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GREATBIO TECHNOLOGIES INC

Form 10-Q

July 16, 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: May 31, 2001

Commission File No. 0-26057

GREATBIO 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 203
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.

[X] Yes [] No

As of May 31, 2001, the Company had 25,565,532 shares of common stock outstanding.

Title of Class

Common

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PART I. FINANCIAL INFORMATION

ITEM I. Financial Statements

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

CONSOLIDATED BALANCE SHEETS

	May 31, 2001 (Unaudited)	February 28, 2001
	-----	-----
ASSETS		
Current assets - cash and cash equivalents	\$ 10,549	\$172,092
Fixed Asset - at cost, net	4,583	4,833
Other Assets:		
Intellectual property rights	110,000	110,000
Deferred private equity placement costs	75,000	56,827
Deferred tax asset, net of valuation allowance of \$201,000 and \$115,000 respectively	-	-
	-----	-----
Total Assets	\$200,132	\$343,752
	=====	=====
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current Liabilities:		
Accounts payable and accrued expenses	\$163,870	\$110,856
Due to related parties	210,698	170,136
	-----	-----

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Total current liabilities	374,568	280,992
Long-term obligation - payable to related party, less unamortized discount of \$46,500 and \$62,000 respectively, based on imputed interest rate of 12.48%	453,500	438,000
Stockholders' Deficiency:		
Common stock - \$.005 par value; authorized 60,000,000 shares, issued and outstanding 25,565,532 shares	127,828	127,828
Additional paid-in capital	325,920	325,920
Deficit accumulated during the development stage	(1,081,685)	(828,988)
Stockholders' deficiency	(627,937)	(375,240)
Total Liabilities and Stockholders' Deficiency	\$200,132	\$343,752

See Notes to Consolidated Financial Statements

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

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended May 31, 2001	Three Months Ended May 31, 2000	Period from August 1, 1968 (Date of Inception) to May 31, 2001
General and administrative expenses:			
Salaries and related	\$ 73,873	\$ -	\$133,734
Research and development	125,099	-	238,243
Professional fees	13,658	2,000	52,343
Write-down of intellectual property rights	-	-	490,000
Other	22,391	-	48,951
Operating loss	(235,021)	(2,000)	(963,271)
Interest expense	(18,713)	-	(31,713)
Interest income	1,037	-	2,656
Loss from continuing operations	(252,697)	(2,000)	(992,328)
Loss from discontinued operations	-	-	(89,357)

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Net loss	\$ (252,697)	\$ (2,000)	\$ (1,081,685)
Loss per common share	\$ (.01)	\$ -	
Weighted average shares outstanding	25,565,532	9,166,887	

See Notes to Consolidated Financial Statements

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended May 31, 2001	Three Months Ended May 31, 2000	Period from August 1, 1968 (Date of Inception) to May 31, 2001
Cash flows from operating activities:			
Net loss	\$ (252,697)	\$ (2,000)	\$ (1,081,686)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation	250	-	417
Write-down of intellectual property rights	-	-	490,000
Amortization of discount on payable to related party	15,500	-	28,500
Issuance of common stock for services rendered	-	-	101,108
Expenses paid by stockholder	-	-	2,640
Changes in operating assets and liabilities:			
Increase in accounts payable and accrued expenses	34,842	2,000	132,367
Increase in due to related parties	40,562	-	167,203
Net cash provided by operating activities	(161,543)	-	(159,451)
Net cash used in investing activities-			
purchases of fixed assets	-	-	(5,000)
Net cash provided by financing activities-			
proceeds from issuance of capital stock	-	-	175,000
Net increase (decrease) in cash and cash equivalents	(161,543)	-	10,549
Cash and cash equivalents at beginning of period	172,092	-	-
Cash and cash equivalents at end of			

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period	\$ 10,549	\$ -	\$ 10,549
	=====	=====	=====

Supplemental schedule of noncash investing and financing activities:

Intellectual property acquired through issuance of common stock and assumption of related party payable	\$ -	\$ -	\$175,000
	=====	=====	=====
Acquisition of intellectual property	\$ -	\$ -	\$425,000
	=====	=====	=====

See Notes to Consolidated Financial Statements

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2001

INTERIM FINANCIAL STATEMENTS:

The consolidated financial statements as of May 31, 2001 and for the three months ended May 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 GreatBio Technologies, Inc. and its wholly owned subsidiaries, LTR Antisense Technology, Inc., MRIC Drug Delivery Systems, LLC (collectively referred to as the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation.

