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ADA-ES INC
Form 10-Q
May 13, 2010

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 March 31, 2010

or

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

For the transition period from _____ to _____

Commission File Number: 000-50216

ADA-ES, INC.

(Exact name of registrant as specified in its charter)

Colorado

(State or other jurisdiction of incorporation or organization)

84-1457385

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

8100 SouthPark Way, B, Littleton, Colorado

(Address of principal executive offices)

80120

(Zip Code)

(303) 734-1727

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

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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 definition of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-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. (Check one): Yes No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING

FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class
Common Stock, no par value

Outstanding at April 30, 2010
7,410,976

PART I - FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements (for March 31, 2010 one entity included as a subsidiary as of March 31, 2009 was deconsolidated (see Note 2)).

ADA-ES, Inc. and Subsidiaries

Consolidated Balance Sheets

(Amounts in thousands, except share data)

	March 31, 2010 (Unaudited)	December 31, 2009
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,125	\$ 1,456
Trade receivables, net of allowance for doubtful accounts	3,880	5,812
Certificate of deposit	400	400
Assets held for sale	2,513	1,987
Prepaid expenses and other	605	1,182
Total current assets	9,523	10,837
PROPERTY, PLANT AND EQUIPMENT, at cost	3,152	3,100
Less accumulated depreciation and amortization	(2,388)	(2,252)
Net property, plant and equipment	764	848
GOODWILL, net of amortization	435	435
INTANGIBLE ASSETS, net of amortization	232	229
INVESTMENT IN ADA CARBON SOLUTIONS, LLC (CARBON SOLUTIONS)	20,595	21,776
DEFERRED TAXES AND OTHER ASSETS	8,460	6,842
TOTAL ASSETS	\$ 40,009	\$ 40,967
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 4,175	\$ 5,312
Accrued payroll and related liabilities	681	578
Deferred revenue	845	1,452
Accrued expenses and other liabilities	1,263	1,306
Total current liabilities	6,964	8,648
LONG-TERM LIABILITIES:		
Accrued liabilities	8,577	6,822
Accrued warranty and other	761	1,146
Total liabilities	16,302	16,616

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COMMITMENTS AND CONTINGENCIES

STOCKHOLDERS EQUITY:

ADA-ES, Inc. stockholders equity		
Preferred stock; 50,000,000 shares authorized, none outstanding	0	0
Common stock; no par value, 50,000,000 shares authorized, 7,410,976 and 7,093,931 shares issued and outstanding	38,802	37,000
Accumulated deficit	(15,568)	(12,748)
Total ADA-ES, Inc. stockholders equity	23,234	24,252
Non-controlling interests	473	99
TOTAL STOCKHOLDERS EQUITY	23,707	24,351
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 40,009	\$ 40,967

See accompanying notes.

ADA-ES, Inc. and Subsidiaries

Consolidated Statements of Operations

*(Amounts in thousands)***(Unaudited)**

	For the Quarter Ended March 31,	
	2010	2009
REVENUE:		
Emissions control (see note 2)	\$ 3,064	\$ 4,606
CO ₂ capture	803	261
Refined coal	0	0
Total revenues	3,867	4,867
COST OF REVENUES:		
Emissions control (see note 2)	1,822	2,702
CO ₂ capture	264	109
Refined coal	426	12
Total cost of revenues	2,512	2,823
GROSS MARGIN	1,355	2,044
OTHER COSTS AND EXPENSES:		
General and administrative	4,579	3,184
Research and development	184	218
Depreciation and amortization	209	157
Total expenses	4,972	3,559
OPERATING LOSS	(3,617)	(1,515)
OTHER INCOME (EXPENSE)		
Equity in net loss of Carbon Solutions (see note 2)	(1,181)	0
Interest and other income	19	33
LOSS BEFORE INCOME TAX PROVISION AND NON-CONTROLLING INTERESTS	(4,779)	(1,482)
INCOME TAX BENEFIT	1,613	315
NET LOSS BEFORE NON-CONTROLLING INTERESTS	(3,166)	(1,167)
Net loss attributable to non-controlling interests	346	624

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NET LOSS ATTRIBUTABLE TO ADA	\$ (2,820)	\$ (543)
NET LOSS PER COMMON SHARE BASIC AND DILUTED ATTRIBUTABLE TO ADA	\$ (0.39)	\$ (0.08)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	7,194	6,869
WEIGHTED AVERAGE DILUTED COMMON SHARES OUTSTANDING	7,194	6,869

See accompanying notes.

