

Surna Inc.
Form 8-K
April 17, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): April 17, 2015 (February 27, 2015)

SURNA INC.

(Exact name of registrant as specified in its charter)

Nevada **000-54286** **27-3911608**
(State or other jurisdiction (Commission (IRS Employer
of incorporation) File No.) Identification No.)

1780 55th St., Suite C, Boulder, Colorado **80301**
(Address of principal executive offices) (Zip Code)

(303) 993-5271

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Registrant's telephone number, including area code

None

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement

The information included under Item 3.02 below is incorporated herein by reference.

Item 2.03 Creation of a Direct Financial Obligation

The information included in Item 3.02 below is incorporated herein by reference.

Item 3.02. Unregistered Sales of Equity Securities.

Private Offering

In October 2014, Surna Inc. (the “Company”) engaged a placement agent to act on a “best efforts” basis in connection with the structuring, issuance, and sale of up to 60 units (each, a “Unit”), with each Unit consisting of (i) 250,000 shares of the Company’s common stock, par value \$0.00001, (ii) a \$50,000 10% convertible note, and (iii) 50,000 warrants for the purchase of 50,000 shares of the Company’s common stock.

Between December 12, 2014 and February 27, 2015, the Company sold an additional 23.225 units pursuant to a Securities Purchase Agreement with 26 accredited investors, consisting in the aggregate of (i) 5,806,250 shares of the Company’s common stock, (ii) \$1,161,250 principal amount 10% convertible notes, and (iii) warrants for the purchase of an aggregate of 1,161,250 shares of the Company’s common stock. The Company paid \$64,000 in net commissions to its placement agent for investments made by individuals introduced by the placement agent.

The principal balance of each convertible note, together with all accrued interest, is payable on the earlier of (i) 24 months after the issuance date of the note, (ii) the date of closing of a Qualified Public Offering (as hereinafter defined), or (iii) an event of default under the note. The unpaid principal balance of each note bears interest at the rate of the lesser of (x) 10% per annum, compounded annually, or (y) the maximum rate permitted by Colorado state law. Interest commences to accrue as of the issuance date of the note and is calculated on the basis of a 365-day year. Accrued interest is due and payable upon the first to occur of (a) the maturity date of the note, (b) the date on which the note is prepaid, or (c) the date on which the note is converted. The notes can be prepaid in accordance with the terms of the notes.

Beginning 360 days after the issuance date of each note, the holder may convert all amounts due thereunder into shares of the Company's common stock at a price of \$0.60 per share. If the Company defaults on payment of a note, the holder may, at its option, extend all conversion rights, through and including the date the Company tenders or attempts to tender payment in full of all amounts due under the note. Conversion rights terminate upon acceptance by the holder of payment in full of principal, accrued interest and any other amounts due under the note.

The entire principal due will be automatically converted into shares of Company common stock on the earlier of (i) the date on which the Company closes on a financing transaction involving the sale of the Company's common stock at a price of no less than \$2.00 per share with gross proceeds to the Company of no less than \$5,000,000, or (ii) the date which is three days after the Company's common stock shall have traded at a volume weighted average price ("VWAP") of at least \$2.00 per share for a period of 10 consecutive trading days. If the Company files a registration statement on Form S-1 with the Securities and Exchange Commission to effect a secondary offering of its common stock for gross proceeds of at least \$5,000,000 (a "Qualified Public Offering") at any time while any principal or accrued and unpaid interest under a note remains unpaid, then within 10 days after the filing of the registration statement, the holder of the note may convert all or any part of the outstanding and unpaid principal amount of the note, plus accrued interest into shares of Company common stock, or receive cash in an amount equal to 100% of the then outstanding principal amount of the note, plus accrued and unpaid interest. In the event of an automatic conversion, the conversion price per share will be equal to 75% of the public offering price per share of common stock offered by the Company in the Qualified Public Offering; *provided, however*, that in no event will the conversion price be less than \$0.50 per share.

Events of default which may cause repayment of the 10% convertible notes to be accelerated include, if not cured within thirty days after receipt of a written notice of default (1) non-payment of any obligation when due, (2) the failure to issue shares of common stock upon exercise of the holder's conversion rights, (3) the breach of any material covenant, representation, warranty, or obligation for a period of ten days later than the thirty day cure period, (4) if the Company becomes insolvent or starts an insolvency proceeding or if an insolvency proceeding is brought by a third party against the Company, (5) if any money judgment is entered or filed against the Company or any subsidiary for more than \$250,000 and shall not be dismissed within twenty days, (6) if the Company's common stock is delisted from the OTCQB marketplace, (7) a failure to comply with the reporting requirements of the Securities Exchange Act of 1934, (8) if the Company ceases to operate or fails to maintain its assets, (9) the restatement of any Company financial statements for a period of two years until the 10% convertible notes are no longer outstanding that would constitute a material adverse effect or (10) the Company replaces its transfer agent and does not provide irrevocable transfer agent instructions prior to such replacement.

Pursuant to each of the warrants, the holder thereof may, subject to the terms of the warrant, at any time on or after six months after the date of the warrant and on or prior to the close of business on the date that is the third anniversary of the date of the warrant, purchase up to the number of shares of Company common stock as set forth in the respective warrant. The exercise price per share of the common stock under each warrant is \$3.00, subject to adjustment as set forth in the warrants. Each warrant is callable at the Company's option commencing 12 months from the date of the warrant, provided the Company's common stock trades at a VWAP of \$3.60 or greater for 10 consecutive trading days (the "Call Condition"). Commencing at any time after the date on which the Call Condition is satisfied, the Company has the right, upon 20 days' notice to the holder given not later than 15 trading days after the date on which the Call Condition is satisfied, to redeem the number of warrant shares specified in the applicable Call Condition at a price of \$0.01 per warrant share, subject to the terms of the warrant.

The Company claims an exemption from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), for the private placement of these securities pursuant to Section 4(a)(2) of the Securities Act and/or Regulation D promulgated thereunder because, among other things, the transaction did not involve a public offering, the purchasers are accredited investors, the purchasers acquired the securities for investment and not resale, and we took appropriate measures to restrict the transfer of the securities.

Stock Compensation for Consulting Services

Between July 18, 2014 and January 7, 2015, the Company issued a total of three million shares of its common stock to a financial advisory firm and its designated assigns pursuant to a business advisory and consulting services agreement. The Company claims an exemption from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), for the issuance of these shares of common stock pursuant to Section 4(a)(2) of the Securities Act because, among other things, the transaction did not involve a public offering, the securities for investment and not resale, and we took appropriate measures to restrict the transfer of the securities.

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As of April 17, 2015, the Company has 119,682,768 shares of common stock outstanding.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

SURNA INC.

Date: April 17, 2015 By: */s/ Tom Bollich*
Tom Bollich, Chief Executive Officer