The Company is in the development stage and is expected to remain so for at least the next twelve months. The Company was formed in 1968 and obtained certain mining claims and rights. Those rights were subsequently abandoned and the Company has conducted no business since 1993.

The Company has not generated any revenue to date. The Company's ability to continue in business is dependent upon obtaining sufficient financing or attaining future profitable operations.

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.

In accordance with the terms of an Exchange Agreement ("the Agreement") dated December 1, 2000 (as amended), the Company acquired from Biophan, LLC ("Biophan") 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.

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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 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.

Upon securing the necessary funding, the principal business activity of the Company will be 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.

GOING CONCERN:

The Company's financial statements are prepared using generally accepted accounting principles applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has not established revenues sufficient to cover its operating costs which raises substantial doubt regarding its ability to continue as a going concern. In the interim, management is committed to covering all operating and other costs.

DEFERRED PRIVATE EQUITY PLACEMENT COSTS:

In connection with a proposed private equity placement, the Company has incurred costs aggregating \$75,000 as of May 31, 2001. These costs will be netted against the expected proceeds from the private placement.

SUBSEQUENT EVENTS:

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 Company stock on the due date. As additional consideration, the noteholder receives 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 a series of bridge loans aggregating \$586,500 upon the same proportionate terms as above except that, among other things, the loans are for a term of three months.

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 SEC.

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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.

The Company is in the early stages of development of these two technologies.

Results of Operations

During the quarter ended May 31, 2000, the Company was inactive, earned no revenues and incurred expenses of \$2,000 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 the MRI resistant cardiac pacemaker technology, the antisense gene therapy technology and a subsidiary corporation and embarked on a new program for development and eventual commercial exploitation of such technologies. The Company remained in the development stage from that time through the quarter ended May 31, 2001, earning no revenues except interest income. During the quarter ended May 31, 2001, the Company pursued the development of its proprietary technology, incurring research and development expenses of \$125,099 and other general and administrative expenses of \$109,922 plus interest expense of \$18,713. The net loss for the current quarter amounted to \$252,697.

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 May 31, 2001, the related parties had advanced a total of \$327,985 of such expenses and Biophan was repaid \$120,500, leaving a combined balance due of \$206,698 including accrued interest of \$3,213.

In order to obtain sufficient cash for its next twelve months of operations and beyond, in June 2001 the Company negotiated bridge loans that will provide \$986,500 in funding, expected to be received in the second quarter. Generally, the loans have maturities of three to six months and interest is payable by issuance of Company common shares and warrants. 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. 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. Both of these funding sources will enable the Company to pursue research and development of its current proprietary technologies.

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

PART II. OTHER INFORMATION

- Item 1. Exhibits and reports on Form 8-K
- a. Reports on Form 8-K
 - b. Signatures

* (a) The Company filed a Form 8-K on May 7, 2001 listing Item 4 (change in registrant's certifying accountants).

* Exhibits so marked have heretofore been filed with the Securities and Exchange Commission as part of the filing indicated and are incorporated herein by reference.

(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.

GREATBIO TECHNOLOGIES, INC.
(Registrant)

Date: July 16, 2001

By: /s/ Michael L. Weiner

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

By: \s\ Robert J. Wood

Name: Robert J. Wood
Title: Vice President and Treasurer

By: \s\ David A. Miller

Name: David A. Miller
Title: Secretary