

ADVANCED PHOTONIX INC

Form 10-Q

November 10, 2014

Table Of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

*For the quarterly period ended September 26, 2014*

**OR**

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

*Commission File Number 1-11056*

**ADVANCED PHOTONIX, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**33-0325826**

(I.R.S. Employer Identification No.)

**2925 Boardwalk Drive, Ann Arbor, Michigan 48104**

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code

**(734) 864-5600**

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 NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

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

Large accelerated filer Accelerated filer  
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

As of October 31, 2014, there were 37,381,413 shares of Class A Common Stock, \$.001 par value, outstanding.

Table Of Contents

**Advanced Photonix, Inc.**

**Form 10-Q**

**For the Quarter Ended September 26, 2014**

**Table of Contents**

	<b><u>Page</u></b>
<b><u>PART I</u> FINANCIAL INFORMATION</b>	
<b><u>Item 1.</u></b> Financial Statements	
<u>Condensed Consolidated Balance Sheets at September 26, 2014 and March 31, 2014</u>	1
<u>Condensed Consolidated Statements of Operations for the three and six-month periods ended September 26, 2014 and September 27, 2013 (unaudited)</u>	2
<u>Condensed Consolidated Statements of Cash Flows for the six-month periods ended September 26, 2014 and September 27, 2013 (unaudited)</u>	3
<u>Notes to Condensed Consolidated Financial Statements</u>	4
<b><u>Item 2.</u></b> Management’s Discussion and Analysis of Financial Condition and Results of Operations	17
<b><u>Item 3.</u></b> Quantitative and Qualitative Disclosures About Market Risk	24
<b><u>Item 4.</u></b> Controls and Procedures	24
<b><u>PART II</u> OTHER INFORMATION</b>	
<b><u>Item 1.</u></b> Legal Proceedings	25
<b><u>Item 1A.</u></b> Risk Factors	25
<b><u>Item 2.</u></b> Unregistered Sales of Equity Securities and Use of Proceeds	25
<b><u>Item 3.</u></b> Defaults Upon Senior Securities	25
<b><u>Item 4.</u></b> Mine Safety Disclosures	25
<b><u>Item 5.</u></b> Other Information	25
<b><u>Item 6.</u></b> Exhibits	26
Exhibit 31.1 Section 302 Certification of Chief Executive Officer	
Exhibit 31.2 Section 302 Certification of Chief Financial Officer	
Exhibit 32.1 Section 906 Certification of Chief Executive Officer	



Table Of Contents**PART I -- FINANCIAL INFORMATION****Item 1. Condensed Consolidated Financial Statements****Advanced Photonix, Inc.****Condensed Consolidated Balance Sheets**

	<b>September 26, 2014 (Unaudited)</b>	<b>March 31, 2014</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$1,146,000	\$120,000
Receivables, net	4,462,000	5,085,000
Inventories	4,800,000	4,749,000
Prepaid expenses and other current assets	719,000	444,000
Total current assets	11,127,000	10,398,000
Equipment and leasehold improvements, net	1,815,000	2,144,000
Goodwill	4,579,000	4,579,000
Intangibles and patents, net	2,686,000	2,942,000
Other assets	179,000	138,000
Total Assets	\$20,386,000	\$20,201,000
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$2,198,000	\$2,661,000
Accrued compensation	956,000	701,000
Accrued subcontracting costs	227,000	344,000
Other accrued expenses	771,000	1,108,000
Current portion of long-term debt, PFG	714,000	714,000
Current portion of long-term debt – MEDC/MSF	654,000	654,000
Current portion of capital lease	15,000	20,000
Current portion of long-term debt - bank line of credit	1,201,000	2,147,000
Current portion of long-term debt - bank term loan	167,000	306,000
Total current liabilities	6,903,000	8,655,000
Long-term debt, less current portion – PFG, net of discount	511,000	794,000
Long-term debt, capital lease	32,000	36,000
Warrant liability	318,000	409,000

Edgar Filing: ADVANCED PHOTONIX INC - Form 10-Q

Total liabilities	7,764,000	9,894,000
Commitments and contingencies		
Shareholders' equity:		
Class A Common Stock, \$.001 par value, 100,000,000 authorized; 37,381,413 shares issued and outstanding as of September 26, 2014, and 31,203,213 shares issued and outstanding as of March 31, 2014	37,000	31,000
Additional paid-in capital	61,697,000	58,752,000
Accumulated deficit	(49,112,000)	(48,476,000)
Total shareholders' equity	12,622,000	10,307,000
Total Liabilities and Shareholders' Equity	\$20,386,000	\$20,201,000

