

ADVANCED ENVIRONMENTAL RECYCLING TECHNOLOGIES INC
Form 10-Q
May 08, 2015

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 March 31, 2015

OR

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

Commission File Number 1-10367

Advanced Environmental Recycling Technologies, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

71-0675758
(I.R.S. Employer Identification No.)

914 N. Jefferson Street
Springdale, Arkansas
(Address of principal executive offices)

72764
(Zip Code)

(479) 756-7400
(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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of March 31, 2015, the number of shares outstanding of the Registrant's Class A common stock, which is the class registered under the Securities Exchange Act of 1934, was 89,631,162. As of March 31, 2015 there were no outstanding shares of the Registrant's Class B Common Stock.

ADVANCED ENVIRONMENTAL RECYCLING TECHNOLOGIES, INC.

FORM 10-Q

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

ADVANCED ENVIRONMENTAL RECYCLING TECHNOLOGIES, INC.

BALANCE SHEETS

(In thousands)

	March 31, 2015 (unaudited)	December 31, 2014
Assets		
Current assets:		
Cash	\$ 110	\$ 112
Trade accounts receivable, net of allowance of \$53 and \$48 at March 31, 2015 and December 31, 2014, respectively	2,996	4,346
Accounts receivable - related party	26	26
Inventories	17,828	14,316
Prepaid expenses	788	1,134
Total current assets	21,748	19,934
Land, buildings and equipment:		
Land	2,220	2,220
Buildings and leasehold improvements	17,019	17,019
Machinery and equipment	52,787	52,267
Construction in progress	1,226	662
Total land, buildings and equipment	73,252	72,168
Less accumulated depreciation	45,879	45,080
Net land, buildings and equipment	27,373	27,088
Other assets:		
Debt issuance costs, net of accumulated amortization of \$1,097 and \$1,004 at March 31, 2015 and December 31, 2014, respectively	390	483
Other assets	464	380
Total other assets	854	863
Total assets	\$49,975	\$47,885

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

ADVANCED ENVIRONMENTAL RECYCLING TECHNOLOGIES, INC.

BALANCE SHEETS (continued)
(In thousands, except share and per share data)

	March 31, 2015 (unaudited)	December 31, 2014
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable – trade	\$4,593	\$4,559
Accounts payable – related parties	32	25
Current maturities of long-term debt	5,307	5,240
Other accrued liabilities	3,912	3,865
Working capital line of credit	7,159	3,625
Total current liabilities	21,003	17,314
Long-term debt, less current maturities	33,259	32,470
Commitments and Contingencies (See Note 9)		
Series E cumulative convertible preferred stock, \$0.01 par value; 30,000 shares authorized, 20,524 shares issued and outstanding at March 31, 2015 and December 31, 2014, including accrued unpaid dividends of \$5,605 and \$5,196 at March 31, 2015 and December 31, 2014, respectively	26,106	25,720
Stockholders' deficit:		
Class A common stock, \$.01 par value; 525,000,000 shares authorized; 89,631,162 shares issued and outstanding at March 31, 2015 and December 31, 2014, respectively	897	897
Class B convertible common stock, \$.01 par value; 7,500,000 shares authorized; no shares issued and outstanding at March 31, 2015 and December 31, 2014, respectively	-	-
Additional paid-in capital	53,660	53,660
Accumulated deficit	(84,950)	(82,176)
Total stockholders' deficit	(30,393)	(27,619)
Total liabilities and stockholders' deficit	\$49,975	\$47,885

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

ADVANCED ENVIRONMENTAL RECYCLING TECHNOLOGIES, INC.

STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except share and per share data)

	Three Months Ended	
	March 31, 2015	March 31, 2014
Net sales	\$12,194	\$16,690
Cost of goods sold	10,711	14,542
Gross margin	1,483	2,148
Selling and administrative costs	3,036	3,151
Gain from asset impairment and disposition	(1) (7