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GREATBIO TECHNOLOGIES INC
Form 10-Q
October 22, 2001

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

FORM 10-QSB

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

For the period ended: August 31, 2001

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

For the transition period from ____ to ____

Commission File No. 0-26057

BIOPHAN TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Nevada

82-0507874

(State or other jurisdiction of
incorporation or organization)

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

150 Lucius Gordon Drive, Suite 215
West Henrietta, New York

14586

(Address of principal executive offices)

(Zip code)

(716) 214-2441

Issuer's telephone number

GREATBIO TECHNOLOGIES, INC.

(Former name-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

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

Class
Common Stock, \$.005 par value

Outstanding as of August 31, 2001
27,245,845

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Transitional small Business Disclosure Format (Check One): Yes[] No[x]

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PART I. FINANCIAL INFORMATION

ITEM I. Financial Statements

BIOPHAN TECHNOLOGIES, INC. (FORMERLY GREATBIO TECHNOLOGIES, INC.)
AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED BALANCE SHEETS

August 31, 2001
(Unaudited) February 28, 2001

ASSETS

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Current Assets:		
Cash and equivalents	\$ 709,723	\$ 172,092
Marketable securities, at market value (cost of \$849,097)	838,624	
Prepaid expenses	166,135	-

Total Current Assets	1,714,482	172,092
Fixed Assets, at cost, net	17,926	4,833
Other Assets:		
Intellectual property rights	110,000	110,000
Deferred private equity placement costs	-	56,827
Deferred tax asset, net of valuation allowance of \$421,000 and \$115,000 respectively	-	-

	110,000	166,827

	\$1,842,408	\$ 343,752
	=====	

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)

Current Liabilities:		
Bridge loans payable	\$ 986,500	\$ -
Payable to related party, less unamortized discount of \$31,000	469,000	-
Accounts payable and accrued expenses	88,937	110,855
Due to related parties	45,227	170,136

Total Current Liabilities	1,589,664	280,991
Long-Term Debt:		
Payable to related party, less unamortized discount of \$62,000	-	438,000
Stockholders' Equity (Deficiency):		
Common stock, \$.005 par value		
Authorized, 60,000,000 shares		
Issued and outstanding, 27,245,845 and 25,565,532 shares respectively	136,229	127,828
Additional paid-in capital	1,845,314	325,920
Deficit accumulated during the development stage	(1,728,799)	(828,987)

	252,744	(375,239)

	\$1,842,408	\$ 343,752
	=====	

See Notes to Consolidated Financial Statements.

BIOPHAN TECHNOLOGIES, INC. (FORMERLY GREATBIO TECHNOLOGIES, INC.)
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CONSOLIDATED STATEMENTS OF OPERATIONS

Period from August 1, 1968 (date of Ended	inception) to August 31, 2001	Three Months Ended August 31,		Six Months August 31,
August 31, 2000	August 31, 2001	2001	2000	2001
-----		-----		
General and administrative expenses:				
Salaries and related		\$ 41,034	\$ -	\$ 114,907
\$ -	\$ 174,768			
Research and product development		161,656	-	286,755
-	399,899			
Professional fees		158,979	300	172,637
2,300	211,322			
Write-down of intellectual property rights		-	-	-
-	490,000			
Other		66,700	-	89,092
-	115,651			
-----		-----		
Operating loss		(428,369)	(300)	(663,391)
(2,300)	(1,391,640)			
Other income (expense):				
Interest income		4,633	-	5,670
-	7,289			
Interest expense		(212,905)	-	(231,618)
-	(244,618)			
Other expense		(10,473)	-	(10,473)
-	(10,473)			
-----		-----		
		(218,745)	-	(236,421)
-	(247,802)			
-----		-----		
Loss from continuing operations		(647,114)	(300)	(899,812)
(2,300)	(1,639,442)			
Loss from discontinued operations		-	-	-
-	(89,357)			
-----		-----		
Net loss		\$ (647,114)	\$ (300)	\$ (899,812)
\$ (2,300)	\$ (1,728,799)			
=====				
Loss per common share		\$ (0.03)	\$ (0.00)	\$ (0.03)
\$ (0.00)				

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=====
 Weighted average shares outstanding 25,859,646 3,797,330 25,712,589
 3,797,330
 =====

See Notes to Consolidated Financial Statements.

