

BIOLARGO, INC.
Form 10-Q
November 15, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2010.

or

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 000-19709

BIOLARGO, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

65-0159115
(I.R.S. Employer
Identification No.)

16333 Phoebe Avenue
La Mirada, California 90638
(Address, including zip code, of principal executive offices)

(949) 643-9540
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Exchange Act: None
Securities registered pursuant to Section 12(g) of the Exchange Act: Common Stock, \$0.0067 par
value.

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

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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

The number of shares of the Registrant’s Common Stock outstanding as of November 12, 2010 was 48,855,043 shares.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

BIOLARGO, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2009 AND SEPTEMBER 30, 2010

| | December 31, 2009 | September 30, 2010 (unaudited) |
|--|----------------------|--------------------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 135,350 | \$ 246,998 |
| Accounts receivable | 14,607 | 16,150 |
| Inventory | 9,678 | 15,184 |
| Prepaid expenses | 4,586 | 3,815 |
| Total current assets | 164,221 | 282,147 |
| FIXED ASSETS | | |
| Equipment, net | 16,390 | 9,217 |
| Total fixed assets | 16,390 | 9,217 |
| TOTAL ASSETS | \$ 180,611 | \$ 291,364 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 1,273,028 | \$ 789,472 |
| Accrued option compensation expense | 679,210 | 563,000 |
| Convertible notes payable, current portion | 1,913,625 | 945,625 |
| Discount on convertible notes, current portion net of amortization | (470,822) | (203,205) |
| Note payable | 70,000 | 150,000 |
| Discount on note payable | — | (6,667) |
| Deferred revenue | — | 118,000 |
| Total Current Liabilities | 3,465,041 | 2,356,225 |
| LONG-TERM LIABILITIES | | |
| Convertible notes payable, net of current portion | 1,372,410 | 1,811,265 |
| Discount on convertible notes, net of current portion and amortization | (793,523) | (722,638) |

| | | |
|--|---------------------|---------------------|
| Total Long-term Liabilities | 578,887 | 1,088,627 |
| TOTAL LIABILITIES | 4,043,928 | 3,444,852 |
| COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS | | |
| STOCKHOLDERS' EQUITY | | |
| Convertible Preferred Series A, \$.00067 Par Value, 50,000,000 and 25,000,000 Shares Authorized, | — | — |
| -0- Shares Issued and Outstanding, at September 30, 2010 and December 31, 2009. | | |
| Common Stock, \$.00067 Par Value, 200,000,000 Shares Authorized, 48,730,771 and 43,196,355 | 28,969 | 32,715 |
| Shares Issued, at September 30, 2010 and December 31, 2009, respectively | | |
| Additional Paid-In Capital | 53,876,278 | 59,058,769 |
| Accumulated Deficit | (57,768,564) | (62,244,972) |
| Total Stockholders' Deficit | (3,863,317) | (3,153,488) |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 180,611 | \$ 291,364 |

See accompanying notes to unaudited consolidated financial statements

BIOLARGO, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2009 AND 2010
(unaudited)

| | For the three-month periods ended September 30, | | For the nine-month periods ended September 30, | |
|--|--|---------------------|---|---------------------|
| | 2009 (unaudited) | 2010 (unaudited) | 2009 (unaudited) | 2010 (unaudited) |
| Revenue | \$ 115,741 | \$ 42,835 | \$ 115,741 | \$ 134,360 |
| Total revenue | 115,741 | 42,835 | 115,741 | 134,360 |
| Cost of goods sold | 72,175 | 40,899 | 72,175 | 104,689 |
| Total cost of goods sold | 72,175 | 40,899 | 72,175 | 104,689 |
| Gross Profit | 43,566 | 1,936 | 43,566 | 29,671 |
| Costs and expenses | | | | |
| Selling, general and administrative | 919,103 | 812,291 | 3,056,771 | 3,203,826 |
| Research and development | 39,319 | 17,401 | 132,637 | 88,893 |
| Amortization and depreciation | 279,192 | 2,391 | 837,576 | 7,173 |
| Total costs and expenses | 1,237,614 | 832,082 | 4,026,984 | 3,300,663 |
| Loss from operations | (1,194,048) | (830,146) | (3,983,418) | (3,270,992) |
| Other income and (expense) | | | | |
| Interest expense | (454,429) | (465,646) | (1,329,235) | (1,329,054) |
| Other income | 7,774 | 123,638 | 9,338 | 123,638 |
| Net other expense | (446,655) | (342,008) | (1,319,897) | (1,205,416) |
| Net loss | \$(1,640,703) | \$(1,172,154) | \$(5,303,315) | \$(4,476,408) |
| Loss per common share – basic and diluted | | | | |
| Loss per share | \$(0.04) | \$(0.03) | \$(0.12) | \$(0.10) |
| Weighted average common share equivalents outstanding | | | | |
| | 42,920,614 | 46,416,678 | 42,535,996 | 44,487,528 |

See accompanying notes to unaudited consolidated financial statements

BIOLARGO, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2010 (UNAUDITED)

| | Common Stock Number of Shares | Par Value \$.00067 | Additional Paid-In Capital | Retained Earnings (Deficit) | Total |
|--|--|--------------------------|----------------------------------|-----------------------------------|----------------|
| BALANCE DECEMBER 31, 2009 | 43,196,355 | \$28,969 | \$53,876,278 | \$(57,768,564) | \$(3,863,317) |
| Vested portion of stock options | — | — | 997,134 | — | 997,134 |
| Issuance of warrants as part of convertible note offering and note payable | — | — | 450,327 | — | 450,327 |
| Fair value of the six-month extension of the 2009 Warrant | — | — | 277,992 | — | 277,992 |
| Issuance of stock options and a warrant to consultants | — | — | 319,881 | — | 319,881 |
| Issuance of stock options to officers and Board of Directors | — | — | 641,826 | — | 641,826 |
| Issuance of stock for the exercise of a warrant | 320,000 | 215 | 39,785 | — | 40,000 |
| Issuance of stock for cash received from the Summer 2010 PPM | 1,016,672 | 686 | 304,314 | — | — |