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Akeena Solar, Inc.
Form 8-K
February 26, 2009

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

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

Date of report (date of earliest event reported):
February 26, 2009

AKEENA SOLAR, INC.
(Exact name of registrant as specified in its charter)

| | | |
|---------------------------------------------------------------|------------------------------------|-------------------------------------------------------|
| Delaware (State or other jurisdiction of incorporation) | 000-52385 (Commission File No.) | 90-0181035 (I.R.S. Employer Identification No.) |
|---------------------------------------------------------------|------------------------------------|-------------------------------------------------------|

16005 Los Gatos Boulevard
Los Gatos, California 94032
(Address of principal executive offices)

Registrant's telephone number, including area code:
(408) 402-9400

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

Item 8.01 Other Events.

Recent Developments

We plan to amend our 2007 Credit Facility with Comerica Bank. In conjunction with this amendment, we plan to repay the outstanding principal balance on the 2007 Credit Facility by using \$17,500,000 of our cash balance that is on deposit with Comerica, and any needed amount beyond that from our working capital. After the amendment, our credit facility with Comerica will have a limit of \$1 million, subject to our obligation to maintain cash as collateral for any borrowings we incur or any letters of credit issued on our behalf. The amendment will also eliminate the asset-based line of credit from our credit facility. We are currently in discussions with lending institutions regarding a replacement asset-based line of credit facility.

Among other recent events affecting the overall market for solar power systems, there has been a pronounced softening in the price of solar panels, including a decrease in the price at which we are able to obtain solar panels from our suppliers. We will take a non-cash charge of approximately \$2.6 million in the fourth quarter of 2008 as the result of a write down to market value of our inventory of solar panels acquired in late 2008.

In late 2008, one of our customers that is a power purchase company lost the project funding it had arranged for a commercial construction project on which we are the solar system installation contractor. Our work on that project is approximately three-quarters completed. Our customer has not made the second scheduled payment to us. Given the current uncertainty regarding this project, we expect to take a non-cash charge of approximately \$963,000 in the fourth quarter of 2008 as a reserve against our receivable balance on the project. We continue to pursue our discussions with the counterparties and to take legal recourse to obtain full payment.

We have taken recent cost reduction measures, including a reduction in force and the closure of our Connecticut office. We are eliminating approximately 45 positions, or approximately 25% of our current workforce, and reducing the regular hours and salaries of our remaining workforce by 10%. We believe these measures will adjust our capacity to a level that reflects our current customer demand and improving sales, design and installation efficiency. In 2008, we derived less than 8% of our revenue from the region supported by the Connecticut office. We believe we can address the Northeastern market more cost effectively by distributing our Andalay product to other systems integrators in the region, and without continuing to have an office location that provides installation services in that region. We expect these changes to result in a significant reduction in our monthly operating expenses, as well as a corresponding reduction in the level of revenue we need to become break-even on the basis of our continuing operations. However even after these changes, we anticipate that we will continue to sustain losses in the near term, and we cannot assure investors that we will be successful in reaching break-even.

Fourth Quarter and 2009 Financial Results

Our preliminary, unaudited results for the fourth quarter and year ended December 31, 2008, and for the corresponding periods in 2007 are set forth below.

AKEENA SOLAR, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|----------------------------------------------------------------------------------------|---------------------------------|----------------|----------------------------------|-----------------|
| | 2008 | 2007 | 2008 | 2007 |
| Net sales | \$ 10,855,599 | \$ 10,320,150 | \$ 40,761,302 | \$ 32,211,761 |
| Cost of sales | 9,694,819 | 8,445,880 | 34,796,546 | 25,372,691 |
| Gross profit | 1,160,780 | 1,874,270 | 5,964,756 | 6,839,070 |
| Operating expenses | | | | |
| Sales and marketing | 2,060,910 | 2,102,767 | 8,618,139 | 5,978,799 |
| Inventory revaluation | 2,646,292 | - | 2,646,292 | - |
| General and administrative | 5,487,372 | 4,352,059 | 19,052,489 | 11,941,700 |
| Total operating expenses | 10,194,574 | 6,454,826 | 30,316,920 | 17,920,499 |
| Loss from operations | (9,033,794) | (4,580,556) | (24,352,164) | (11,081,429) |
| Other income (expense) | | | | |
| Interest income (expense), net | (143,386) | 114,665 | 4,786 | 34,650 |
| Total other income (expense) | (143,386) | 114,665 | 4,786 | 34,650 |
| Loss before provision for income taxes | (9,177,180) | (4,465,891) | (24,347,378) | (11,046,779) |
| Provision for income taxes | - | - | - | - |
| Net loss | \$ (9,177,180) | \$ (4,465,891) | \$ (24,347,378) | \$ (11,046,779) |
| Loss per common and common equivalent share: | | | | |
| Basic | \$ (0.32) | \$ (0.18) | \$ (0.87) | \$ (0.52) |
| Diluted | \$ (0.32) | \$ (0.18) | \$ (0.87) | \$ (0.52) |
| Weighted average shares used in computing loss per common and common equivalent share: | | | | |
| Basic | 28,376,624 | 25,465,409 | 28,124,047 | 21,117,399 |
| Diluted | 28,376,624 | 25,465,409 | 28,124,047 | 21,117,399 |

AKEENA SOLAR, INC.
Consolidated Balance Sheet
(unaudited)

| | December 31, 2008 | December 31, 2007 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 148,230 | \$ 22,313,717 |
| Restricted cash | 17,500,000 | - |
| Accounts receivable, net | 7,660,039 | 9,465,055 |
| Other receivables | 331,057 | 278,636 |
| Inventory, net | 10,495,572 | 8,848,467 |
| Prepaid expenses and other current assets, net | 3,704,375 | 3,055,787 |
| Total current assets | 39,839,273 | 43,961,662 |
| Property and equipment, net | 1,806,269 | 1,796,567 |
| Customer list, net | - | 84,698 |
| Goodwill | 298,500 | 318,500 |
| Other assets | 194,346 | 162,880 |
| Total assets | \$ 42,138,388 | \$ 46,324,307 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities | | |
| Accounts payable | \$ 1,922,480 | \$ 6,716,475 |
| Customer rebate payable | 271,121 | 346,097 |
| Accrued liabilities | 2,410,332 | 1,431,880 |
| Accrued warranty | 1,056,655 | 647,706 |
| Deferred purchase price payable | - | 20,000 |
| Deferred revenue | 1,057,941 | 1,442,834 |
| Credit facility | 18,746,439 | - |
| Current portion of capital lease obligations | 23,292 | 24,130 |
| Current portion of long-term debt | 219,876 | 191,845 |
| Total current liabilities | 25,708,136 | 10,820,967 |
| Capital lease obligations, less current portion | 20,617 | 46,669 |
| Long-term debt, less current portion | 535,302 | 644,595 |
| Total liabilities | 26,264,055 | 11,512,231 |
| Commitments, contingencies and subsequent events | | |
| Stockholders' equity: | | |
| Common stock \$0.001 par value; 50,000,000 shares authorized; 28,460,837 and 27,410,684 shares issued and outstanding at December 31, 2008 and December 31, 2007 | 28,460 | 27,411 |
| Additional paid-in capital | 52,821,104 | 47,412,518 |
| Accumulated deficit | (36,975,231) | (12,627,853) |
| Total stockholders' equity | 15,874,333 | 34,812,076 |
| Total liabilities and stockholders' equity | \$ 42,138,388 | \$ 46,324,307 |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: February 26, 2009

AKEENA SOLAR, INC.

By: /s/ Gary R. Effren
Gary R. Effren,
Chief Financial Officer