BIOPHAN TECHNOLOGIES, INC. (FORMERLY GREATBIO TECHNOLOGIES, INC.)
 AND SUBSIDIARY
 (A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS

from August (date of inception) to August 31, 2001	Period 1, 1968 Six Months Ended August 31, August 31, 2001 2000	

Cash flows used for operating activities:		
Net loss	\$ (899,812)	\$ (2,300)
\$ (1,728,799)		
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	500	-
667		
Unrealized loss on marketable securities	10,473	-
10,473		
Write-down of intellectual property rights	-	-
490,000		
Amortization of discount on payable to related party	31,000	-
44,000		
Issuance of common stock for services	-	-
101,108		
Issuance of common stock for interest	192,985	-
192,985		
Expenses paid by stockholder	-	-
2,640		
Changes in operating assets and liabilities:		
Increase in prepaid expenses	(111,557)	-
(111,557)		
Increase (decrease) in accounts payable and accrued expenses	(21,918)	2,300
75,607		
Increase (decrease) in due to related parties	(124,909)	-
1,730		

	(923,238)	-

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(921,146)			
Cash flows used for investing activities:			
Costs of web site development	(13,593)	-	
(18,593)			
Purchase of marketable securities	(849,097)	-	
(849,097)			

	(862,690)	-	
(867,690)			
Cash flows provided by financing activities:			
Proceeds of bridge loans	986,500	-	
986,500			
Proceeds from issuance of capital stock, less offering costs	1,337,059	-	
1,512,059			

	2,323,559	-	
2,498,559			

Net increase(decrease) in cash and equivalents	537,631	-	
709,723			
Cash and equivalents, beginning	172,092	-	
-			

Cash and equivalents, ending	\$ 709,723	\$ -	\$ -
709,723			
=====			
Supplemental schedule of noncash investing and financing activities:			
Intellectual property acquired through issuance of capital stock and assumption of related party payable	\$ -	\$ -	\$ -
175,000			
=====			
Acquisition of intellectual property	\$ -	\$ -	\$ -
425,000			
=====			

See Notes to Consolidated Financial Statements.

BIOPHAN TECHNOLOGIES, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2001

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INTERIM FINANCIAL STATEMENTS:

The consolidated financial statements as of August 31, 2001 and for the three and six months ended August 31, 2001 and 2000 are unaudited. However, in the opinion of management of the Company, these financial statements reflect all adjustments, consisting solely of normal recurring adjustments, necessary to present fairly the financial position and results of operations for such interim periods. The results of operations for the interim periods presented are not necessarily indicative of the results to be obtained for a full year.

PRINCIPAL BUSINESS ACTIVITIES:

The consolidated financial statements include the accounts of Biophan Technologies, Inc. ("Biophan") (formerly GreatBio Technologies, Inc.) and its wholly owned subsidiary, LTR Antisense Technology, Inc. ("Antisense") (collectively referred to as the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation.

The Company was formed in 1968 and obtained certain mining claims and rights. Those rights were subsequently abandoned and the Company conducted no business from 1993 to December 1, 2000.

The Company is in the development stage and is expected to remain so for at least the next twelve months. The Company has not generated any revenue to date.

On December 1, 2000, the Company amended its Articles of Incorporation to change its name from Idaho Technical, Inc. to GreatBio Technologies, Inc. and entered into an Exchange Agreement with Biophan, LLC and Antisense as more fully described below. At the Annual Meeting on July 19, 2001, the shareholders approved amending the Articles of Incorporation to change the name of the Company to Biophan Technologies, Inc. The change was effective as of that date.

In accordance with the terms of an Exchange Agreement ("the Agreement") dated December 1, 2000, the Company acquired from Biophan, LLC all of the issued and outstanding common stock of its wholly-owned subsidiary, LTR Antisense Technology, Inc. in exchange for 10,759,101 shares of authorized but previously unissued common stock, par value \$.005.

Additionally, on December 1, 2000, in exchange for cash consideration of \$175,000, the Company issued and delivered to certain parties, an additional 10,759,101 shares of authorized but previously unissued common stock, par value \$.005.

Also on December 1, 2000, the Company acquired certain intellectual property rights relating to the magnetic resonance imaging (MRI) technology from Biophan, LLC for the future consideration of \$500,000. The transfer was consummated pursuant to and in accordance with the Transfer Agreement (as amended), dated December 1, 2000 between the Company and Biophan, LLC.

