

Surna Inc.  
Form 10-Q  
November 20, 2012

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

**FORM 10-Q**

☒ QUARTERLY REPORT UNDER TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended SEPTEMBER 30, 2012

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

**Commission File Number: 333-164578**

**SURNA INC.**

*(Exact name of registrant as specified in its charter)*

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

**27-3911608**  
*(I.R.S. Employer Identification No.)*

**1103 United Success Commercial Centre**

**508 Jaffe Road, Causeway Bay**

**N/A**

**Hong Kong**

*(Address of principal executive offices)*

*(ZIP Code)*

**+852.3721.3668**

*(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 ☐ Accelerated Filer ☐ Non-accelerated Filer ☐

Smaller Reporting Company ☒

*(Do not check if a smaller reporting company)*

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). **YES** ☐ **NO** ☒

99,375,000 shares of the registrant's common stock were outstanding AS OF November 15, 2012.



EXPLANATORY NOTE

Surna Inc. (the Company) is filing this Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 (the Report) on the date hereof in reliance on the Order Under Section 17A and Section 36 of the Securities Exchange Act of 1934 Granting Exemptions from Specified Provisions of the Exchange Act and Certain Rules Thereunder (the Order) promulgated by the Securities and Exchange Commission (the SEC) on November 14, 2012 (Securities Exchange Act of 1934 Release No. 68224).

The Company was not able to meet the SEC mandated filing deadline for the Report due to Hurricane Sandy and its aftermath. The Company's independent registered public accounting firm hired to review the Report and the financial statements contained herein, RBSM LLP (RBSM), is located in New York, New York. RBSM's offices were closed during Hurricane Sandy and its aftermath for approximately one week thereafter, specifically due to the flooding conditions, loss of electricity, heat and telephone services, which also resulted in their network failure for over a week of time thereafter. RBSM just fully recovered their telephone services over the past weekend. Because of Hurricane Sandy and its aftermath, RBSM suspend work for a week, which directly resulted in delay in the completion of RBSM's review and delay in the completion of the Edgar proof and XBRL tagging required for this Report filing.



SURNA INC.

**Quarterly Report on Form 10-Q**

*For the Quarter ended 30 September, 2012*

**TABLE OF CONTENTS**

PART I

<u>ITEM 1. FINANCIAL STATEMENTS.</u>	4
<u>Unaudited Condensed Consolidated Balance Sheets at September 30, 2012 and December 31, 2011</u>	F-1
<u>Condensed Consolidated Statement of Operations for three and nine months ended September 30, 2012 and 2011, and for the transition one-month period ended December 31, 2011(unaudited)</u>	F-2
<u>Condensed Consolidated Statements of Cash Flows for the Nine months ended September 30, 2012 and 2011 and 1 month ended December 31, 2011(unaudited)</u>	F-3
<u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.</u>	5

PART II

<u>ITEM 1. LEGAL PROCEEDINGS.</u>	12
<u>ITEM 1A. RISK FACTORS.</u>	12
<u>ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.</u>	12
<u>ITEM 3. DEFAULTS UPON SENIOR SECURITIES.</u>	12
<u>ITEM 4. MINE SAFETY DISCLOSURES.</u>	12
<u>ITEM 5. OTHER INFORMATION.</u>	12
<u>ITEM 6. EXHIBITS.</u>	12
 <u>Signatures</u>	 13
<u>Exhibit Index</u>	14



## AVAILABLE INFORMATION

Surna Inc. files annual, quarterly and current reports and other information with the Securities and Exchange Commission (the "SEC"). You may read and copy any document we file with the SEC at the SEC's public reference room at 100 F Street, NE, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for information on the public reference room. The SEC maintains an internet site that contains annual, quarterly and current reports, proxy and information statements and other information that issuers (including Morgan Stanley) file electronically with the SEC. Surna's electronic SEC filings are available to the public at the SEC's internet site, [www.sec.gov](http://www.sec.gov).

Surna's internet site is [surna.com](http://surna.com). You can access the Company's Investor Relations webpage at [invest.surna.com](http://invest.surna.com) and Corporate Governance webpage at [governance.surna.com](http://governance.surna.com). Surna posts the following on its Corporate Governance webpage:

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Code of Ethics

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Charter for our Audit Committee

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Charter for our Disclosure Committee

Surna's Code of Ethics applies to all directors, officers and employees, including its Chief Executive Officer, its Chief Financial Officer and its Controller and Principal Accounting Officer. Surna will post any amendments to the Code of Ethics on its internet site. The information on Surna's internet site is not incorporated by reference into this report.

## CERTAIN CONVENTIONS

Except where the context otherwise requires and for purposes of this quarterly report only:

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China or PRC refers to the People's Republic of China, and excludes Hong Kong, Macau and Taiwan;

we, us, our company and our refer to Surna Inc., and, unless the context requires otherwise, its wholly-owned subsidiaries, including Surna Media Inc., a British Virgin Islands company, Surna Hongkong Limited, a Hong Kong company, and Flying Cloud Information Technology Co. Ltd., a PRC company.

