance for our new products, (4) new customer relationships and contracts, and (4) our ability to meet customers' demands.

We have entered into and expect to continue to enter into new customer relationships and contracts for the supply of our products, and this may require significant demands on our resources, resulting in increased operating, selling, and marketing expenses associated with such new customers.

CRITICAL ACCOUNTING POLICIES

Revenue Recognition

We recognize revenue in accordance with ASC 605, "Revenue Recognition," 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, we recognize revenues from product sales upon shipment of the products to the customers or when the products are received by the customers in accordance with shipping or delivery terms. We provide a warranty for one year, which is covered by our vendors under the purchase agreements. Any net warranty related expenditures made by us have not historically been material. Under our sales return policy, customers may generally return products that are under warranty for repair or replacement.

Capitalized Product Development Costs

Accounting Standards Codification ("ASC") Topic 350, "Intangibles - Goodwill and Other" includes software that is part of a product or process to be sold to a customer and shall be accounted for under Subtopic 985-20. Our products contain embedded software internally developed by FTI which is an integral part of these products because it allows the various components of the products to communicate with each other and the products are clearly unable to function without this coding.

The costs of product development that are capitalized once technological feasibility is determined (noted as Technology in progress in the Intangible Assets table, in Note 2 to Notes to Financial Statements) include payroll, employee benefits, and other headcount-related expenses associated with product development. We determine that technological feasibility for our products is reached after all high-risk development issues have been resolved. Once the products are available for general release to our customers, we cease capitalizing the product development costs and any additional costs, if any, are expensed. The capitalized product development costs are amortized on a product-by-product basis using the greater of straight-line amortization or the ratio of the current gross revenues to the current and anticipated future gross revenues. The amortization begins when the products are available for general release to the Company's customers.

As of June 30, 2015 and June 30, 2014, capitalized product development costs in progress were $0 and $39,545, respectively, and these amounts are included in intangible assets in our consolidated balance sheets. During the year ended June 30, 2015, we incurred $89,145 in capitalized product development costs, and such amounts are primarily comprised of certifications and licenses. All costs incurred before technological feasibility is reached are expensed and included in our consolidated statements of comprehensive income (loss).

Income Taxes

Deferred income tax assets and liabilities are recorded for differences between the financial statement and tax basis of the assets and liabilities that will result in taxable or deductible amounts in the future based on enacted laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. We have evaluated the available evidence supporting the realization of our gross deferred tax assets, including the amount and timing of future forecasted taxable income, and have determined it is more likely than not that the assets will be fully realized and no valuation allowance is necessary as of June 30, 2015. As of June 30, 2015, we have federal and state net operating loss carryforwards of approximately $5.2 million and $1.7 million, which expire through 2034 and 2017, respectively. The utilization of net operating loss carryforwards may be subject to limitations under the provisions of Internal Revenue Code Section 382 and similar state provisions.

Under the provision of ASC 740 "Application of the Uncertain Tax Position Provisions" related to accounting for uncertain tax positions, 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, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. Tax benefits of an uncertain tax position will not be recognized if it has less than a 50% likelihood of being sustained based on technical merits.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Refer to NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES in the Consolidated Financial Statements.

RESULTS OF OPERATIONS

The following table sets forth, for the years ended June 30, 2015 and 2014, our statements of operations including data expressed as a percentage of sales:

	2015	2014
	(as a percentage of sales)	
Net sales	100.0%	100.0%
Cost of goods sold	81.9%	85.9%
Gross profit	18.1%	14.1%
Operating expenses	17.0%	23.6%
Income (loss) from operations	1.1%	(9.5%)
Other income, net	1.0%	4.6%
Net income (loss) before income taxes	2.1%	(4.9%)
Income tax benefit	(0.2%)	(1.7%)
Net income (loss)	2.3%	(3.2%)
Non-controlling interest in net income of subsidiary	(0.6%)	0.0%
Net income (loss) attributable to Parent Company stockholders	1.7%	(3.2%)

YEAR ENDED JUNE 30, 2015 COMPARED TO YEAR ENDED JUNE 30, 2014

NET SALES - Net sales increased by $15,391,336, or 49.7%, to $46,344,233 for the year ended June 30, 2015 from $30,952,897 for the corresponding period of 2014. For the year ended June 30, 2015, net sales by geographic regions, consisting of South America and the Caribbean, the United States, EMEA (Europe, the Middle East and Africa) and Asia were $1,416,052 (3.1% of net sales), $36,710,081 (79.2% of net sales), $4,578,970 (9.9% of net sales) and $3,639,130 (7.8% of net sales), respectively.

Net sales in the South American and Caribbean regions decreased by $693,268, or 32.9%, to $1,416,052 for the year ended June 30, 2015, from $2,109,320 for the corresponding period of 2014. The decrease was primarily due to the general nature of sales in these regions, which often fluctuate significantly from period to period due to timing of orders placed by a relatively small number of customers. Net sales in the United States increased by $18,673,446, or 103.5%, to $36,710,081 for the year ended June 30, 2015, from $18,036,635 for the corresponding period of 2014. The increase in net sales was primarily due to the launch of two new products; one took place during the second quarter of fiscal 2015, and the other took place at the end of the second quarter of fiscal 2014. These increases were partially offset by a carrier customer that did not make any repeat purchase during fiscal 2015. Net sales in EMEA increased by $789,556, or 20.8%, to $4,578,970 for the year ended June 30, 2015, from $3,789,414 for the corresponding period of 2014. The increase in net sales was due to timing of orders placed by a carrier customer in

Africa. Net sales in Asia decreased by $3,378,398, or 48.1%, to $3,639,130 for the year ended June 30, 2015, from $7,017,528 for the corresponding period of 2014. The decrease in net sales was primarily due to lower product and component sales generated by FTI, which typically vary from period to period.

GROSS PROFIT- Gross profit increased by $4,021,474, or 91.8%, to $8,400,078 for the year ended June 30, 2015, from $4,378,604 for the corresponding period of 2014. The increase was primarily due to the change in net sales as indicated above. The gross profit in terms of net sales percentage was 18.1% for the year ended June 30, 2015, compared to 14.1% for the corresponding period of 2014. The increase in gross profit in terms of net sales and net sales percentage was due to variations in customer and product mix, competitive selling prices and product costs which generally vary from period to period and region to region.

