

CYANOTECH CORP  
Form 10-Q/A  
February 13, 2014

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

Washington, D.C. 20549

**FORM 10-Q/A**

(Amendment No. 1)

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**For Quarterly Period Ended December 31, 2013**

**Or**

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**For the Transition Period From                      to**

**Commission File Number 0-14602**

**CYANOTECH CORPORATION**

(Exact name of registrant as specified in its charter)

NEVADA

91-1206026

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(State or other jurisdiction  
of incorporation or organization)

(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)

**Not Applicable**

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

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the past 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 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 Exchange Act). Yes  No

Number of common shares outstanding as of February 10, 2014:

**Title of Class**  
Common stock - \$0.02 par value

**Shares Outstanding**  
5,486,438



CYANOTECH CORPORATION

FORM 10-Q/A

**EXPLANATORY NOTE**

This Amendment No. 1 on Form 10-Q/A (this Amendment) amends the Registrant's Quarterly Report on Form 10-Q for the quarter ended December 31, 2013, which the Registrant previously filed with the Securities and Exchange Commission (the SEC) on February 6, 2014 (the Original Filing). The Registrant is filing this Amendment due to a typographical error that was discovered in Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. In the Comparison of the Three Months Ended December 31, 2013 and 2012 on page 15, footnote (1)(b) references Patent Number 5527553; the correct number is 5527533. In addition, as required by Rule 12b-15 under the Securities Exchange Act of 1934, new certifications by our principal executive officer and principal financial officer are filed as exhibits to this Amendment and apply to this filing and the Original Filing, as amended. Except as set forth below, the Original Filing has not been amended, updated or otherwise modified.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

**FORWARD-LOOKING STATEMENTS**

This Report and other presentations made by Cyanotech Corporation ( CYAN ) and its subsidiary contain forward-looking statements, which include statements that are predictive in nature, depend upon or refer to future events or conditions, and usually include words such as expects, anticipates, intends, plan, believes, predicts, estimates or similar expressions. In addition, any statement concerning future financial performance, ongoing business strategies or prospects and possible future actions are also forward-looking statements. Forward-looking statements are based upon current expectations and projections about future events and are subject to risks, uncertainties and the accuracy of assumptions concerning CYAN and its subsidiaries (collectively, the Company), the performance of the industry in which CYAN does business, and economic and market factors, among other things. **These forward-looking statements are not guarantees of future performance. You should not place undue reliance on forward-looking statements.**

Forward-looking statements speak only as of the date of the Report, presentation or filing in which they are made. Except to the extent required by the Federal Securities Laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Our forward-looking statements in this Report include, but are not limited to:

- Statements relating to our business strategy;
- Statements relating to our business objectives; and
- Expectations concerning future operations, profitability, liquidity and financial resources.

These forward-looking statements are subject to risk, uncertainties and assumptions about us and our operations that are subject to change based on various important factors, some of which are beyond our control. The following factors, among others, could cause our financial performance to differ significantly from the goals, plans, objectives, intentions and expectations expressed in our forward-looking statements:

- Environmental restrictions, soil and water conditions, levels of sunlight and seasonal weather patterns, particularly heavy rain, wind and other hazards;
- Consumer perception of our products due to adverse scientific research or findings, publicity regarding nutritional supplements, litigation, regulatory investigations or other events, conditions and circumstances involving the Company which receive national media coverage;

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- The effects of competition, including tactics and locations of competitors and operating and market competition;
- Demand for our products, the quantities and qualities thereof available for sale and levels of customer satisfaction, including significant unforeseen fluctuations in global demand for products similar to our products;
- Our dependence on the experience, continuity and competence of our executive officers and other key employees;
- The added risks associated with the current local, national and world economic crises, including but not limited to, the volatility of crude oil prices, inflation and currency fluctuations;
- Changes in domestic and/or foreign laws, regulations or standards, affecting nutraceutical products or our methods of operation;
- Access to available and reasonable financing on a timely basis;
- Changes in laws, corporate governance requirements and tax rates, regulations, accounting standards and the application to us or the nutritional products industry of new decisions by courts, regulators or other government authorities;
- The risk associated with the geographic concentration of our business;
- Acts of war, terrorist incidents or natural disasters; and

Other risks or uncertainties described elsewhere in this Report and in other periodic reports previously and subsequently filed by us with the Securities and Exchange Commission.

