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BIOPHAN TECHNOLOGIES INC
Form 10-Q
January 14, 2002

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: November 30, 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

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	Outstanding as of November 30, 2001
Common Stock, \$.005 par value	29,065,375

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

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PART I.	FINANCIAL INFORMATION
ITEM I.	Financial Statements

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

CONSOLIDATED BALANCE SHEETS

	November 30, 2001 (Unaudited)	February 28, 2001

ASSETS		
Current Assets:		
Cash and equivalents	\$ 132,834	\$ 172,092
Marketable securities, at market value (cost of \$984,217)	932,724	
Due from related parties	19,226	-

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Prepaid expenses	86,625	-
	-----	-----
Total Current Assets	1,171,409	172,092
Fixed Assets, at cost, net	73,740	4,833
Other Assets:		
Intellectual property rights	110,000	110,000
Security deposit	2,933	-
Deferred private equity placement costs	-	56,827
Deferred tax asset, net of valuation allowance of \$793,000 and \$115,000 respectively	-	-
	-----	-----
	112,933	166,827
	-----	-----
	\$1,358,082	\$ 343,752
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)

Current Liabilities:		
Payable to related party, less unamortized discount of \$15,500	\$ 484,500	\$ -
Accounts payable and accrued expenses	111,695	110,855
Due to related parties	-	170,136
	-----	-----
Total Current Liabilities	596,195	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, 29,065,375 and 25,565,532 shares respectively	145,327	127,828
Additional paid-in capital	3,491,528	325,920
Deficit accumulated during the development stage	(2,874,968)	(828,987)
	-----	-----
	761,887	(375,239)
	-----	-----
	\$1,358,082	\$ 343,752
	=====	=====

See Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF OPERATIONS

Period from August

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	Three Months Ended		Nine Months Ended	
	November 30,		November 30,	
	2001	2000	2001	2000
General and administrative expenses:				
Salaries and related	\$ 149,392	\$ -	\$ 264,299	\$ -
Research and product development	284,035	-	570,790	-
Professional fees	243,357	1,590	415,994	3,890
Write-down of intellectual property rights	-	-	-	-
Other	194,063	-	283,155	-
Operating loss	(870,847)	(1,590)	(1,534,238)	(3,890)
Other income (expense):				
Interest income	11,088	-	16,758	-
Interest expense	(292,499)	-	(524,117)	-
Other income	47,109	-	47,109	-
Other expense	(41,020)	-	(51,493)	-
	(275,322)	-	(511,743)	-
Loss from continuing operations	(1,146,169)	(1,590)	(2,045,981)	(3,890)
Loss from discontinued operations	-	-	-	-
Net loss	\$ (1,146,169)	\$ (1,590)	\$ (2,045,981)	\$ (3,890)
Loss per common share	\$ (0.04)	\$ (0.00)	\$ (0.08)	\$ (0.00)
Weighted average shares outstanding	27,270,895	3,808,319	26,228,246	3,800,966

See Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended		Period from August
	November 30,	November 30,	1, 1968 (date of
	2001	2000	inception) to
			November 30,
			2001
Cash flows used for operating activities:			
Net loss	\$ (2,045,981)	\$ (3,890)	\$ (2,874,969)
Adjustments to reconcile net loss to net cash used for operating activities:			
Depreciation	3,800	-	3,967
Unrealized loss on marketable securities	51,493	-	51,493
Write-down of intellectual property rights	-	-	490,000

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Amortization of discount on payable to related party	46,500	-	59,500
Issuance of common stock for services	-	1,250	101,108
Issuance of common stock for interest	469,759	-	415,181
Expenses paid by stockholder	-	2,640	2,640
Changes in operating assets and liabilities:			
Increase in prepaid expenses	(86,625)	-	(86,625)
Increase (decrease) in accounts payable and accrued expenses	840	-	98,365
Increase(decrease) in due to related parties	(189,362)	-	(62,722)
	(1,749,576)	-	(1,802,062)
Cash flows used for investing activities:			
Purchase of furniture and equipment	(31,448)	-	(31,448)
Costs of web site development	(41,259)	-	(46,259)
Security deposit	(2,933)	-	(2,933)
Purchase of marketable securities	(984,217)	-	(984,217)
	(1,059,857)	-	(1,033,409)
Cash flows provided by financing activities:			
Proceeds of bridge loans	986,500	-	986,500
Proceeds from sales of capital stock, less offering costs	1,783,675	-	1,981,805
	2,770,175	-	2,968,305
Net increase(decrease) in cash and equivalents	(39,258)	-	132,834
Cash and equivalents, beginning	172,092	-	-
Cash and equivalents, ending	\$ 132,834	\$ -	\$ 132,834
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
November 30, 2001

INTERIM FINANCIAL STATEMENTS:

The consolidated financial statements as of November 30, 2001 and for the three and nine months ended November 30, 2001 and 2000 are unaudited.