OPERATING EXPENSES - Operating expenses increased by $595,828, or 8.2%, to $7,888,420 for the year ended June 30, 2015, from $7,292,592 for the corresponding period of 2014. The increase was primarily due to higher shipping and handling expenses resulting from the volume increase in product shipments and higher research and development costs due to increased headcount, which were partially offset by lower share-based compensation expense and lower commissions paid to third parties.

OTHER INCOME, NET - Other income, net decreased by $967,276, or 68.1%, to $453,968 for the year ended June 30, 2015, from $1,421,244 for the corresponding period of 2014. The decrease was primarily due to the difference in the amount of expenses that were reversed associated with certain marketing related activities that were incurred and accrued in prior periods which expired during the years ended June 30, 2015 and 2014.

LIQUIDITY AND CAPITAL RESOURCES

Our historical operating results, capital resources and financial position, in combination with current projections and estimates, were considered in management's plan and intentions to fund our operations over a reasonable period of time, which we define as the twelve month period ending June 30, 2016. For purposes of liquidity disclosures, we assess the likelihood that we have sufficient available working capital and other principal sources of liquidity to fund our operating activities and obligations as they become due.

Our principal source of liquidity as of June 30, 2015 consisted of cash and cash equivalents of $11,822,620. We believe we have sufficient available capital to cover our existing operations and obligations through at least June 30, 2016. Our long-term future cash requirements will depend on numerous factors, including our revenue base, profit margins, product development activities, market acceptance of our products, future expansion plans and ability to control costs. If we are unable to achieve our current business plan or secure additional funding that may be required, we would need to curtail our operations or take other similar actions outside the ordinary course of business in order to continue to operate as a going concern.

OPERATING ACTIVITIES - Net cash provided by operating activities for the year ended June 30, 2015 was $4,185,322, and net cash used in operating activities for the year ended June 30, 2014 was $1,707,651.

The $4,185,322 in net cash provided by operating activities for the year ended June 30, 2015 was primarily due to the increase in accounts payable of $1,867,779 as well as our operating results (net income adjusted for depreciation, amortization, and other non-cash charges).

The $1,707,651 in net cash used in operating activities for the year ended June 30, 2014 was primarily due to increases in inventory and accounts receivable of $1,704,823 and $303,846, respectively, the increase in accounts payable of $1,361,070 as well as our operating results (net income adjusted for depreciation, amortization, and other non-cash charges).

INVESTING ACTIVITIES - Net cash used in investing activities for the years ended June 30, 2015 and 2014 was $181,675 and $357,477, respectively.

The $181,675 in net cash used in investing activities for the year ended June 30, 2015 was primarily due to the payments for capitalized product development of $89,145 and purchases of intangible assets and property and equipment of $51,012 and $53,032, respectively.

The $357,477 in net cash used in investing activities for the year ended June 30, 2014 was primarily due to the payments for capitalized product development and purchases of property and equipment of $310,615 and $127,894, respectively, which were partially offset by the repayment of a loan from a third party of $110,294.

FINANCING ACTIVITIES - Net cash provided by financing activities for the years ended June 30, 2015 and 2014 was $0 and $96,074, respectively. The $96,074 in net cash provided by financing activities for the year ended June 30, 2014 was primarily due to the issuance of stock related to stock options exercised.

OFF-BALANCE SHEET ARRANGEMENTS

None.

CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

The following table summarizes our contractual obligations and commitments as of June 30, 2015, and the effect such obligations could have on our liquidity and cash flow in future periods:

	Payments Due by June 30,					
	2016	**2017**	**2018**	**2019**	**Thereafter**	**Total**
Leases	$411,166	$408,207	$298,741	$277,377	$ 92,459	**$1,487,950**
Borrowings from banks	148,295	–	–	–	–	**148,295**
Total	**$559,461**	**$408,207**	**$298,741**	**$277,377**	$ **92,459**	**$1,636,245**

On July 27, 2010, we entered into a Common Stock Repurchase Agreement with C-Motech (the “Agreement”), under which we agreed to repurchase 3,370,356 shares of our Common Stock from C-Motech for $3,500,000. A total of 1,803,684 shares were repurchased on the date of the Agreement in exchange for non-cash consideration in the amount of $1,873,065, which represented amounts owed to the Company by C-Motech for certain marketing funds as well as the settlement of a price dispute for products previously purchased by the Company from C-Motech. Under the Agreement, the remaining 1,566,672 shares were to be repurchased by us upon payment of the balance, $1,626,935, on or before December 31, 2010.

On January 28, 2011 (the “Amendment Date”) the Agreement was amended to reflect (1) a change in the date the 1,566,672 shares are to be repurchased from C-Motech from December 31, 2010 to March 31, 2011, and (2) a change to the non-cash consideration of $1,873,065. In exchange for the 1,803,684 shares, we were to pay cash to C-Motech (in the same amount) for the shares, by March 31, 2011. In addition, in a separate agreement dated January 28, 2011, C-Motech agreed to pay us $1,873,065, for amounts owed, by March 31, 2011. The purpose of these revisions was to more clearly differentiate each party’s payment obligations to the other with respect to this transaction. Following the Amendment Date, we paid C-Motech $1,873,065 in exchange for the 1,803,684 shares previously transferred to us by C-Motech, and C-Motech paid us $1,873,065 for amounts owed, of which $1,581,457 was booked to other income and $291,608 was booked to cost of goods sold. The repurchase of the remaining 1,566,672 shares from C-Motech was not completed. We have provided formal notification to C-Motech that it is in breach of its obligations and we have also provided a demand to sell the shares back to us. We have attempted to tender payment for the shares without results. We were previously advised that two individuals, Cheng-Ji Zhu and Ok-Nam Yun, claim to have purchased the shares from C-Motech through its former CEO; however, the authority of the former CEO to agree to the sale of the shares was disputed by C-Motech. The ownership of the shares was the subject of litigation involving Cheng-Ji Zhu and Ok-Nam Yun and C-Motech in U.S. and Korean courts. On April 1, 2015 the Circuit Court of Cook County, Illinois County Department, Chancery Division issued an Order with respect to the matter of Cheng-Ji Zhu and Ok-Nam Yun, plaintiffs, v. Integrity Stock Transfer and Registrar, Mountain Share Transfer, Inc. and C-Motech Company Ltd., defendants. The Order recognizes and enforces the plaintiff's Motion to Recognize and Enforce Foreign Judgment in which the plaintiffs previously prevailed over C-Motech with respect to the ownership of the 1,566,672 shares of Franklin Wireless Common Stock in an action that took place in Korea.

