

Andalay Solar, Inc.
Form 10-Q
August 12, 2014

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2014

or

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 001-33695

Andalay Solar, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

90-0181035
(I.R.S. Employer Identification No.)

2071 Ringwood Ave., Unit C, San Jose, CA
(Address of principal executive offices)

95008
(Zip Code)

(408) 402-9400
(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 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 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 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. (Check one):

Large accelerated filer

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

Accelerated filer

Smaller reporting company

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

As of August 11, 2014, 241,278,204 shares of the issuer's common stock, par value \$0.001 per share, were outstanding (including non-vested restricted shares).

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

Andalay Solar, Inc.
Condensed Consolidated Balance Sheets

| | June 30, 2014 (unaudited) | December 31, 2013 |
|--|---------------------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$92,621 | \$150,081 |
| Accounts receivable, net | 601,041 | 567,523 |
| Other receivables | — | 21,378 |
| Inventory | 923,268 | 786,636 |
| Prepaid expenses and other current assets | 134,740 | 317,510 |
| Total current assets | 1,751,670 | 1,843,128 |
| Property and equipment, net | 5,629 | 13,854 |
| Patents, net | 1,188,019 | 1,244,712 |
| Other assets, net | 146,980 | 163,711 |
| Assets of discontinued operations – long-term | 200,000 | 200,000 |
| Total assets | \$3,292,298 | \$3,465,405 |
| Liabilities, Redeemable Convertible Preferred Stock and Stockholders' Deficit | | |
| Current liabilities: | | |
| Accounts payable | \$3,108,410 | \$4,199,511 |
| Accrued liabilities | 105,274 | 89,730 |
| Accrued warranty | 352,916 | 344,990 |
| Credit facility | 500,000 | 500,000 |
| Capital lease obligations – current portion | — | 299 |
| Derivative liability – embedded conversion feature | 317,240 | 177,927 |
| Current portion of long-term debt | 43,631 | 129,839 |
| Convertible notes – short-term | 150,000 | 60,000 |
| Liabilities of discontinued operations | 931,773 | 967,928 |
| Total current liabilities | 5,509,244 | 6,470,224 |
| Convertible notes, less current portion (net of discount) | 810,213 | 382,084 |
| Total liabilities | 6,319,457 | 6,852,308 |
| Commitments and contingencies (Note 17) | | |
| Series C convertible redeemable preferred stock, \$0.001 par value; 0 and 87 issued and outstanding as of June 30, 2014 and December 31, 2013, respectively | — | 163,998 |
| Series D convertible redeemable preferred stock, \$0.001 par value; 90 and 860 shares issued and outstanding as of June 30, 2014 and December 31, 2013, respectively | 37,505 | 858,565 |
| Stockholders' deficit: | | |
| Series B convertible redeemable preferred stock, \$0.001 par value; 0 and 467 shares issued and outstanding as of June 30, 2014 and December 31, 2013, respectively | — | 146,224 |

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| | | |
|---|--------------|--------------|
| Common stock, \$0.001 par value; 500,000,000 shares authorized; 217,350,775 and 116,339,293 shares issued and outstanding as of June 30, 2014 and December 31, 2013, respectively | 217,351 | 116,339 |
| Additional paid-in capital | 80,828,238 | 78,717,997 |
| Accumulated deficit | (84,110,253) | (83,390,026) |
| Total stockholders' deficit | (3,064,664) | (4,409,466) |
| Total liabilities, redeemable convertible preferred stock and stockholders' deficit | \$3,292,298 | \$3,465,405 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Andalay Solar, Inc.
Condensed Consolidated Statements of Comprehensive Loss
(Unaudited)

| | Three Months Ended June 30, | | | Six Months Ended June 30, | |
|------|--------------------------------|------|------|------------------------------|------|
| 2014 | | 2013 | 2014 | | 2013 |