## FORWARD-LOOKING INFORMATION

This quarterly report contains statements of a forward-looking nature. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. These statements are made under the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify these forward-looking statements by terminology such as may, will, expects, anticipates, future, intend, plan, estimate, is/are likely to or other similar expressions. The accuracy of these statements may be impacted by a number of risks and uncertainties that could cause actual results to differ materially from those projected or anticipated. Such risks and uncertainties include, but are not limited to, the following:

We have limited financial resources and accordingly may not be able to continue to operate as a going concern unless we obtain additional financing;

Our lack of resources may make it difficult or impossible to stabilize and strengthen our position as an online game developer in China;

We may not be successful in our efforts to develop and launch additional online games;



Our various initiatives to implement our business strategies may not prove successful despite the costs incurred to pursue them;

Our competitors have significantly more resources than we do, and as a result we might not be able to compete successfully;

The regulatory environment in China and other countries relating to the Internet and Internet content providers, including online game developers and operators, may hinder or impair our ability to conduct our online gaming business as we intend; and

These risks are not exhaustive. We operate in an emerging and evolving environment. New risk factors emerge from time to time and it is impossible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results of this annual report to differ materially from those contained in any forward-looking statement.

We would like to caution you not to place undue reliance on forward-looking statements and you should read these statements in conjunction with the risk factors disclosed under Item 1A. Risk Factors of our last annual report. We do not undertake any obligation to update or revise the forward-looking statements except as required under applicable law.



**PART I - FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS.**

## Surna Inc.

## Condensed Consolidated Balance Sheets

(Unaudited)

	September 30, 2012	December 31, 2011
<b>ASSETS</b>		
Current Assets		
Cash	\$ 1,912	\$ 2,745
Account receivable	158,140	1,273
Current assets of discontinued operations		3,307
Prepaid expenses	2,575	1,793
Total Current Assets	162,627	9,118
Equipment, net of accumulated depreciation	20,001	30,000
<b>TOTAL ASSETS</b>	<b>\$ 182,628</b>	<b>\$ 39,118</b>
<b>LIABILITIES AND STOCKHOLDERS DEFICIT</b>		
CURRENT LIABILITIES		
Accounts Payable	\$ --	\$ --
Accrued liabilities	74,202	20,691
Current liabilities of discontinued operations	--	24,200
Amounts due to related parties	2,245,439	1,664,117
Total Current Liabilities	2,319,641	1,709,008
<b>STOCKHOLDERS DEFICIT</b>		
Preferred stock, \$0.00001 par value; 150,000,000 shares authorized; 0 shares issued and outstanding	--	--

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Common stock, \$0.00001 par value; 350,000,000 shares authorized; 99,375,000 shares issued and outstanding	994	994
Paid in capital	148,507	148,507
Accumulated other comprehensive income	(3,421)	(4,304)
Accumulated deficit	(2,283,093)	(1,815,087)
Total Stockholders' Deficit	(2,137,013)	(1,669,890)
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<b>\$ 182,628</b>	<b>\$ 39,118</b>

See accompanying notes to the unaudited consolidated financial statements

F-1

## Surna Inc.

## Condensed Consolidated Statement of Operations and Comprehensive Loss

(Unaudited)

	3 months ended September 30, 2012	3 months ended September 30, 2011	9 months ended September 30, 2012	9 months ended September 30, 2011	1 month ended December 31, 2011
<b>Revenue</b>	\$ 111,030	\$ 126	\$ 158,861	\$ 126	335
<b>Operating Expenses:</b>					
Salaries	151,860	185,132	449,455	378,580	50,496
Compensation expenses	-	-	-	769,231	-
Product development cost	10,348	36,798	39,620	113,251	13,256
General and Administrative expenses	33,805	39,616	149,399	137,930	20,759
<b>Total operating expenses</b>	<b>196,013</b>	<b>261,546</b>	<b>638,474</b>	<b>1,398,992</b>	<b>84,511</b>
<b>Operating loss</b>	<b>(84,983)</b>	<b>(261,420)</b>	<b>(479,613)</b>	<b>(1,398,866)</b>	<b>(84,176)</b>
<b>Other income (expenses):</b>					
Loss on extinguishment of debt	-	(10,000)	-	(10,000)	-
<b>Loss from continuing operations before provision for income taxes</b>	<b>(84,983)</b>	<b>(271,420)</b>	<b>(479,613)</b>	<b>(1,408,866)</b>	<b>(84,176)</b>
<b>Provision for income taxes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Loss from continuing operations</b>	<b>(84,983)</b>	<b>(271,420)</b>	<b>(479,613)</b>	<b>(1,408,866)</b>	<b>(84,176)</b>
<b>Income (loss) from discontinued operations</b>	<b>-</b>	<b>(15,287)</b>	<b>11,607</b>	<b>(15,287)</b>	<b>(1,894)</b>
<b>Net loss</b>	<b>(84,983)</b>	<b>(286,707)</b>	<b>(468,006)</b>	<b>(1,424,153)</b>	<b>(86,070)</b>
<b>Comprehensive loss:</b>					
Foreign currency translation loss	(2,310)	-	-	-	(2,934)
<b>Comprehensive loss</b>	<b>\$ (87,293)</b>	<b>\$ (286,707)</b>	<b>\$ (468,006)</b>	<b>\$ (1,424,153)</b>	<b>\$ (89,004)</b>
<b>Loss per common share from continuing operations - basic and diluted</b>	<b>(\$0.00)</b>	<b>(\$0.00)</b>	<b>(\$0.00)</b>	<b>(\$0.01)</b>	<b>(\$0.00)</b>

<b>Loss per common share from discontinued operations - basic and diluted</b>	\$0.00	(\$0.00)	\$0.00	(\$0.00)	(\$0.00)
<b>Net loss per common share - basic and diluted</b>	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.01)	(\$0.00)