On May 7, 2013, we filed a lawsuit against C-Motech in the Superior Court of California for the County of San Diego for breach of the Agreement and breach of other contracts between the parties relating to indemnification and other obligations. On February 25, 2014, C-Motech answered the complaint and on February 26, 2014, C-Motech filed a Notice of Removal from the Superior Court of the State of California for the County of San Diego to the United States District Court for the Southern District of California. On June 19, 2014, C-Motech filed a voluntary petition for relief under Chapter 15 of the U.S. Bankruptcy Code and on June 27, 2014, C-Motech filed a Motion for Recognition of a Foreign Main Proceeding under Chapter 15 of the U.S. Bankruptcy Code and Further Relief. On July 10, 2014, this motion was heard in the U.S. Bankruptcy Court for the Southern District of California during which the Court ordered that C-Motech's bankruptcy proceeding in South Korea was recognized as a foreign main proceeding and that our lawsuit against C-Motech in the U.S. District Court is stayed. The effect of this ruling is that we must participate in C-Motech's bankruptcy proceeding in South Korea if we wish to pursue our various claims against C-Motech. We are currently considering our options with respect to this ruling.

As of June 30, 2015, C-Motech was the registered owner of certificates representing 1,566,672 shares, or 15%, of our outstanding Common Stock, which were issued by the Company in C-Motech’s name. However, as of the date of this Report, the registered owners of these shares are Cheng-Ji Zhu and Ok-Nam Yun, who own 838,350 and 728,322 shares, respectively.

LEASES

Refer to ITEM 2. PROPERTIES.

FUTURE LIQUIDITY AND CAPITAL REQUIREMENTS

For the next twelve months, we may require in excess of $5.0 million for capital expenditures, software licenses and for testing and certifying new products.

We believe we will be able to fund our future cash requirements for operations from our cash available, operating cash flows, bank lines of credit and issuance of equity securities. We believe these sources of funds will be sufficient to continue our operations and planned capital expenditures. However, we will be required to raise additional debt or equity capital if we are unable to generate sufficient cash flow from operations to fund the expansion of our sales and to satisfy the related working capital requirements for the next twelve months. Our ability to satisfy such obligations also depends upon our future performance, which in turn is subject to general economic conditions and regional risks, and to financial, business and other factors affecting our operations, including factors beyond our control. See Item 1A, “Risk Factors” included in this report.

If we are unable to generate sufficient cash flow from operations to meet our obligations and commitments, we will be required to raise additional debt or equity capital. Additionally, we may be required to sell material assets or operations or delay or forego expansion opportunities. We might not be able to effect these alternative strategies on satisfactory terms, if at all.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The financial statements and the supplementary financial information required by this Item and included in this report are listed in the Index to Financial Statements beginning on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES.

The Company's President and Chief Financial Officer have concluded, based on an evaluation of the Company's disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) and 15(d)-15(e)), that such disclosure controls and procedures were effective as of the end of the period covered by this report.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no significant changes in our internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act or in other factors that materially affected or are reasonably likely to materially affect our internal controls and procedures over financial reporting during the fourth quarter of the fiscal year ended June 30, 2015.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

To evaluate the effectiveness of internal controls over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act, management conducted an assessment, using the criteria in *Internal Control-Integrated Framework,* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its assessment, management concluded that we maintained effective internal control over financial reporting as of June 30, 2015.

This annual report does not include an attestation report from our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to Sarbanes-Oxley Rule 404(c).

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Set forth below are the names, ages, titles and present and past positions of our directors and executive officers as of June 30, 2015.

Name	**Age**	**Position**
OC Kim	50	President, Secretary and a Director
Gary Nelson	74	Chairman of the Board and a Director
Joon Won Jyoung	73	Director
Johnathan Chee	52	Director
Benjamin Chung	40	Director
Yun J. (David) Lee	53	Chief Operating Officer
Richard Walker	53	Chief Financial Officer

OC Kim has been our President, Secretary and a director since September 2003 and also served as our Acting Chief Financial Officer until March, 2014. Prior to joining Franklin Wireless, Mr. Kim was the CEO and President of Accetio Inc., a company he founded in April 2001 that developed cell phones and modules for the telecommunications industry. In September 2003, Accetio Inc. merged with Franklin Telecommunications Corp. and was renamed Franklin Wireless Corp. Prior to this, Mr. Kim was the Chief Operating Officer of Axesstel Inc., a pioneering developer of CDMA Wireless Local Loop Products. Before joining Axesstel, he was the president of the U.S. sales office for Kolon Data Communications Co., Ltd., one of Korea's most prominent technology conglomerates. While at Kolon Data Communications, Mr. Kim helped introduce the first generation of CDMA phones to the Korean market through his work with Qualcomm Personal Electronics (QPE), a joint venture between Qualcomm Incorporated and Sony Electronics Inc. Mr. Kim began his career at Lucky Goldstar (LG) Electronics. He has more than 27 years of experience in sales, marketing, and operations management in the telecommunications and information systems industries. He earned a B.A. from Sogang University in Korea. We believe Mr. Kim’s qualifications to serve as a director of the Company include his extensive business, operational and management experience in the wireless industry, including his current position as the Company’s President. In addition, his knowledge of the Company’s business, products, strategic relationships and future opportunities is of great value to the Company.

Gary Nelson has been a director since September 2003. Mr. Nelson was an early investor in Franklin Telecommunications Corp. in the 1980’sand served as a director from 2001 up until the Company’s merger with Accetio Inc. in September 2003, at which time the Company was renamed Franklin Wireless Corp. Following the merger, Mr. Nelson became a director and ultimately Chairman of the Board of Franklin Wireless Corp. He was co-founder and President of Churchill Mortgage Corporation, an income property mortgage banking firm based in Los Angeles, California, which was a loan correspondent for major life insurance companies and other financial institutions. In addition, Mr. Nelson was the Chief Operating Officer of Churchill Mortgage Capital, which is the loan origination arm of Churchill Mortgage Corporation. Mr. Nelson's prior experience includes various marketing positions with Control Data Corporation and design engineering positions with North American Aviation where he worked on the Apollo Project. He holds a B.S. in Mechanical Engineering from Kansas State University and an MBA from the University of Southern California. We believe that Mr. Nelson's qualifications to serve as a director of the Company include his many years of business, operational and management experience including his previous position as President of Churchill Mortgage Corporation. In addition, Mr. Nelson has served as a director of the Company for twelve years, and brings a valuable historical perspective on the development of the Company's business and its leadership.