**Overview:**

We are a world leader in the production of high value natural products derived from microalgae. Incorporated in 1983, we are guided by the principle of providing beneficial, quality microalgal products for health and human nutrition in a sustainable, reliable and environmentally sensitive operation. We are GMP (Good Manufacturing Practices) certified by the Natural Products Association, reinforcing our commitment to quality in our products, quality in our relationships (with our customers, suppliers, co-workers and the communities we live in), and quality of the environment in which we work. Our products include:

- Hawaiian *Spirulina Pacifica*® - a nutrient-rich dietary supplement used for extra energy, a strengthened immune system, cardiovascular benefits and as a source of antioxidant carotenoids; and
- Hawaiian *BioAstin*® natural astaxanthin - a powerful dietary antioxidant shown to support and maintain the body's natural inflammatory response, to enhance skin, and to support eye and joint health. It has expanding applications as a human nutraceutical and functional food ingredient

Microalgae are a diverse group of microscopic plants that have a wide range of physiological and biochemical characteristics and contain, among other things, high levels of natural protein, amino acids, vitamins, pigments and enzymes. Microalgae have the following properties that make commercial production attractive: (1) microalgae grow much faster than land grown plants, often up to 100 times faster; (2) microalgae have uniform cell structures with no bark, stems, branches or leaves, permitting easier extraction of products and higher utilization of the microalgae cells; and (3) the cellular uniformity of microalgae makes it practical to control the growing environment in order to optimize a particular cell characteristic. Efficient and effective cultivation of microalgae requires consistent light, warm temperatures, low rainfall and proper chemical balance in a very nutrient-rich environment, free of environmental contaminants and unwanted organisms. This is a challenge that has motivated us to design, develop and implement proprietary production and harvesting technologies, systems and processes in order to provide human nutritional products derived from microalgae.

Our production of these products at the 90-acre facility on the Kona Coast of the island of Hawaii provides several benefits. We selected the Keahole Point location in order to take advantage of relatively consistent warm temperatures, sunshine and low levels of rainfall needed for optimal cultivation of microalgae. This location also offers us access to cold deep ocean water, drawn from an offshore depth of 2,000 feet, which we use in our *Ocean-Chill Drying* system to eliminate the oxidative damage caused by standard drying techniques and as a source of trace nutrients for microalgal cultures. The area is also designated a Biosecure Zone, free of pesticides and herbicides. We believe that our technology, systems, processes and favorable growing location generally permit year-round harvest of our microalgal products in a cost-effective manner.

## Results of Operations

The following tables present selected consolidated financial data for each of the periods indicated (\$ in thousands):

|  | Three Months Ended |                   | Nine Months Ended |                   |
|--|--------------------|-------------------|-------------------|-------------------|
|  | December 31, 2013  | December 31, 2012 | December 31, 2013 | December 31, 2012 |
| Net sales                                    | \$ 7,438           | \$ 7,242          | \$ 21,646         | \$ 20,684         |
| Net sales increase                           | 2.7%               |                   | 4.7%              |                   |
| Gross profit                                 | \$ 3,145           | \$ 2,865          | \$ 8,990          | \$ 8,251          |
| Gross profit as % of net sales               | 42.3%              | 39.6%             | 41.5%             | 39.9%             |
| Operating expenses                           | \$ 2,823           | \$ 2,232          | \$ 8,136          | \$ 6,549          |
| Operating expenses as % of net sales         | 38.0%              | 30.8%             | 37.6%             | 31.7%             |
| Operating income                             | \$ 322             | \$ 633            | \$ 854            | \$ 1,702          |
| Operating income as % of net sales           | 4.3%               | 8.7%              | 3.9%              | 8.2%              |
| Income tax expense                           | \$ 257             | \$ 12             | \$ 592            | \$ 32             |
| Net income                                   | \$ 36              | \$ 607            | \$ 172            | \$ 1,576          |
| Net sales by product                         |                    |                   |                   |                   |
| Bulk sales                                   |                    |                   |                   |                   |
| Spirulina bulk                               | \$ 778             | \$ 755            | \$ 2,642          | \$ 2,646          |
| Spirulina bulk sales increase (decrease)     | 3.0%               |                   | (0.2)%            |                   |
| Astaxanthin bulk                             | \$ 2,360           | \$ 3,345          | \$ 6,499          | \$ 9,261          |
| Astaxanthin bulk sales (decrease)            | (29.4)%            |                   | (29.8)%           |                   |
| Total Bulk sales                             | \$ 3,138           | \$ 4,100          | \$ 9,141          | \$ 11,907         |
| Total Bulk sales (decrease)                  | (23.5)%            |                   | (23.2)%           |                   |
| Packaged sales                               |                    |                   |                   |                   |
| Spirulina packaged                           | \$ 1,201           | \$ 1,218          | \$ 4,120          | \$ 3,622          |
| Spirulina packaged sales (decrease) increase | (1.4)%             |                   | 13.8%             |                   |
| Astaxanthin packaged                         | \$ 3,099           | \$ 1,924          | \$ 8,385          | \$ 5,155          |
| Astaxanthin packaged sales increase          | 61.1%              |                   | 62.7%             |                   |
| Total Packaged sales                         | \$ 4,300           | \$ 3,142          | \$ 12,505         | \$ 8,777          |
| Total Packaged sales increase                | 36.9%              |                   | 42.5%             |                   |