ADA-ES, Inc. and Subsidiaries

Consolidated Statements of Changes in Stockholders Equity

For the Quarter Ended March 31, 2010 and 2009

*(Amounts in thousands, except share data)***(Unaudited)**

	COMMON STOCK			ACCUMULATED DEFICIT	TOTAL ADA-ES, INC. STOCKHOLDERS EQUITY	NON- CONTROLLING INTERESTS	TOTAL EQUITY
	SHARES	AMOUNT					
BALANCES, January 1, 2009	6,755,932	\$ 35,812	\$ (3,977)	\$ 31,835	\$ 25,152	\$ 56,987	
Stock-based compensation	137,945	461	0	461	0	461	
Equity contributions	0	0	0	0	26,358	26,358	
Net loss	0	0	(543)	(543)	(624)	(1,167)	
BALANCES, March 31, 2009	6,893,877	\$ 36,273	\$ (4,520)	\$ 31,753	\$ 50,886	\$ 82,639	
BALANCES, January 1, 2010	7,093,931	\$ 37,000	\$ (12,748)	\$ 24,252	\$ 99	\$ 24,351	
Stock-based compensation	173,160	809	0	809	0	809	
Issuance of stock for cash	143,885	1,000	0	1,000	0	1,000	
Expense of stock sale	0	(7)	0	(7)	0	(7)	
Equity contributions	0	0	0	0	720	720	
Net loss	0	0	(2,820)	(2,820)	(346)	(3,166)	
BALANCES, March 31, 2010	7,410,976	\$ 38,802	\$ (15,568)	\$ 23,234	\$ 473	\$ 23,707	

See accompanying notes.

ADA-ES, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

*(Amounts in thousands)***(Unaudited)**

	For the Quarter Ended March 31,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (2,820)	\$ (543)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	139	157
Loss on asset dispositions and securities	0	24
Deferred tax benefit	(1,618)	(316)
Expenses paid with stock and stock options	396	461
Equity in loss of Carbon Solutions	1,181	0
Non-controlling interests in losses of subsidiaries	(346)	(624)
Changes in operating assets and liabilities:		
Trade receivables, net	1,932	(328)
Inventory	0	(173)
Assets held for sale	(526)	0
Prepaid expenses and other	577	16
Accounts payable	(1,137)	(173)
Accrued expenses	(43)	(264)
Deferred revenue and other	1,279	(386)
Net cash used in operating activities	(986)	(2,149)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures for equipment and other assets	(58)	(23,623)
Investment in certificate of deposit	0	(400)
Net cash used in investing activities	(58)	(24,023)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Equity investments in joint ventures by non-controlling interest	720	26,358
Issuance of common stock	1,000	0
Expenses related to the issuance of common stock	(7)	0
Other financing agreement	0	(9)
Net cash provided by financing activities	1,713	26,349
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	669	177
CASH AND CASH EQUIVALENTS, beginning of period	1,456	28,201
CASH AND CASH EQUIVALENTS, end of period	\$ 2,125	\$ 28,378
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION:		
Accrued capital expenditures	\$ 0	\$ 11,360
Stock and stock options issued for services	\$ 809	\$ 461

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See accompanying notes.

ADA-ES, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Unaudited)

March 31, 2010

(1) Basis of Presentation

ADA-ES, Inc. (ADA), its wholly-owned subsidiary, ADA Environmental Solutions, LLC (ADA LLC) and ADA 's 50% joint venture interest in Clean Coal Solutions, LLC and its subsidiaries (Clean Coal), are collectively referred to as the Company . Our Company is principally engaged in providing environmental technologies and specialty chemicals to the coal-burning utility industry. Our Company generates a sub