

BIOPHAN TECHNOLOGIES INC  
Form 10-Q  
October 14, 2008

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

**FORM 10-Q**

**x QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT  
OF 1934**

For the quarterly period ended: August 31, 2008

OR

**o TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE 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 (I.R.S. Employer Identification No.)  
incorporation or organization)

15 Schoen Place  
Pittsford, New York 14534  
(Address of principal executive offices) (Zip Code)

(585) 267-4800  
(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 is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one).

**Large Accelerated Filer**  **Accelerated Filer**  **Non-Accelerated Filer**  **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

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Indicate 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 October 10, 2008 - Common Stock, \$.005 par value: 243,285,264 shares

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**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****BIOPHAN TECHNOLOGIES, INC. AND SUBSIDIARIES**  
(A DEVELOPMENT STAGE COMPANY)**CONDENSED CONSOLIDATED BALANCE SHEETS**

	August 31, 2008 (Unaudited)	February 29, 2008
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 4,751,286	\$ 6,970,205
Accounts receivable	264,745	114,566
Prepaid expenses	41,084	103,212
Other current assets	12,527	44,437
Total current assets	5,069,642	7,232,420
Property and equipment, net	212,860	309,692
Other assets:		
Intangible assets, net of amortization:		
Myotech, LLC	16,063,580	17,120,242
Other	1,274,709	1,320,128
Deferred financing costs, net of amortization of \$931,749 and \$683,283, respectively	600,461	848,927
Deposits	206	206
	17,938,956	19,289,503
Total assets	\$ 23,221,458	\$ 26,831,615
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of capital lease obligation	\$ 11,947	\$ 10,885
Current portion of senior secured convertible notes payable, net of discount of \$1,400,617 and \$1,297,913, respectively	937,926	1,428,251
Accrued Interest	468,897	331,548
Accounts payable and other accrued expenses	1,057,720	779,132
Note payable	-	58,864
Current portion of line of credit - former related party	180,000	1,200,000
Due to related parties	136,504	126,717
Deferred revenue	83,333	208,333
Total current liabilities	2,876,327	4,143,730
Long-term debt:		
Capital lease obligation	8,280	14,795
Line of credit – former related party, net of current portion	1,020,000	-
Senior secured convertible notes payable, net of discount of \$126,638 and \$853,599	24,884	345,628
Fair value of warrant liability	524,954	-
Total liabilities	4,454,445	4,504,153

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Minority interest	6,230,949	7,053,950
Stockholders' equity:		
Common stock, \$.005 par value:		
Authorized, 250,000,000 Issued, 200,031,382 and 119,128,504 shares, respectively	1,000,157	595,643
Additional paid-in capital	79,613,846	78,015,527
	80,614,003	78,611,170
Less treasury stock, 4,923,080 shares, at cost	(8,467,698)	(8,467,698)
	72,146,305	70,143,472
Deficit accumulated during the development stage	(59,610,241)	(54,869,960)
Total stockholders' equity	12,536,064	15,273,512
Total liabilities and stockholders' equity	\$ 23,221,458	\$ 26,831,615