### Comparison of the Three Months Ended December 31, 2013 and 2012

**Net Sales** The net sales growth of 3% for the quarter was driven by a 37% increase in our packaged products consistent with our increased sales and marketing efforts in the consumer packaged goods side of our business. Within this growth, sales of packaged spirulina decreased 1% and sales of packaged astaxanthin increased 61%. Sales of our bulk products decreased 24%, comprised of a 3% increase in sales of bulk spirulina offset by a 29% decrease in sales of bulk astaxanthin. The decrease in bulk astaxanthin sales is a result of the lower production, discussed below under **Gross Profit**, as well as higher demand for our packaged products. International sales represented 40% of net sales for the three months ended December 31, 2013 compared to 38% for the same period a year ago. There were no customers with sales equaling or exceeding 10% of our total sales for the three months ended December 31, 2013 and 2012.

**Gross Profit** Our gross profit percent of net sales increased by 2.7 points in the current quarter. This improvement was the result of improved spirulina production. During the same quarter last year, we experienced abnormal production costs of \$161,000 whereas in the current quarter there were none. Offsetting this improvement is an increase in the cost of our astaxanthin product driven by lower production that is the result of



environmental factors that have affected the quantity, but not the quality, of our output during the third quarter. We continue to adjust the culture parameters to increase production rates; however, lower production rates could persist through the fourth quarter of this fiscal year. As a result, of the lower astaxanthin production, we expensed non inventoriable fixed costs of \$44,000 this quarter.

**Operating Expenses** Operating expenses increased by \$591,000 for the third quarter compared to the same period in last year. Included in this is an increase in General and Administrative expenses of \$510,000, or 43%, due to increases in legal costs, salary and benefit costs and other general expenses. Legal costs incurred in the third quarter are substantially attributable to two legal proceedings<sup>(1)</sup> involving the Company's position that a nineteen year old patent due to expire on October 27, 2014 (the Patent) owned by the Board of Trustees of the University of Illinois (Patent Owner) is invalid. The Patent Owner has alleged that the Company has infringed on the Patent Owner's Patent rights. In the event that any Claim within the Patent is determined to be valid, it is our further position that any such valid Claim is of no application to our manufacturing, marketing or sales of our astaxanthin products, and, therefore, the Patent has not been infringed by us. Increased legal costs are likely to continue until both proceedings are concluded or otherwise resolved.

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(1) (a) Complaint by U.S. Nutraceuticals LLC and Board of Trustees of the University of Illinois v. Cyanotech Corporation and Nutrex Hawaii, Inc., filed June 29, 2012 in the U.S. District Court for the Middle District of Florida, Case No. 5:12-cv-366, the public files for which are available at [www.pacer.gov](http://www.pacer.gov) by referencing the Middle District of Florida and the specific Case No. indicated herein, although access is subject to government charges for such access. (b) Petitions by Cyanotech Corporation v. The Board of Trustees of the University of Illinois, filed June 28 and 29, 2013 before the Patent Trial and Appeal Board of the U.S. Patent and Trademark Office, the public files for which are available at <https://ptabtrials.uspto.gov/> by entering 5527533 in the block for Patent Number and then clicking Search.