The principal business activity of the Company is research and development of patent rights in two primary areas: (1) an MRI-compatible implantable cardiac pacemaker and (2) the use of antisense technology to block the HIV virus.

BRIDGE LOANS:

In June 2001, the Company entered into bridge loan agreements providing gross proceeds of \$986,500. Loans of \$400,000 from one lender provide for a maturity date of December 15, 2001 and interest payable by issuance of 100,000 shares of stock on the due date. As additional consideration, the noteholder

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received 100,000 shares of stock and warrants to purchase an additional 100,000 shares at \$1.00 per share. The noteholder has the right to convert the principal amounts into stock at \$.75 per share at any time prior to maturity. The Company also received proceeds from a series of bridge loans aggregating \$586,500 upon the same general terms as above except that interest is payable by issuance of 73,324 shares of stock at the maturity date of October 29, 2001. In the accompanying statements of operations, interest expense includes \$192,985 of interest related to the issuance of stock given as additional compensation upon execution of the bridge loans.

CHANGES IN EQUITY:

In accordance with a Private Placement Memorandum dated July 2, 2001, the Company offered to sell 3,000,000 shares of common stock, par value \$.005 per share, at \$1.00 per share. During the quarter ended August 31, 2001, gross proceeds of \$1,432,750 were received adding \$7,163 to the common stock account and \$1,425,587, less offering costs of \$152,518, to additional paid-in capital.

Also during the quarter, the Company issued 247,563 shares of common stock to bridge lenders as additional consideration. The shares were valued at \$1.00 per share, treated as interest expense for accounting purposes, and resulted in adding \$1,238 to capital stock and \$246,325 to additional paid-in capital.

ITEM 2. PLAN OF OPERATION

The following information should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this Form 10-QSB. This Quarterly Report on Form 10-QSB contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Actual events or results may differ materially from those projected in the forward-looking statements as a result of a number of factors including those identified herein and in the Company's Annual report on Form 10-KSB and other periodic reports and filings with the Securities and Exchange Commission.

Overview

The Company continues in the development stage of its operations and is expected to be in that mode for the foreseeable future. The Company's current mission is to develop and commercially exploit potentially significant technologies in the following areas:

- * The use of new proprietary technology to prevent implantable cardiac pacemakers and other critical and life sustaining medical devices from being affected by magnetic resonance imaging (MRI) and other equipment that uses magnetic fields, radio waves and similar forms of electromagnetic interference.
- * The use of proprietary antisense gene therapy technology to inhibit the spread of human immunodeficiency virus (HIV-1) infection in conjunction with the use of lentiviral vectors. On July 19, 2001, the Company entered into a Cooperative Research and Development Agreement (CRADA) with the National Institutes of Health and the University of Rochester for the development of this technology.

Results of Operations

During the year-ago quarter ended August 31, 2000, the Company was inactive, earned no revenues and incurred expenses of \$300 in connection with filing all required periodic reports under the Securities Exchange Act of 1934. On December 1, 2000, the Company entered into agreements for the acquisition of

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its currently owned technology and a subsidiary corporation and embarked on a new program for development and eventual commercial exploitation of such technology.

The Company has remained in the development stage from that time through the quarter ended August 31, 2001, earning no revenues except interest income. During the quarter ended August 31, 2001, the Company pursued the development of its proprietary technology, incurring research and product development expenses of \$161,656 and other general and administrative expenses of \$266,713. Interest expense of \$212,905 for the current quarter includes an amount of \$192,985 incurred in connection with the payment of interest on bridge loans by issuance of shares of common stock. The net loss for the current quarter amounted to \$647,114.

Liquidity and Capital Resources

On December 1, 2000, in exchange for common stock, the Company received cash of \$175,000 to assist in financing initial administrative costs in connection with re-forming the Company as a research and development enterprise and to continue the prosecution of proprietary technology. In addition, financing was provided by Biophan, LLC and another related party paying costs and expenses such as payroll, office expenses and attorney fees through June 30, 2001.