**See Notes to Condensed Consolidated Financial Statements**

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

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

	Three Months Ended August 31,		Six Months Ended August 31,		Period from August 1, 1968 (date of inception) to August 31, 2008
	2008	2007	2008	2007	
<b>Revenues:</b>					
Sale of intellectual property	\$	—	\$	—	\$ 11,000,000
Development payments		—		45,000	— 420,000
License fees		62,500		62,500	125,000 1,416,666
Grant revenues		—		25,000	— 75,000 100,000
Testing Services & Consulting fees		45,000		72,518	159,214 132,351 1,187,622
		107,500		160,018	329,214 332,351 14,124,288
<b>Operating expenses:</b>					
Research and development		711,355		1,497,837	1,739,670 2,817,784 26,184,996
General and administrative		1,046,575		1,802,753	2,079,714 3,290,423 31,876,589
Write-down of intellectual property rights		—		—	— — 530,000
		1,757,930		3,300,590	3,819,384 6,108,207 58,591,585
Operating loss		(1,650,430)		(3,140,572)	(3,490,170) (5,775,856) (44,467,297)
<b>Other income(expense):</b>					
Interest income		21,682		4,990	54,592 20,431 410,442
Interest expense		(678,870)		(1,234,622)	(1,441,042) (1,714,326) (19,037,926)
Additional expense related to warrants		—		—	— — (7,304,105)
Change in fair value of warrant liability		(501,057)		—	(501,057) 3,434,017 9,156,221
Loss on extinguishment of debt		—		—	— — 337,250
Debt forgiveness		—		197,614	— 197,614 (3,859,240)
Liquidated damages		—		—	— (652,500) (652,500)
Other income		42,701		5,763	89,663 33,939 1,389,818
Other expense		(9,368)		—	(16,545) — (87,073)
		(1,124,912)		(1,026,255)	(1,814,389) 1,319,175 (19,647,113)
Loss from continuing operations before minority interest in subsidiaries		(2,775,342)		(4,166,827)	(5,304,559) (4,456,681) (64,114,410)
Minority interest in subsidiaries		182,261		253,354	459,158 725,173 4,488,406
Loss from continuing operations		(2,593,081)		(3,913,473)	(4,845,401) (3,731,508) (59,626,004)
Gain from discontinued operations		105,120		—	105,120 — 15,763
Net loss	\$	(2,487,961)	\$	(3,913,473)	\$ (4,740,281) \$ (3,731,508) \$ (59,610,241)
Net loss per common share:					

Basic and diluted	\$	(0.01)	\$	(0.05)	\$	(0.03)	\$	(0.05)
Weighted average shares outstanding		174,871,171		83,827,197		154,847,870		81,167,908

**See Notes to Condensed Consolidated Financial Statements**

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

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	Six Months Ended August 31,		Period from August 1, 1968 (date of inception) to August 31, 2008
	2008	2007	
<b>Cash flows from operating activities:</b>			
Net loss	\$ (4,740,281)	\$ (3,731,508)	\$ (59,610,241)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Amortization of intangible assets	581,510	736,022	3,783,879
Amortization of deferred financing costs	248,466	248,466	931,749
Depreciation and amortization	41,962	60,618	418,620
Loss on disposal of equipment	11,437	-	29,118
Gain on sale of investments	(105,120)	-	(442,370)
Non-cash charge related to warrants	-	-	7,304,105
Change in fair value of warrant liability	501,057	(4,339,214)	(9,156,221)
Realized and unrealized losses on marketable securities	-	-	66,948
Loss (gain) on extinguishment of debt	-	-	3,859,240
Amortization of discount on convertible notes payable	624,257	1,910,971	9,410,308
Write-down of intellectual property rights	-	-	530,000
Amortization of discount on payable to related party	-	-	2,887,555
Issuance of common stock for services	94,662	79,229	758,964
Fair value of beneficial conversion feature of debt	-	-	3,021,197
Issuance of common stock for interest	393,690	736,138	1,816,392
Grant of stock options for services	103,052	1,944,630	9,424,311
Expenses paid by stockholder	-	-	2,640
Change in investment in subsidiary, net	163,585	-	242,655
Minority interest	(459,158)	(772,301)	(4,442,451)
Change in operating assets and liabilities:			
(Increase) in accounts receivable	(177,805)	(18,877)	(284,871)
Decrease (increase) in due from related parties	19,101	-	(40,199)
Decrease (increase) in prepaid expenses	62,128	(31,173)	(41,084)
(Increase) in other current assets	(38,727)	(21,034)	(41,826)
Decrease in deposits	-	3,498	2,043
Increase in accounts payable and accrued expenses	497,588	22,988	1,048,262
Increase in liquidating damages	-	652,500	-
(Decrease) increase in due to related parties	-	(17,386)	83,221
(Decrease) increase in deferred revenues	(125,000)	375,000	83,333
Net cash used in operating activities	(2,303,596)	(2,161,433)	(28,354,723)

**See Notes to Condensed Consolidated Financial Statements**





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

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	Six Months Ended August 31, 2008	2007	Period from August 1, 1968 (date of inception) to August 31, 2008
Cash flows from investing activities:			
Purchases of property and equipment	(1,069)	(4,392)	