Research and Development expenses increased \$56,000, or 108%, due to increases in costs associated with clinical trials and scientific research.

**Income Taxes** We recorded income tax expense of \$257,000 in the current quarter compared to \$12,000 for the same period last year. Our effective tax rate was 87.7% for the current quarter and 2.0% for the same period last year. The effective tax rate in the current year differs from the statutory rate of 34% as a result of state taxes (net of federal benefit) and permanent differences, primarily employee stock option expenses that are not deductible for tax purposes.

### **Comparison of the Nine Months Ended December 31, 2013 and 2012**

**Net Sales** The net sales growth of 5% for the first nine months of this year was driven by a 43% increase in our packaged products consistent with our increased sales and marketing efforts in the consumer packaged goods side of our business. Within this growth, sales of packaged spirulina increased 14% and sales of packaged astaxanthin increased 63%. Sales of our bulk products decreased 23%, comprised of a 0.2% decrease in sales of bulk spirulina and a 30% decrease in sales of bulk astaxanthin. The decrease in bulk astaxanthin sales is a result of the lower production, discussed below under **Gross Profit**, along with higher demand for our packaged products. International sales represented 40% of net sales for the nine months ended December 31, 2013 compared to 36% for the same period a year ago. There were no customers with sales equaling or exceeding 10% of our total sales for the nine months ended December 31, 2013 and 2012.

**Gross Profit** Our gross profit percent of net sales increased by 1.6 points in the first nine months of this year. Gross profit improved compared to the prior year due to improved spirulina production. During the same period last year, we experienced abnormal production costs of \$875,000 whereas in same period this year there were none. Offsetting this improvement is an increase in the cost of our astaxanthin product driven by lower production that is the result of environmental factors that have affected the quantity, but not the quality, of our output during the second quarter. We continue to adjust the culture parameters to increase production rates; however, lower production rates could persist through the fourth quarter of this fiscal year. As a result, of the lower astaxanthin production, we expensed non inventoriable fixed costs of \$44,000 this quarter.

**Operating Expenses** Operating expenses increased by \$1,587,000 for the nine months ended December 31, 2013, compared to the same period last year. Included in this is an increase in General and administrative expenses of \$894,000, or 25%, due to increases in legal costs (see explanation under **Comparison of the Three Months Ended December 31, 2013 and 2012** above), salary and benefit costs and other general expenses. Sales and Marketing expenses increased \$473,000, or 17%, due to an increase in brand development costs, advertising programs for our packaged products and added management level staffing. Research and Development expenses increased \$211,000, or 115%, due to increases in costs associated with clinical trials and scientific research.

**Income Taxes** We recorded income tax expense of \$592,000 for the first nine months of this year compared to \$32,000 for the same period last year. Our effective tax rate was 77.5% for the first nine months compared to 2.1% for the same period last year. The effective tax rate in the current year differs from the statutory rate of 34% as a result of state taxes (net of federal benefit) and permanent differences, primarily employee stock option expenses that are not deductible for tax purposes.

### **Variability of Results**

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We have experienced significant quarterly fluctuations in operating results and such fluctuations could occur in future periods. We have, during our history, experienced fluctuations in operating results due to the following: changes in sales levels to our customers; competition including pricing, new products and shifts in market trends; production difficulties from environmental influences; increased production costs and variable production results due to inclement weather; and start up costs associated with new product introductions, new facilities and expansion into new markets. In addition, future operating results may fluctuate as a result of factors beyond our control such as foreign exchange fluctuations, changes in government regulations, and economic changes in the regions we have customers. A portion of our operating expenses are relatively fixed and the timing of increases in expense levels is based in large part on forecasts of future sales. Therefore, if net sales are below expectations in any given period, the adverse impact on results of operations may be magnified by our inability to effectively adjust spending in certain areas, or to adjust spending in a timely manner, as in personnel and administrative costs. We may also choose to reduce prices or increase spending in response to market conditions, and these decisions may have a material adverse effect on financial condition and results of operations.