Joon Won Jyoung has been a director since September 2009. He has been an active investor since 1997 and made early investments in Sewon Telecom, Telson Electronics and Pantech, three leading telecommunications companies based in Korea. From 2001 to 2007, Mr. Jyoung served as a director and Treasurer for Sewon Telecom. From 1992 to 1996, he served as President of Sneakers Classic Ltd., and from 1987 to 1991, he was Chairman of Empire State Bank in New York. From 1972 to 1982, he was Chairman of Downtown Mart, a distribution company in New York and Virginia. He holds a B.S. in Mathematics from Seoul National University and an M.S. in Statistics from the University of Connecticut. We believe Mr. Jyoung's qualifications to serve as a director of the Company include his extensive management experience in a diverse range of industries as well as his broad experience in international business matters. Mr. Jyoung's background and experience allow him to provide the Company's Board of Directors with valuable knowledge and insight.

Johnathan Chee has been a director since September 2009. He is an attorney and has owned the Law Offices of Johnathan Chee, in Niles, Illinois, since August 2007. Mr. Chee has represented clients in various business dealings and negotiations with Ameritech, SBC, Sprint and several wireless carriers in Latin America. Between 1998 and 2007, he served as an attorney with the C&S Law Group, P.C., in Glenview, Illinois. He holds a B.A. from the University of Illinois-Chicago and a J.D. from IIT Chicago-Kent College of Law. He is a member of the Illinois Bar Association. We believe Mr. Chee's qualifications to serve as a director of the Company include his experience as a business attorney that allow him to provide the Company's Board of Directors with valuable knowledge of legal matters that may affect the Company.

Benjamin Chung has been a director since November 2011. He is a Certified Public Accountant and an experienced finance and accounting executive whose client base includes several telecommunications companies. He is currently a Partner in the accounting firm of Benjamin & Young, LLP. Between September 2010 and July 2011 he served as International Controller for American Apparel, Inc., a publicly traded company. He served as an Audit Senior Manager in the accounting firm of BDO USA, LLP from October 2007 to August 2010 and completed an 18 month international rotation at BDO Daejoo Korea where he was promoted to an Audit Partner. Prior to BDO, he was the Director of Internal Audit for Big 5 Sporting Goods Corporation, a publicly traded company, from January 2006 to October 2007. He holds a B.S. in Business Administration from California State Polytechnic University, Pomona. We believe Mr. Chung's qualifications to serve as a director of the Company include his experience as a certified public accountant and as controller for public companies, which will allow him to provide the Company's Board of Directors with valuable knowledge of financial and accounting matters that may affect the Company.

Yun J. (David) Lee has been our Chief Operating Officer since September 2008. Mr. Lee has 21 years of upper level management experience in telecommunications, including experience in the cellular telephone business in the U.S. and South America. Prior to joining the Company, he was President of Ace Electronics, and served as Chief Financial Officer and Director of Sales and Marketing for RMG Wireless. Prior to that, he served as Controller and Director of International Sales for Focus Wireless in Chicago.

Richard Walker has been our Chief Financial Officer since March 2014. Mr. Walker joined the Company in December 2009 and previously served as Vice President, Finance and Accounting. Mr. Walker has over 20 years of senior financial management experience in telecommunications, software and the Internet. From 2006 to 2009, he was Senior Vice President and Chief Financial Officer for Intercasting Corp., a developer of software applications for mobile phones. Prior to Intercasting Corp., Mr. Walker held senior financial management positions at Peregrine Systems, MP3.com and Qualcomm.

COMPLIANCE WITH SECTION 16(A) OF EXCHANGE ACT

Section 16(a) of the Securities Exchange Act of 1934 requires officers and directors, and persons who own more than ten percent of our equity securities, to file reports of ownership and changes in ownership with the Securities and

Exchange Commission (the "Commission"). Officers, directors and greater than regulations to furnish us with copies of all forms they file pursuant to Section 16(a). Based solely on our review of the copies of such forms it received and written representations from reporting persons required to file reports under Section 16(a), to our knowledge all of the Section 16(a) filing requirements applicable to such persons with respect to fiscal 2015 were complied with.

CODE OF ETHICS

The Board of Directors has adopted a Code of Ethics, which is applicable to all of our employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. The Code of Ethics covers all areas of professional conduct, including honest and ethical conduct, conflicts of interest, compliance with laws, disclosure obligation, and accountability for adherence to this Code.

CORPORATE GOVERNANCE

During fiscal 2015, the Board of Directors held three meetings. Each director attended at least 75% of the meetings of the Board, except for Joon Won Jyoung, who attended none of the meetings. The Board of Directors has an Audit Committee made up of Messrs. Chung (committee chair) and Nelson and a Compensation Committee made up of Messrs. Nelson (committee chair) and Chee. The Board of Directors has no other committees.

ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth all compensation paid or accrued by us for the years ended June 30, 2015 and 2014 to our President, Chief Operating Officer and Chief Financial Officer (The "Named Executive Officers").

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Option Awards ($)	All Other Compensation ($)(1)	Total ($)
OC Kim,	2014	$200,000	$–	$ –	35,385	$235,385
President	2015	$200,000	$–	$ –	10,000	$210,000
Yun J. (David) Lee,	2014	$170,000	$2,000	$ –	–	$172,000
Chief Operating Officer	2015	$190,417	$–	$ –	–	$190,417
Richard Walker,	2014	$112,500	$1,000	$ –	$ –	$113,500
Chief Financial Officer	2015	$112,500	$–	$ –	$ –	$112,500

(1) Represents the value of unused accrued vacation paid in cash.

Outstanding Equity Awards at Fiscal Year-End

The following table presents the outstanding equity awards held by each of the Named Executive Officers as of June 30, 2015. The only outstanding equity awards are stock options. No options were granted to the Named Executive Officers during the 2015 fiscal year. The options previously granted to our Named Executive Officers vest over periods ranging from one to three years and are subject to early termination on the occurrence of certain events related to termination of employment. In addition, the full vesting of options is accelerated if there is a change in control of the Company.