In June 2001, the Company received bridge loans that provided \$986,500 in funding to the Company. The loans mature in October and December 2001 and interest is payable by issuance of Company common shares and warrants. The loans are convertible into common shares anytime prior to maturity at \$.75 per share. The Company is also currently seeking to obtain equity financing through a private placement offering that is planned to raise a maximum of \$3,000,000. Through August 31, 2001, net proceeds of \$1,280,232 had been received. In addition, as of the current date, \$343,000 is held in escrow awaiting acceptance of the subscriptions. The proceeds will be applied to reimbursement of expenses paid on the Company's behalf by related parties, to funding of the CRADA project, to repayment of the bridge loans, and to ongoing research and development of the proprietary technology.

Management believes the cash and short-term investment balances totaling \$1,548,347 at August 31, 2001 along with further funding anticipated on completion of the private offering will be sufficient to fund the next twelve months of operations.

Currently, the Company does not have a need for material capital expenditures in the conduct of its research and product development activities.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There are presently no material pending legal proceedings to which the Company is a party or to which any of its property is subject and, to the best of its knowledge, no such actions against the Company are contemplated or threatened.

Item 2. Changes in Securities and Use of Proceeds

During the three month period ended August 31, 2001, the Company issued an aggregate of 1,680,313 shares of authorized, but previously unissued common stock. Of this amount, (i) 1,432,750 shares were issued for cash of \$1,432,750 (\$1.00 per share) to 11 investors pursuant to a private placement; and (ii) 247,563 shares were issued for additional consideration to 16 bridge loan lenders, and were valued at \$247,563 (\$1.00 per share). Proceeds

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realized from the cash sales were used for working capital, research and administrative expenses. Offerings costs were \$152,518.

The above issuances of shares were made in private transactions to persons having received information concerning the Company and its business operations. Accordingly, the Company relied upon the exemption from registration under the Securities Act of 1933, as amended, provided by Section 4(2) of that Act.

Item 3. Defaults Upon Senior Securities

This Item is not applicable to the Company.

Item 4. Submission of Matters to a Vote of Security Holders

On Thursday, July 19, 2001, pursuant to proper notice to stockholders, the Company held its Annual Meeting of Shareholders at the Company's offices in West Henrietta, New York. At the Meeting, the following directors were elected, by the indicated vote, to serve as directors until the next Annual Meeting of Shareholders or until their successors are elected and qualified.

Nominee -----	For -----	Against -----	Abstain -----
Michael L. Weiner	25,046,652	0	0
Wilson Greatbatch	25,046,652	0	0
Steven Katz	25,046,652	0	0
Ross B. Kenzie	25,046,652	0	0
Robert S. Bramson	25,046,652	0	0

In addition to the election of directors, shareholders ratified the appointment of Goldstein Golub & Kessler, LLP, as independent auditors for the Company's fiscal year ending February 28, 2002 by a vote of 25,046,652 for, 0 against and 0 abstaining.

A proposal was also made to amend the Company's Certificate of incorporation to change the corporate name to Biophan Technologies, Inc.. The proposal carried by a vote of 25,046,652 for, 0 against and 0 abstaining.

Shareholders were also asked to ratify the proposal to adopt the Company's 2001 Stock Option Plan. The plan would provide for the grant of non-statutory stock options and incentive stock options to key employees, officers, directors and consultants. Under the Plan, the maximum number of shares of Common Stock represented by grants of options is 2,500,000 shares. The proposal carried by a vote of 25,046,652 for, 0 against and 0 abstaining.

Item 5. Other Information

This Item is not applicable to the Company.

Item 6. Exhibits and Reports on Form 8-K

- a. Reports on Form 8-K
- b. Signatures

(a) Reports on Form 8-K

On July 27, 2001, the Company filed a Current Report on Form 8-K reporting under Item 5 that on July 19, 2001, the Company held its annual meeting of shareholders and elected directors, and approved (i) the name change to Biophan Technologies, Inc.; (ii) the Company's 2001 Stock Option Plan; and (iii) the appointment of the Company's independent auditors.

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(b) 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 thereunto duly authorized.

BIOPHAN TECHNOLOGIES, INC.
(Registrant)

Date: October 19, 2001

By: /s/ Michael L. Weiner

Name: Michael L. Weiner,
Title: Chief Executive Officer

By: \s\ Robert J. Wood

Name: Robert J. Wood
Title: Chief Financial Officer

By: \s\ David A. Miller

Name: David A. Miller
Title: Secretary