

AeroGrow International, Inc.
Form 10-Q
August 14, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(MARK ONE)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT
For the transition period from _____ to _____

Commission File No. 001-33531

AEROGROW INTERNATIONAL, INC.
(Exact Name of Registrant as specified in its charter)

NEVADA
(State or other jurisdiction
of incorporation or organization)

46-0510685
(IRS Employer
Identification Number)

6075 Longbow Drive, Suite 200, Boulder, Colorado
(Address of principal executive offices)

80301
(Zip Code)

(303) 444-7755
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Edgar Filing: AeroGrow International, Inc. - Form 10-Q

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if smaller reporting company)

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

Number of shares of issuer's common stock outstanding as of August 12, 2013: 5,904,877

Table of Contents

AeroGrow International, Inc.
TABLE OF CONTENTS
FORM 10-Q REPORT
June 30, 2013

PART I Financial Information

Item 1.	<u>Financial Statements</u>	3
	<u>Condensed Balance Sheets as of June 30, 2013 (Unaudited) and March 31, 2013</u>	3
	<u>Condensed Statements of Operations for the Three Months Ended June 30, 2013 (Unaudited)</u>	4
	<u>Condensed Statements of Cash Flows for the Three Months Ended June 30, 2013 (Unaudited)</u>	5
	<u>Notes to the Condensed Financial Statements (Unaudited)</u>	7
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	18
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	29
Item 4.	<u>Controls and Procedures</u>	29

PART II Other Information

Item 1.	<u>Legal Proceedings</u>	30
Item 1A.	<u>Risk Factors</u>	30
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	30
Item 3.	<u>Defaults Upon Senior Securities</u>	30
Item 4.	<u>Mine Safety Disclosures</u>	30
Item 5.	<u>Other Information</u>	30
Item 6.	<u>Exhibits</u>	31
	<u>Signatures</u>	32

Table of Contents

PART I - FINANCIAL INFORMATION

Item 1. Condensed Financial Statements

AEROGROW INTERNATIONAL, INC.
CONDENSED BALANCE SHEETS

	June 30, 2013 (Unaudited)	March 31, 2013 (Derived from Audited Statements)
ASSETS		
Current assets		
Cash	\$3,301,447	\$524,491
Restricted cash	23,571	42,294
Accounts receivable, net of allowance for doubtful accounts of \$544 and \$1,100 at June 30, 2013 and March 31, 2013, respectively	68,083	173,096
Other receivables	106,531	168,511
Inventory	888,364	1,229,397
Prepaid expenses and other	133,259	204,927
Total current assets	4,521,255	2,342,716
Property and equipment, net of accumulated depreciation of \$2,905,650 and \$2,868,610 at June 30, 2013 and March 31, 2013, respectively	251,342	265,508
Other assets		
Intangible assets, net of \$350 and \$134,837 of accumulated amortization at June 30, 2013 and March 31, 2013, respectively	1,825	195,403
Deposits	145,201	145,201
Deferred debt issuance costs, net of accumulated amortization of \$2,262,760 and \$2,253,936 at June 30, 2013 and March 31, 2013, respectively	14,228	23,052
Total other assets	161,254	363,656
Total assets	\$4,933,851	\$2,971,880
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Notes payable	\$383,960	\$518,347
Notes payable – related party	83,649	122,026
Current portion – long term debt	1,109,012	899,399
Accounts payable	330,678	379,242
Accrued expenses	180,138	292,066
Customer deposits	156,248	156,929
Deferred rent	5,829	6,209
Total current liabilities	2,249,514	2,374,218
Long term debt	--	1,168,711
Total liabilities	2,249,514	3,542,929
Commitments and contingencies		
Stockholders' equity (deficit)		
Preferred stock, \$.001 par value, 20,000,000 shares authorized, 2,649,007 and 0 shares issued and outstanding at June 30, 2013	2,649	--

Edgar Filing: AeroGrow International, Inc. - Form 10-Q

and March 31, 2013, respectively

Common stock, \$.001 par value, 750,000,000 shares authorized, 5,904,877 and 5,904,877 shares issued and outstanding at June 30, 2013 and March 31, 2013, respectively	5,905	5,905
Additional paid-in capital	79,015,408	75,427,217
Accumulated deficit	(76,339,625)	(76,004,171)
Total stockholders' equity (deficit)	2,684,337	(571,049)
Total liabilities and stockholders' equity (deficit)	\$4,933,851	\$2,971,880

See accompanying notes to the condensed financial statements.

Table of Contents

AEROGROW INTERNATIONAL, INC.
CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months ended June 30,	
	2013	2012
Product sales	\$1,123,169	\$1,416,533
Cost of revenue	721,444	693,332
Gross profit	401,725	723,201
Operating expenses		
Research and development	21,669	93,024
Sales and marketing	470,021	451,177
General and administrative	399,231	577,616
Total operating expenses	890,921	1,121,817
Loss from operations	(489,196)	(398,616)
Other (income) expense, net		
Interest (income)	(2)	(2)
Interest expense	91,167	108,975
Interest expense – related party	3,593	11,650