Options Awards

Name	Number of Securities Underlying Unexercised	Option Exercise Price ($)	Option Expiration Date	Number of Shares that	Market Value of Shares

	Options (#)			**have not Vested (#)**	**that have not Vested ($)**
OC Kim	200,000 (1)	$1.47	06/15/2017	–	–
Yun J. (David) Lee	100,000 (2)	$1.34	06/15/2022	–	–
	100,000 (3)	$0.45	06/11/2019	–	–
Richard Walker	50,000 (4)	$1.34	06/15/2022	–	–

(1) The option vests and is exercisable in full on the first anniversary of the date of the grant and has a five-year term. On June 15, 2012, the option previously granted on April 19, 2010 for 200,000 shares with an exercise price of $2.07 per share was canceled and a new option was granted for 200,000 shares with an exercise price of $1.47 per share.

(2) The option vests and is exercisable in full on the first anniversary of the date of the grant and has a ten-year term. On June 15, 2012, the option previously granted on April 19, 2010 for 100,000 shares with an exercise price of $2.07 per share was canceled and a new option was granted for 100,000 shares with an exercise price of $1.34 per share.

(3) The option vests and is exercisable over two years as follows:

i. 50% of the shares underlying the option vest on the first anniversary of the date of the grant.
ii. 25% of the shares underlying the option vest eighteen months following the date of the grant.
iii. 25% of the shares underlying the option vest on the second anniversary of the date of the grant.

The option originally had a five year term and an expiration date of June 11, 2014. On June 10, 2014, the option was modified to extend the term an additional five years to June 11, 2019.

(4) The option vests and is exercisable over three years as follows:

i. One-third of the shares underlying the option vest on the first anniversary of the date of the grant.
ii. One-third of the shares underlying the option vest on the second anniversary of the date of the grant.
iii. One-third of the shares underlying the option vest on the third anniversary of the date of the grant.

On June 15, 2012, the option previously granted on April 19, 2010 for 50,000 shares with an exercise price of $2.07 per share was canceled and a new option was granted for 50,000 shares with an exercise price of $1.34 per share.

Director Compensation

Our directors are reimbursed for reasonable out-of-pocket expenses incurred in attending meetings of the Board of Directors. Employee directors do not receive any cash compensation for services as directors and have not received any equity compensation designated for such services. Members of the Board of Directors who are not employees may receive stock option grants as consideration for their board service from time to time, although there is no established policy for such stock option grants. None of our directors received any compensation for serving on our Board for the year ended June 30, 2014.

Fiscal 2015 Director Compensation

Name	**Fee Earned or Paid in Cash ($)(1)**	**Option Awards ($)**	**All Other Compensation ($)**	**Total ($)**
Gary Nelson	5,000	–	–	5,000

Joon Won Jyoung	–	–	–	–
Johnathan Chee	5,000	–	–	5,000
Benjamin Chung	5,000	–	–	5,000

(1) Directors are compensated a maximum of $10,000 annually, which is prorated based upon board meeting attendance. This compensation plan became effective January 1, 2015.

The following table sets forth the outstanding equity awards held by each of the named directors as of June 30, 2015.

Options Awards

Name	Number of Securities Underlying Unexercised Options (#)		Option Exercise Price ($)	Option Expiration Date	Number of Shares that have not Vested (#)	Market Value of Shares that have not Vested ($)
Gary Nelson	30,000	(2)	$1.34	06/15/2017	-	-
Joon Won Jyoung	15,000	(1)	$0.57	10/28/2016	-	-
	30,000	(2)	$1.34	06/15/2017	-	-
Johnathan Chee	15,000	(1)	$0.57	10/28/2016	-	-
	30,000	(2)	$1.34	06/15/2017	-	-
Benjamin Chung	30,000	(2)	$1.34	06/15/2017	-	-

(1) The options vest and are exercisable in full on the six month anniversary of the date of the grant and have a five-year term.

(2) The options vest and are exercisable over two years as follows, and have a five-year term:

i. 50% of the shares underlying the option vest on the one year anniversary of the date of the grant.
ii. 50% of the shares underlying the option vest on the two year anniversary of the date of the grant.

EMPLOYMENT CONTRACTS

On September 21, 2009 we entered into Change of Control Agreements with OC Kim, our President, Yun J. (David) Lee, our Chief Operating Officer, and Yong Bae Won, our 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 calls for a payment of $5 million upon a change of control; the agreement with Mr. Lee calls for a payment of $2 million upon a change of control; and the agreement with Mr. Won was for two years and called for a payment of $1 million upon a change of control.

The Board of Directors has approved extension of the Change of Control Agreements with Mr. Kim and Mr. Lee, through September 21, 2017. The Change of Control Agreement with Mr. Won expired on September 21, 2014 and was not renewed or extended.

COMPENSATION DISCUSSION AND ANALYSIS

GENERAL PHILOSOPHY- We compensate our executive officers through a mix of base salary, incentive compensation and stock options. 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 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 the ability to earn cash bonuses based on the achievement of performance targets. The performance targets are set by the Board of Directors, and our executive officers are eligible to receive bonuses on a quarterly basis. The actual amount of incentive compensation paid to our executive officers is in the sole discretion of the Board of Directors.

SEVERANCE BENEFITS - We are generally an at will employer, and have no employment agreements with severance benefits; however, we have entered into Change of Control Agreements with our executive officers, and one other employee that provide them with lump sum payments in the event of 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, 2015 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 6205 Lusk Blvd., San Diego, CA 92121	1,596,695	15.16%
Gary Nelson 6205 Lusk Blvd., San Diego, CA 92121	391,825	3.72%
Yun J. (David) Lee 6205 Lusk Blvd., San Diego, CA 92121	25,000	0.24%
C-Motech Co. Ltd 1208 Jamsil-iSpace, Shincheon-dong, Songpa-gu, Seoul 138-922, Korea	1,566,672 (1)	14.87%
Joon Won Jyoung 6205 Lusk Blvd., San Diego, CA 92121	1,340,662	12.73%
Paul Packer 805 Third Ave., 15th Floor, New York, NY 10022	761,944 (2)	7.23%
All directors and executive officers as a group	3,354,182	31.84%

(1) The shares owned by C-Motech Co. Ltd. were the subject of a legal dispute between Cheng-Ji Zhu and Ok-Nam Yun ("Plaintiffs") and C-Motech relating to the ownership of these shares. On April 1, 2015 the Circuit Court of Cook County, Illinois County Department, Chancery Division issued an Order that recognized and enforced the Plaintiff's Motion to Recognize and Enforce Foreign Judgment in which the Plaintiffs previously prevailed over C-Motech with respect to the ownership of these shares in an action that took place in Korea. As of the date of this Report, Cheng-Ji Zhu and Ok-Nam Yun are the record owners of 838,350 and 728,322 shares, respectively. We had previously entered into a Common Stock Repurchase Agreement with C-Motech for the repurchase of these shares, which was the subject of a lawsuit we filed against C-Motech, as described in Item 3, “Legal Proceedings.”