*See notes to condensed consolidated financial statements.*

Table Of Contents**Advanced Photonix, Inc.****Condensed Consolidated Statements of Operations****(Unaudited)**

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>September</b>	<b>September</b>	<b>September</b>	<b>September</b>
	<b>26,</b>	<b>27,</b>	<b>26,</b>	<b>27,</b>
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Sales, net	\$7,789,000	\$7,536,000	\$15,452,000	\$14,614,000
Cost of products sold	5,165,000	4,747,000	9,909,000	8,898,000
Gross profit	2,624,000	2,789,000	5,543,000	5,716,000
<b>Operating expenses:</b>				
Research, development and engineering	1,051,000	1,234,000	2,060,000	2,726,000
Sales and marketing	577,000	640,000	1,147,000	1,227,000
General and administrative	1,087,000	1,202,000	2,363,000	2,326,000
Amortization expense	181,000	259,000	386,000	509,000
Total operating expenses	2,896,000	3,335,000	5,956,000	6,788,000
Loss from operations	(272,000 )	(546,000 )	(413,000 )	(1,072,000 )
<b>Other income (expense):</b>				
Interest expense	(129,000 )	(165,000 )	(310,000 )	(325,000 )
Change in fair value of warrant liability	46,000	107,000	91,000	(89,000 )
Other income (loss)	(13,000 )	26,000	(4,000 )	(17,000 )
Total other expense	(96,000 )	(32,000 )	(223,000 )	(431,000 )
Loss before benefit for income taxes	(368,000 )	(578,000 )	(636,000 )	(1,503,000 )
Benefit for income taxes	--	--	--	--
Net loss	\$(368,000 )	\$(578,000 )	\$(636,000 )	\$(1,503,000 )
Basic & diluted loss per share	\$(0.01 )	\$(0.02 )	\$(0.02 )	\$(0.05 )
Weighted average common shares outstanding				
Basic & diluted shares	37,381,000	31,229,000	35,051,000	31,213,000

*See notes to condensed consolidated financial statements.*

Table Of Contents**Advanced Photonix, Inc.****Condensed Consolidated Statements of Cash Flows****(Unaudited)**

	<b>Six Months Ended</b>	
	<b>September</b>	<b>September</b>
	<b>26,</b>	<b>27,</b>
	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$(636,000 )	\$(1,503,000)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	336,000	463,000
Amortization of intangible assets	386,000	509,000
Amortization of debt discount	74,000	96,000
Stock based compensation expense	37,000	70,000
Change in fair value of warrant liability	(91,000 )	89,000
Changes in operating assets and liabilities:		
Accounts receivable – net	623,000	(674,000 )
Inventories	(51,000 )	(712,000 )
Prepaid expenses and other assets	(316,000 )	15,000
Accounts payable and accrued expenses	(662,000 )	1,172,000
Net cash used in operating activities	(300,000 )	(475,000 )
<b>Cash flows from investing activities:</b>		
Capital expenditures	(132,000 )	(93,000 )
Proceeds from sale of equipment	125,000	--
Patent expenditures	(130,000 )	(127,000 )
Net cash used in investing activities	(137,000 )	(220,000 )
<b>Cash flows from financing activities:</b>		
Net proceeds or (payments) on bank line of credit	(946,000 )	1,251,000
Payments on bank term loan	(139,000 )	(167,000 )
Payments on MEDC/MSF term loans	--	(276,000 )
Payments on PFG term loan	(357,000 )	(357,000 )
Payments on capital lease	(9,000 )	(3,000 )
Taxes paid on net share settlement	--	(1,000 )
Net proceeds from issuance of Class A Common Stock	2,914,000	--
Net cash provided by financing activities	1,463,000	447,000
Net increase (decrease) in cash and cash equivalents	1,026,000	(248,000 )
Cash and cash equivalents at beginning of period	120,000	619,000
Cash and cash equivalents at end of period	\$1,146,000	\$371,000



**September  
26,  
2014**