

CYANOTECH CORP  
Form 10-Q  
September 21, 2007

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 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, 2007

OR

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

For the transition period \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-14602

**CYANOTECH CORPORATION**

(Exact name of registrant as specified in its charter)

**NEVADA**  
(State or other jurisdiction  
of incorporation or organization)

**91-1206026**  
(IRS Employer  
Identification Number)

**73-4460 Queen Kaahumanu Hwy. #102, Kailua-Kona, HI 96740**  
(Address of principal executive offices)

**(808) 326-1353**  
(Registrant's telephone number)

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer  Accelerated filer  Non-accelerated filer

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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

The number of shares outstanding of the Registrant's Common Stock, \$.02 par value, as of September 21, 2007 was 5,233,520.

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CYANOTECH CORPORATION

FORM 10-Q

INDEX

PART I. FINANCIAL INFORMATION

Item 1.	<u>Discussion of Forward-Looking Statements</u> <u>Financial Statements</u> <u>Consolidated Condensed Balance Sheets As of June 30, 2007 (unaudited) and March 31, 2007</u> <u>Consolidated Condensed Statements of Operations and Comprehensive Income (Loss) (unaudited) For the three month periods ended June 30, 2007 and 2006</u> <u>Consolidated Condensed Statements of Cash Flows (unaudited) For the three month periods ended June 30, 2007 and 2006</u> <u>Notes to Consolidated Condensed Financial Statements (unaudited)</u>
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>

PART II. OTHER INFORMATION

<u>Item 1.</u>	<u>Legal Proceedings</u>
<u>Item 1A.</u>	<u>Risk Factors</u>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>
<u>Item 3.</u>	<u>Defaults upon Senior Securities</u>
<u>Item 4.</u>	<u>Submission of Matters to a Vote of Security Holders</u>
<u>Item 5.</u>	<u>Other Information</u>
<u>Item 6.</u>	<u>Exhibits</u>

SIGNATURES

**Discussion of Forward-Looking Statements:**

*Important Notice to Investors:* Statements made in this report that relate to future plans, events, liquidity, financial results or performance including statements relating to cash flows and liquidity, as well as estimated unrecognized compensation expense, projected capital expenditures, and future contractual obligations, are forward-looking statements as defined under the Private Securities Litigation Reform Act of 1995. These statements are based upon current information and expectations. Actual results may differ materially from those anticipated as a result of certain risks and uncertainties, including delays, difficulties, changed strategies, or unanticipated factors affecting the implementation of the Company's gross margin, as well as the general risks and uncertainties applicable to the Company and its business. For details concerning these and other risks and uncertainties, see Part I, Item IA, "Risk Factors" of our most recent Form 10-K as well as the Company's other reports subsequently filed with the Securities and Exchange Commission from time to time. Investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Investors should also be aware that while the Company from time to time does communicate with securities analysts, it is against the Company's policy to disclose to them any material non-public information or other confidential commercial information. Furthermore, the Company has a policy against distributing or confirming financial forecasts or projections issued by analysts and any reports issued by such analysts are not the responsibility of the Company. Investors should not assume that the Company agrees with any report issued by any analyst or with any statements, projections, forecasts or opinions contained in any such report.

CYANOTECH CORPORATION  
CONSOLIDATED CONDENSED BALANCE SHEETS  
(Dollars in thousands except per share amounts)

	June 30, 2007 (Unaudited)	March 31, 2007
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 733	\$ 1,444
Accounts receivable, net of allowance for doubtful accounts of \$23	1,681	1,587
Inventories	1,692	1,593
Prepaid expenses and other	63	141
Total current assets	4,169	4,765
Equipment and leasehold improvements, net	4,590	4,701
Other assets	433	440
Total assets	\$ 9,192	\$ 9,906
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Current maturities of long-term debt	\$ 405	\$ 398
Accounts payable	354	616
Accrued expenses	420	390
Total current liabilities	1,179	1,404
Long-term debt, excluding current maturities	890	992
Total liabilities	2,069	2,396
Stockholders' equity: (see Note 3)		
Common stock of \$0.02 par value, shares authorized 7,500,000; 5,233,520 shares issued and outstanding at June 30, 2007 and March 31, 2007	105	105
Additional paid-in capital	27,333	27,333
Accumulated other comprehensive income (loss) - foreign currency translation adjustments	(13	) (8
Accumulated deficit	(20,302	) (19,920
Total stockholders' equity	7,123	7,510
Total liabilities and stockholders' equity	\$ 9,192	\$ 9,906

See accompanying Notes to Consolidated Condensed Financial Statements.

CYANOTECH CORPORATION  
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS  
AND COMPREHENSIVE INCOME (LOSS)  
(In thousands, except per share amounts)  
(Unaudited)

	<b>Three Months Ended June 30,</b>	
	<b>2007</b>	<b>2006</b>
NET SALES	\$ 2,583	\$ 2,444
COST OF PRODUCT SALES	1,837	1,973
Gross Profit	746	471
<b>OPERATING EXPENSES:</b>		
Research and development	47	30
Sales and marketing	368	290
General and administrative	672	462
Total operating expenses	1,087	782
Loss from operations	(341 )	(311 )
<b>OTHER INCOME (EXPENSE):</b>		
Interest income	11	9
Interest expense	(41 )	(47 )
Other expense, net	(1 )	)
Total other expense, net	(31 )	(38 )
Loss before income taxes	(372 )	(349 )
INCOME TAX EXPENSE (BENEFIT)	10	(2 )
NET LOSS	\$ (382 )	\$ (347 )
<b>NET LOSS PER SHARE:</b>		
Basic	\$ (0.07 )	\$ (0.07 )
Diluted	\$ (0.07 )	\$ (0.07 )