(2) Based solely on a Schedule 13G dated February 13, 2015, which indicates that Mr. Packer may be deemed to beneficially own 761,944 shares. With respect to these shares, Mr. Packer has shared voting power and shared dispositive power with Globis Capital Partners, L.P., Globis Capital Advisors, L.L.C., Globis Overseas Fund, Ltd., Globis Capital Management, L.P. and Globis Capital, L.L.C.

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

On July 27, 2010, we entered into a Common Stock Repurchase Agreement with C-Motech (the “Agreement”), under which we agreed to repurchase 3,370,356 shares of our Common Stock from C-Motech for $3,500,000. A total of 1,803,684 shares were repurchased on the date of the Agreement in exchange for non-cash consideration in the amount of $1,873,065, which represented amounts owed to the Company by C-Motech for certain marketing funds as well as the settlement of a price dispute for products previously purchased by the Company from C-Motech. Under the Agreement, the remaining 1,566,672 shares were to be repurchased by us upon payment of the balance, $1,626,935, on or before December 31, 2010.

On January 28, 2011 (the “Amendment Date”) the Agreement was amended to reflect (1) a change in the date the 1,566,672 shares are to be repurchased from C-Motech from December 31, 2010 to March 31, 2011, and (2) a change to the non-cash consideration of $1,873,065. In exchange for the 1,803,684 shares, we were to pay cash to C-Motech (in the same amount) for the shares, by March 31, 2011. In addition, in a separate agreement dated January 28, 2011, C-Motech agreed to pay us $1,873,065, for amounts owed, by March 31, 2011. The purpose of these revisions was to more clearly differentiate each party’s payment obligations to the other with respect to this transaction. Following the Amendment Date, we paid C-Motech $1,873,065 in exchange for the 1,803,684 shares previously transferred to us by C-Motech, and C-Motech paid us $1,873,065 for amounts owed, of which $1,581,457 was booked to other income and $291,608 was booked to cost of goods sold. The repurchase of the remaining 1,566,672 shares from C-Motech was not completed. We have provided formal notification to C-Motech that it is in breach of its obligations and we have also provided a demand to sell the shares back to us. We have attempted to tender payment for the shares without results. We were previously advised that two individuals, Cheng-Ji Zhu and Ok-Nam Yun, claim to have purchased the shares from C-Motech through its former CEO; however, the authority of the former CEO to agree to the sale of the shares was disputed by C-Motech. The ownership of the shares was the subject of litigation involving Cheng-Ji Zhu and Ok-Nam Yun and C-Motech in U.S. and Korean courts. On April 1, 2015 the Circuit Court of Cook County, Illinois County Department, Chancery Division issued an Order with respect to the matter of Cheng-Ji Zhu and Ok-Nam Yun, plaintiffs, v. Integrity Stock Transfer and Registrar, Mountain Share Transfer, Inc. and C-Motech Company Ltd., defendants. The order recognizes and enforces the plaintiff's Motion to Recognize and Enforce Foreign Judgment in which the plaintiffs previously prevailed over C-Motech with respect to the ownership of the 1,566,672 shares of Franklin Wireless Common Stock in an action that took place in Korea.

On May 7, 2013, we filed a lawsuit against C-Motech in the Superior Court of California for the County of San Diego for breach of the Agreement and breach of other contracts between the parties relating to indemnification and other obligations. On February 25, 2014, C-Motech answered the complaint and on February 26, 2014, C-Motech filed a Notice of Removal from the Superior Court of the State of California for the County of San Diego to the United States District Court for the Southern District of California. On June 19, 2014, C-Motech filed a voluntary petition for relief under Chapter 15 of the U.S. Bankruptcy Code and on June 27, 2014, C-Motech filed a Motion for Recognition of a Foreign Main Proceeding under Chapter 15 of the U.S. Bankruptcy Code and Further Relief. On July 10, 2014, this motion was heard in the U.S. Bankruptcy Court for the Southern District of California during which the Court ordered that C-Motech's bankruptcy proceeding in South Korea was recognized as a foreign main proceeding and that our lawsuit against C-Motech in the U.S. District Court is stayed. The effect of this ruling is that we must participate in C-Motech's bankruptcy proceeding in South Korea if we wish to pursue our various claims against C-Motech. We are currently considering our options with respect to this ruling.

As of June 30, 2015, C-Motech was the registered owner of certificates representing 1,566,672 shares, or 15%, of our outstanding Common Stock, which were issued by the Company in C-Motech’s name. However, as of the date of this Report, the registered owners of these shares are Cheng-Ji Zhu and Ok-Nam Yun, who own 838,350 and 728,322 shares, respectively.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The aggregate fees billed for the most recently completed fiscal period for the audit of our annual financial statements and services normally provided by the independent registered public accounting firm for this fiscal period were as follows:

	FY 2015	FY 2014
Audit Fees	$62,000	$59,000
Total Fees	$62,000	$59,000

In the above table, "audit fees" are fees billed by our 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 relate to the audit as of and for the years ended June 30, 2015 and 2014, which was performed by Haskell & White LLP. All of the services described above were approved in advance by the Board of Directors or the Company's Audit Committee.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) Index to 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	Articles of Incorporation of Franklin Wireless Corp.(1)
3.2	Amended and Restated Bylaws of Franklin Wireless Corp.(5)
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 August 12, 2011, between the Company and EJMC, Inc., a California corporation. (6)
10.3	Employment Agreement, dated September 21, 2009, between Franklin Wireless Corp. and OC Kim (4)
10.4	Change of Control Agreement, dated September 21, 2009, between Franklin Wireless Corp. and OC Kim (5)
10.5	Change of Control Agreement, dated September 21, 2009, between Franklin Wireless Corp. and David Lee. (5)
10.6	Common Stock Repurchase Agreement between Franklin Wireless Corp. and C-Motech Co., dated July 27, 2010. (7)
14.1	Code of Ethics (3)
31.1	Certificate of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certificate of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.1	Certificate of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certificate of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document*
101.SCH	XBRL Schema Document*
101.CAL	XBRL Calculation Linkbase Document*
101.DEF	XBRL Definition Linkbase Document*
101.LAB	XBRL Label Linkbase Document*
101.PRE	XBRL Presentation Linkbase Document*

* Pursuant to Rule 406T of Regulation S-T, the interactive data files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

(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.