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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 subsidiaries, LTR Antisense Technology, Inc. ("Antisense") and MRIC Drug Delivery Systems, LLC (MRIC) (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.

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.

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 operating revenue to date.

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 provided 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 received 100,000 shares of stock and warrants to purchase an

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additional 100,000 shares at \$1.00 per share. The noteholder had 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 was payable by issuance of 73,324 shares of stock at the maturity date of October 29, 2001 (extended to November 29, 2001). All bridge lenders exercised their conversion options on November 29, 2001, at which time the Company issued 1,315,334 shares of common stock to convert the loans to equity. 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 and \$222,196 upon conversion.

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. Through November 30, 2001, gross proceeds of \$1,914,750 were received adding \$9,573 to the common stock account and \$1,905,177, less offering costs of \$186,902, to additional paid-in capital. Additional gross proceeds of \$425,000 were received in December 2001.

The conversion of the bridge loans on November 29, 2001 resulted in adding \$6,577 to the common stock account and \$979,923 to additional paid-in capital.

Also from July 2 through November 30, 2001, the Company issued 469,759 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 \$2,349 to capital stock and \$467,410 to additional paid-in capital.

In September 2001, the Company redeemed 200,000 shares of stock at its par value, or \$.005 per share.

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:

- * Enabling cardiac pacemakers and other life sustaining medical devices to be safe and compatible with magnetic resonance imaging (MRI) and other equipment that generates powerful magnetic and radio frequency signals.
- * The use of proprietary antisense gene therapy technology to inhibit

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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 November 30, 2000, the Company was inactive, earned no revenues and incurred expenses of \$1,590 only 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 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 November 30, 2001, earning no operating revenues. During the quarter ended November 30, 2001, the Company pursued the development of its proprietary technology, incurring research and product development expenses of \$284,035 and other general and administrative expenses of \$586,812. Interest expense of \$292,499 for the current quarter includes an amount of \$276,774 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 \$1,146,161.

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. Originally, the loans were to mature in October and December 2001 and interest was payable by issuance of Company common shares and warrants. The loans were convertible into common shares anytime prior to maturity at \$.75 per share and were converted November 29, 2001.

Through a private placement offering dated July 2, 2001 that was planned to raise a maximum of \$3,000,000, gross proceeds of \$1,914,750 were received through November 30, 2001 and an additional \$425,000 in December 2001. The proceeds have been invested in high quality, highly liquid, short-term commercial instruments until needed for operating expenses. The proceeds are to be used for offering expenses and ongoing research and development of the proprietary technology.

Management believes the cash and short-term investment balances totaling \$1,065,558 at November 30, 2001, along with further equity funding through a second private offering in January 2002 that is planned to raise a maximum of \$5,000,000, will be sufficient to fund the next twelve months of operations and beyond.

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

At November 30, 2001, the Company employed 12 individuals.

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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 November 30, 2001, the Company issued an aggregate of 2,019,530 shares of authorized but previously unissued common stock. Of this amount, (i) 482,000 shares were issued for cash of \$482,000 (\$1.00 per share) to 16 investors pursuant to a private placement; (ii) 1,315,334 shares were issued upon conversion of bridge loans of \$986,500 (\$.75 per share) and (iii) 222,196 shares were issued for additional consideration to the sixteen bridge loan lenders, and were valued at \$222,196 (\$1.00 per share). Proceeds realized from the cash sales were used for working capital, research and administrative expenses. Offerings costs paid during the quarter were \$34,384.

On September 20, 2001, a shareholder returned 200,000 shares valued at \$.005 per share.

The above issuances of shares for cash and for additional consideration to bridge loan lenders, 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. Issuance of shares upon conversion of bridge loans were pursuant to the exemption provided by Section 3(a)9 of the 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

This Item is not applicable to the Company.

Item 5. Other Information

This Item is not applicable to the Company.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

(b) Reports on Form 8-K

There were no reports filed on Form 8-K during the period ended November 30, 2001.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934,

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the Company has duly caused this report to be signed on its behalf
by the undersigned, thereunto duly authorized.

BIOPHAN TECHNOLOGIES, INC.
(Registrant)

Date: January 14, 2002

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