**Liquidity and Capital Resources**

**Cash Flows** The following table summarizes our cash flows for the periods indicated (\$ in thousands):

|                                       | Nine months ended December 31 |            |
|---------------------------------------|-------------------------------|------------|
|                                       | 2013                          | 2012       |
| Total cash (used in) provided by:     |                               |            |
| Operating activities                  | \$ 42                         | \$ 692     |
| Investing activities                  | (1,853)                       | (3,573)    |
| Financing activities                  | (43)                          | 1,429      |
| Decrease in cash and cash equivalents | \$ (1,854)                    | \$ (1,452) |

Cash provided by operating activities decreased \$650,000 compared to the same period last year due primarily to lower net income and an increase in inventory of \$1,539,000 compared to a decrease of \$60,000 last year. This increase is a function of increased levels of inventory in packaged products to support the higher sales in this area.

Cash used in investing activities in the current period includes the use of \$1,509,000 in restricted cash received last year from loan proceeds that can only be used to acquire certain new processing equipment and leasehold improvements. In addition, we expended \$3,362,000 on leasehold improvements and equipment acquisitions at our Kona facility compared to \$3,292,000 during the same period last year.

Cash provided by financing activities in the period consists of proceeds from long-term debt offset by payoff of existing long-term debt and debt issuance cost for the new loan. The prior year result is primarily due to proceeds of \$2,281,000 received under our Term Loan Agreement dated August 14, 2012.

**Sources and Uses of Capital**

At December 31, 2013, our working capital was \$9,248,000 and is slightly below March 31, 2013. Cash and cash equivalents at December 31, 2013 totaled \$2,510,000, a decrease of \$1,854,000 compared to March 31, 2013.

On September 7, 2012, the Company completed a Term Loan Agreement with a lender providing for \$5,500,000 in aggregate credit facilities pursuant to a Term Loan Agreement dated August 14, 2012. The Term Loan Agreement is evidenced by promissory notes in the amounts of \$2,250,000 and \$3,250,000, and was secured under the provisions of a United States Department of Agriculture ( USDA ) Rural Development Guarantee program. The proceeds of the Term Loan can only be used for specific new processing equipment and leasehold improvements at its Kona, Hawaii facility. Until their disbursement for approved projects, the funds advanced are classified as restricted cash. As of December 31, 2013 we have \$1,851,000 in restricted cash set aside for capital projects currently in progress.

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Our results of operations and financial condition can be affected by numerous factors, many of which are beyond our control and could cause future results of operations to fluctuate materially as it has in the past. Future operating results may fluctuate as a result of changes in sales volumes to our largest customers, weather patterns, increased competition, increased materials, nutrient and energy costs, government regulations and other factors beyond our control.

A significant portion of our expense levels are relatively fixed, so the timing of increases in expenses is based in large part on forecasts of future sales. If net sales are below expectations in any given period, the adverse impact on results of operations may be magnified by our inability to adjust spending quickly enough to compensate for the sales shortfall. We may also choose to reduce prices or increase spending in response to market conditions, which may have a material adverse effect on financial condition and results of operations.

Based upon our current operating plan, analysis of our consolidated financial position and projected future results of operations, we believe that our operating cash flows, cash balances, and working capital will be sufficient to finance current operating requirements, debt service requirements, and routine planned capital expenditures, for the next twelve (12) months. We expect liquidity in the remainder of fiscal 2014 to be generated from operating cash flows.

## Outlook

*This outlook section contains a number of forward-looking statements, all of which are based on current expectations. Actual results may differ materially.*

Our strategic direction has been to position the Company as a world leader in the production and marketing of high-value natural products from microalgae. We are vertically aligned, producing raw materials in the form of microalgae processed at our 90-acre facility in Hawaii, and integrating those raw materials into finished products. In fiscal 2014, our primary focus has been to put a scalable foundation in place, improving our processes, systems, facilities and organization. We will continue putting increased emphasis on our Nutrex Hawaii consumer products to introduce them to a broader consumer market than in prior years. Our focus going forward will continue to be to leverage our experience and reputation for quality, building nutritional brands which promote health and well-being. The foundation of our nutritional products is naturally cultivated Hawaiian Spirulina Pacifica® in powder and tablet form; and BioAstin® Hawaiian Astaxanthin antioxidant in extract, softgel caplet and micro-encapsulated beadlet form. Information about our Company and our products can be viewed at [www.cyanotech.com](http://www.cyanotech.com) and [www.nutrex-hawaii.com](http://www.nutrex-hawaii.com). Consumer products can also be purchased online at [www.nutrex-hawaii.com](http://www.nutrex-hawaii.com).