(4) Incorporated by reference from Annual Report on Form 10-K for the year ended June 30, 2009, filed on October 13, 2009.

(5) Incorporated by reference from Annual Report on Form 10-K for the year ended June 30, 2011, filed on September 28, 2011.

(6) Incorporated by reference from Quarterly Report on Form 10-Q for the quarter ended December 31, 2010 filed on February 14, 2011.

(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: September 28, 2015

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
Principal Executive Officer		
/s/ OC KIM Principal Financial Officer	President and a Director	September 28, 2015
/s/ RICHARD WALKER Richard Walker	Chief Financial Officer	September 28, 2015
/s/ GARY NELSON Gary Nelson	Chairman of the Board of Directors	September 28, 2015
/s/ JOON WON JYOUNG Joon Won Jyoung	Director	September 28, 2015
/s/ JOHNATHAN CHEE Johnathan Chee	Director	September 28, 2015
/s/ BENJAMIN CHUNG	Director	September 28, 2015

Benjamin Chung

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FRANKLIN WIRELESS CORP.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2015 and 2014

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 consolidated balance sheets of Franklin Wireless Corp. (the “Company”) as of June 30, 2015 and 2014, and the related consolidated statements of comprehensive income (loss), stockholders’ equity, and cash flows for each of the two years then ended. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. The Company has determined that it is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Franklin Wireless Corp. as of June 30, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the two years then ended, in conformity with accounting principles generally accepted in the United States.

/s/ HASKELL & WHITE LLP

HASKELL & WHITE LLP

Irvine, California

September 28, 2015

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FRANKLIN WIRELESS CORP.

Consolidated Balance Sheets

	As of June 30, 2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	$11,822,620	$8,240,595
Accounts receivable	5,464,182	5,622,644
Other receivables, net	143,384	99,406
Inventories	2,281,667	1,967,390
Loan to an employee	–	7,128
Prepaid expenses and other current assets	60,339	191,219
Prepaid income taxes	1,055,788	1,056,588
Deferred tax assets, current	206,902	59,279
Advance payments to vendors	62,321	46,109
Total current assets	21,097,203	17,290,358
Property and equipment, net	314,492	498,465
Intangible assets, net	1,042,281	2,125,816
Deferred tax assets, non-current	1,860,347	1,981,325
Goodwill	273,285	273,285
Other assets	129,859	107,409
TOTAL ASSETS	$24,717,467	$22,276,658
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$7,362,075	$5,534,168
Advance payments from customers	693,317	319,888
Accrued liabilities	238,619	317,298
Marketing funds payable	–	374,608
Short-term borrowings	148,295	148,295
Total current liabilities	8,442,306	6,694,257
Total liabilities	8,442,306	6,694,257
Commitments and contingencies (Note 9)		
Stockholders’ equity:		
Parent Company stockholders’ equity		
Preferred stock, par value $0.001 per share, authorized 10,000,000 shares; No preferred stock issued and outstanding as of June 30, 2015 and 2014	–	–
Common stock, par value $0.001 per share, authorized 50,000,000 shares; 10,533,869 shares issued and outstanding as of June 30, 2015 and 2014	13,806	13,806
Additional paid-in capital	7,305,767	7,245,283
Retained earnings	13,361,091	12,601,083
Treasury stock, 3,342,286 shares as of June 30, 2015 and 2014, respectively	(4,279,479)	(4,279,479)

Accumulated other comprehensive loss	(664,722)	(243,100)
Total Parent Company stockholders’ equity	15,736,463	15,337,593
Non-controlling interests	538,698	244,808
Total stockholders’ equity	16,275,161	15,582,401
TOTAL LIABILITIES AND STOCKHOLDERS’ EQUITY	$24,717,467	$22,276,658

See accompanying notes to consolidated financial statements.

FRANKLIN WIRELESS CORP.

Consolidated Statements of Comprehensive Income (Loss)

	Fiscal Years Ended June 30,	
	2015	2014
Net sales	$46,344,233	$30,952,897
Cost of goods sold	37,944,155	26,574,293
Gross profit	8,400,078	4,378,604
Operating expenses:		
Selling, general and administrative	4,973,277	4,512,592
Research and development	2,915,143	2,780,000
Total operating expenses	7,888,420	7,292,592
Income (loss) from operations	511,658	(2,913,988)
Other income, net:		
Interest income	23,264	13,585
Other income, net	430,704	1,407,659
Total other income, net	453,968	1,421,244
Income (loss) before provision (benefit) for income taxes	965,626	(1,492,744)
Income tax benefit	(88,272)	(529,016)
Net income (loss)	1,053,898	(963,728)
Non-controlling interests in net income of subsidiary at 48.2%	(293,890)	(8,308)
Net income (loss) attributable to Parent Company	$760,008	$(972,036)
Basic earnings (loss) per share attributable to Parent Company stockholders	$0.07	$(0.09)
Diluted earnings (loss) per share attributable to Parent Company stockholders	$0.07	$(0.09)
Weighted average common shares outstanding - basic	10,533,869	10,386,881
Weighted average common shares outstanding - diluted	10,640,733	10,386,881
Comprehensive income (loss)		
Net income (loss)	$1,053,898	$(963,728)
Translation adjustments	(421,622)	(221,825)
Comprehensive income (loss)	632,276	(1,185,553)
Comprehensive income attributable to non-controlling interest	(293,890)	(8,308)
Comprehensive income (loss) attributable to controlling interest	$338,386	$(1,193,861)

See accompanying notes to consolidated financial statements.

FRANKLIN WIRELESS CORP.

