

AeroGrow International, Inc.
Form 10-Q
August 10, 2012

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, 2012

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

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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 3, 2012: 576,294,744

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June 30, 2012

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PART I - FINANCIAL INFORMATION

Item 1. Condensed Financial Statements

AEROGROW INTERNATIONAL, INC.
CONDENSED BALANCE SHEETS

	June 30, 2012	March 31, 2012 (Derived from Audited Statements)
	(Unaudited)	
ASSETS		
Current assets		
Cash	\$1,228,769	\$501,577
Restricted cash	28,079	42,756
Accounts receivable, net of allowance for doubtful accounts of \$188 and \$768 at June 30, 2012 and March 31, 2012, respectively	61,677	221,713
Other receivables	139,596	197,076
Inventory	1,668,998	1,784,424
Prepaid expenses and other	253,343	309,340
Total current assets	3,380,462	3,056,886
Property and equipment, net of accumulated depreciation of \$2,739,734 and \$2,709,075 at June 30, 2012 and March 31, 2012, respectively	109,058	133,768
Other assets		
Intangible assets, net of \$124,765 and \$120,923 of accumulated amortization at June 30, 2012 and March 31, 2012, respectively	200,963	198,490
Deposits	145,201	145,744
Deferred debt issuance costs, net of accumulated amortization of \$2,260,601 and \$1,449,581 at June 30, 2012 and March 31, 2012, respectively	33,096	844,116
Total other assets	379,260	1,188,350
Total assets	\$3,868,780	\$4,379,004
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Notes payable	\$256,918	\$633,995
Notes payable – related party	102,846	307,821
Current portion – long term debt – related party	--	100,464
Current portion – long term debt	588,612	988,589
Accounts payable	476,012	607,840
Accrued expenses	340,933	252,562
Customer deposits	6,232	8,270
Deferred rent	6,739	6,207
Total current liabilities	1,778,292	2,905,748
Long term debt	1,861,005	5,892,590
Long term debt – related party	--	702,708
Total liabilities	3,639,297	9,501,046
Commitments and contingencies		
Stockholders' equity (deficit)		

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Preferred stock, \$.001 par value, 20,000,000 shares authorized, 0 and 7,526 shares issued and outstanding at June 30, 2012 and March 31, 2012, respectively	--	8
Common stock, \$.001 par value, 750,000,000 shares authorized, 576,294,744 and 20,994,160 shares issued and outstanding at June 30, 2012 and March 31, 2012, respectively	576,295	20,994
Additional paid-in capital	74,566,573	62,602,533
Accumulated deficit	(74,913,385)	(67,745,577)
Total stockholders' equity (deficit)	229,483	(5,122,042)
Total liabilities and stockholders' equity (deficit)	\$3,868,780	\$4,379,004

See accompanying notes to the condensed financial statements.

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

	Three months ended June 30,	
	2012	2011
Product sales, net	\$1,416,533	\$1,479,903
Cost of revenue	693,332	850,832
Gross profit	723,201	629,071
Operating expenses		
Research and development	93,024	22,063
Sales and marketing	451,177	514,000
General and administrative	577,616	714,319
Total operating expenses	\$1,121,817	\$1,250,382
(Loss) from operations	(398,616)	(621,311)
Other (income) expense, net		
Interest (income)	(2))