We are focused on sustainability of production levels in order to promote growth in our astaxanthin and spirulina product lines. We will continue to improve and expand this line to meet the demand of consumers. We will continue to promote the nutritional superiority of Hawaiian grown spirulina and astaxanthin to maintain and expand market share. Significant sales variability between periods and even across several periods can be expected based on historical results.

Rising crude oil prices in prior years resulted in increased nutrient, utility and transportation costs which reflect and respond to oil prices. We feel that these conditions are likely to continue and/or reoccur from time to time in the future, and consequently, we are putting greater focus on prudent cost controls and expense avoidance.

Gross profit margin percentages going forward will be impacted by production volumes and continued pressure on input costs and greater competition in the market place. This could cause margins to decline in future periods. We will continue to focus on higher margin consumer products that promote health and well-being. We are dedicated to continuous improvements in process and production methods to stabilize and increase production levels for the future.

Producing the highest quality microalgae is a complex biological process which requires balancing numerous factors including microalgal strain variation, temperature, acidity, nutrient and other environmental considerations, some of which are not within our control. An imbalance or unexpected event can occur resulting in production levels below normal capacity. The allocation of fixed production overheads (such as depreciation, rent and general insurance) to inventories is determined based on normal production capacity. When our production volumes are below normal capacity limits, certain fixed production overhead costs cannot be inventoried and are recorded immediately in cost of sales. In addition, when production costs exceed historical averages, we evaluate whether such costs are one-time-period charges or an ongoing component of inventory cost.

To manage our cash resources effectively, we will continue to balance production in light of sales demand, minimizing the cost associated with build-ups in inventory when appropriate. We could experience unplanned cash outflows and may need to utilize other cash resources to meet working capital needs. A prolonged downturn in sales could impair our ability to generate sufficient cash for operations and minimize our ability to attract additional capital investment which could become necessary in order to expand facilities, enter into new markets or maintain optimal production levels.

Our future results of operations and the other forward-looking statements contained in this Outlook, in particular the statements regarding revenues, gross margin and capital spending, involve a number of risks and uncertainties. In addition to the factors discussed above, any of the following could cause actual results to differ materially: business conditions and growth in the natural products industry and in the general economy; changes in customer order patterns; changes in demand for natural products in general; changes in weather conditions; competitive factors, such as increased production capacity from competing spirulina and astaxanthin producers and the resulting impact, if any, on world market prices for these products; government actions and increased regulations both domestic and foreign; shortage of manufacturing capacity; and other factors beyond our control. Risk factors are discussed in detail in Item 1A in our Form 10-K report for the year ended March 31, 2013.

We believe that our technology, systems, processes and favorable growing location generally permit year-round harvest of our microalgal products in a cost-effective manner. However, previously experienced imbalances in the highly complex biological production systems, together with volatile energy costs and rapidly changing world markets, suggest a need for continuing caution with respect to variables beyond our reasonable control. Therefore, we cannot, and do not attempt to, provide any definitive assurance with regard to our technology, systems, processes, location, or cost-effectiveness.

**Item 6. Exhibits**

a) The following exhibits are furnished with this report:

31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 signed as of February 13, 2014.

31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 signed as of February 13, 2014.

32 Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 signed as of February 13, 2014.

101\* The following financial statements from Cyanotech Corporation's Quarterly Report on Form 10-Q for the quarter ended December 31, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Cash Flows, and (iv) Notes to Condensed Consolidated Financial Statement.

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\*Furnished to the Securities and Exchange Commission as part of the original Form 10-Q on February 6, 2014.



SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CYANOTECH CORPORATION  
(Registrant)

February 13, 2014  
(Date)

By:

/s/ Brent D. Bailey  
Brent D. Bailey  
*President and Chief Executive Officer and Director*

February 13, 2014  
(Date)

By:

/s/ Jole Deal  
Jole Deal  
*Vice President Finance & Administration and CFO  
(Principal Financial and Accounting Officer)*

**EXHIBIT INDEX**

| <b>Exhibit No.</b> | <b>Description</b>   |
|--------------------|--|
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