Consolidated Statements of Stockholders' Equity

	Common Stock		Additional Paid-in	Retained	Treasury	Accumulated Other Comprehensive Income	Non-controlling	Total Stockholders
	Shares	Amount	Capital	Earnings	Stock	(Loss)	Interest	Equity
Balance – June 30, 2013	10,374,369	$13,646	$6,989,952	$13,573,119	$(4,279,479)	$(21,275)	$ 236,500	$16,512,463
Net loss attributable to Parent Company	–	–	–	(972,036)	–	–	–	(972,036)
Foreign exchange translation	–	–	–	–	–	(221,825)	–	(221,825)
Comprehensive income attributable to non-controlling interest	–	–	–	–	–	–	8,308	8,308
Share-based compensation	–	–	168,578	–	–	–	–	168,578
Issuance of stock related to stock options exercised	159,500	160	86,753	–	–	–	–	86,913
Balance – June 30, 2014	10,533,869	13,806	7,245,283	12,601,083	(4,279,479)	(243,100)	244,808	15,582,401
Net income attributable to Parent Company	–	–	–	760,008	–	–	–	760,008
Foreign exchange translation	–	–	–	–	–	(421,622)	–	(421,622)
Comprehensive income attributable to non-controlling interest	–	–	–	–	–	–	293,890	293,890
Share-based compensation	–	–	60,484	–	–	–	–	60,484
	10,533,869	$13,806	$7,305,767	$13,361,091	$(4,279,479)	$(664,722)	$538,698	$16,275,161

Balance – June 30, 2015

See accompanying notes to consolidated financial statements.

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FRANKLIN WIRELESS CORP.

Consolidated Statements of Cash Flows

	Fiscal Years Ended June 30,	
	2015	**2014**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$1,053,898	$(963,728)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	237,005	260,654
Amortization of intangible assets	1,223,692	1,287,806
Deferred tax benefit	(26,645)	(539,147)
Share-based compensation	60,484	168,578
Gain on debt extinguishment	(414,480)	(1,300,448)
Gain on sale of vehicle	(4,386)	–
Increase (decrease) in cash due to change in:		
Accounts receivable	114,484	(303,846)
Inventories	(314,277)	(1,704,823)
Prepaid expenses and other current assets	130,880	(180,494)
Prepaid income taxes	800	147,372
Advance payments to vendors	(16,212)	64,169
Other assets	(22,450)	17,816
Accounts payable	1,867,779	1,361,070
Advance payments from customers	373,429	244,519
Accrued liabilities	(78,679)	(267,149)
Net cash provided by (used in) operating activities	4,185,322	(1,707,651)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(53,032)	(127,894)
Payments for capitalized development costs	(89,145)	(310,615)
Purchases of intangible assets	(51,012)	(29,262)
Proceeds from the sale of fixed assets	4,386	–
Receipt of loan repayments from a third party	–	110,294
Receipt of loan repayments from an employee	7,128	–
Net cash used in investing activities	(181,675)	(357,477)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of stock related to stock options exercised	–	86,913
Proceeds from short-term borrowings	–	9,161
Net cash provided by financing activities	–	96,074
Effect of foreign currency translation	(421,622)	(221,825)
Net increase (decrease) in cash and cash equivalents	3,582,025	(2,190,879)
Cash and cash equivalents, beginning of year	8,240,595	10,431,474

Cash and cash equivalents, end of year	$11,822,620	$8,240,595
Supplemental disclosure of cash flow information:		
Cash paid during the years for:		
Interest	$5,552	$10,735
Income taxes	$–	$–

See accompanying notes to consolidated financial statements.

FRANKLIN WIRELESS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BUSINESS OVERVIEW

We are a provider of intelligent wireless solutions including mobile hotspots, routers and modems as well as innovative hardware and software products that support machine-to-machine (M2M) applications and the Internet of Things (IoT). Our M2M and IoT solutions include embedded modules, modems and gateways built to deliver reliable always-on connectivity supporting a broad spectrum of applications. These products are designed to solve wireless connectivity challenges in a variety of vertical markets including video surveillance, digital signage, home security, oil and gas exploration, kiosks, fleet management, smart grid, vehicle diagnostics, telematics and many more.

We have a majority ownership position in Franklin Technology Inc. (FTI), a research and development facility located in Seoul, South Korea. FTI primarily provides design and development services to us for our wireless products.

Our products are generally marketed and sold directly to wireless operators, and indirectly through strategic partners and distributors. Our global customer base extends primarily from the United States to countries in South America, the Caribbean, Europe, the Middle East and Africa ("EMEA") and Asia.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, and a subsidiary with a majority voting interest of 51.8% (48.2% is owned by non-controlling interests) as of June 30, 2015 and 2014. In the preparation of consolidated financial statements of the Company, intercompany transactions and balances are eliminated and net earnings are reduced by the portion of the net earnings of the subsidiary applicable to non-controlling interests.

As consolidated financial statements are based on the assumption that they represent the financial position and operating results of a single economic entity, the retained earnings or deficit of the subsidiary at the date of acquisition, October 1, 2009, by the parent are excluded from consolidated retained earnings. When a subsidiary is consolidated, the consolidated financial statements include the subsidiary's revenues, expenses, gains, and losses only from the date the subsidiary is initially consolidated, and the non-controlling interest is reported in the consolidated statement of financial position within equity, separately from the parent's equity. There are no shares of the Company held by any subsidiaries as of June 30, 2015 or June 30, 2014.

Non-controlling Interest in a Consolidated Subsidiary

As of June 30, 2015, the non-controlling interest was $538,698, which represents a $293,890 increase from $244,808 as of June 30, 2014. The increase of $293,890 in the non-controlling interest was due to the non-controlling interests in net income of subsidiary for the year ended June 30, 2015.

Segment Reporting

Accounting Standards Codification ("ASC") 280, "Segment Reporting," 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 have one reportable segment, consisting of the sale of wireless access products.

We generate revenues from four geographic areas, consisting of the United States, the Caribbean and South America, Europe, the Middle East and Africa ("EMEA") and Asia. The following enterprise-wide disclosure is prepared on a basis consistent with the preparation of the consolidated financial statements. The following table contains certain financial information by geographic area:

	Fiscal Year Ended June 30,	
Net sales:	2015	2014
United States	$36,710,081	$18,036,635
Caribbean and South America	1,416,052	2,109,320
Europe, the Middle East and Africa ("EMEA")	4,578,970	3,789,414
Asia	3,639,130	7,017,528
Totals	$46,344,233	$30,952,897

Long-lived assets, net (property and equipment and intangible assets):	June 30, 2015