

BIOLARGO, INC.
Form 10-Q
November 14, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2014.

or

TRANSITION REPORT PURSUANT TO 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 **65-0159115**
(State or other jurisdiction of (I.R.S. Employer

incorporation or organization) Identification No.)

3500 W. Garry Avenue

Santa Ana, California 92704

(Address, including zip code, of principal executive offices)

(949) 643-9540

(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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" 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 11, 2014 was 82,074,237 shares.

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<u>Exhibit No.</u>	<u>Description of Exhibit</u>
4.1	Option to purchase common stock issued to Charles K. Dargan dated June 23, 2014 (1)
4.2	Form of Warrant to Purchase Common stock issued to investors in Summer 2014 Private Securities Offering (2)
10.01†	Engagement Extension Agreement dated as of July 17, 2014 between BioLargo, Inc. and Charles K. Dargan, II. (2)
10.2	License Agreement dated August 8, 2014 (2)
Exhibit 31.1*	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and Rules 13(a)-14 and 15(d)-14 under the Securities Exchange Act of 1934
Exhibit 31.2*	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and Rules 13(a)-14 and 15(d)-14 under the Securities Exchange Act of 1934
Exhibit 32*	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.
101.INS**	XBRL Instance
101.SCH**	XBRL Taxonomy Extension Schema
101.CAL**	XBRL Taxonomy Extension Calculation
101.DEF**	XBRL Taxonomy Extension Definition
101.LAB**	XBRL Taxonomy Extension Labels
101.PRE**	XBRL Taxonomy Extension Presentation

† Management contract or compensatory plan, contract or arrangement

* Filed herewith

** Furnished herewith

(1) Incorporated herein by reference from the Form 8-K filed by the Company on June 23, 2014.

(2) Incorporated herein by reference from the Form 10-Q filed by the Company on August 15, 2014.

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PART I – FINANCIAL INFORMATION**Item 1. Financial Statements****BIOLARGO, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****AS OF DECEMBER 31, 2013 AND SEPTEMBER 30, 2014**

	December 31, 2013	September 30, 2014 (unaudited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$92,437	\$151,660
Accounts receivable, net of allowance	3,929	4,707
Inventory	29,830	62,676
Prepaid expense	—	45,000
Total current assets	126,196	264,043
OTHER ASSETS, net of amortization	40,997	32,807
TOTAL ASSETS	\$167,193	\$296,850
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$407,157	\$420,930
Note payable	325,000	50,000
Customer deposit	—	151,699
Total current liabilities	732,157	622,629
TOTAL LIABILITIES	732,157	622,629

COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS (Note 12)

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STOCKHOLDERS' EQUITY (DEFICIT)

Convertible Preferred Series A, \$.00067 Par Value, 50,000,000 Shares Authorized, -0- Shares Issued and Outstanding, at December 31, 2013 and September 30, 2014.	—	—
Common Stock, \$.00067 Par Value, 200,000,000 Shares Authorized, 75,123,014 and 82,074,237 Shares Issued, at December 31, 2013 and September 30, 2014.	50,069	54,732
Additional Paid-In Capital	74,849,492	77,821,109
Accumulated Deficit	(75,327,603)	(78,274,871)
Non-controlling interest	(136,922)	73,251
Total Stockholders' Equity (Deficit)	(564,964)	(325,779)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$167,193	\$296,850

See accompanying notes to unaudited condensed consolidated financial statements

BIOLARGO, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF OPERATIONS****FOR THE THREE- AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2013 AND 2014**

	For the three-month periods		For the nine-month periods	
	ended September 30, 2013 (unaudited)	2014 (unaudited)	ended September 30, 2013 (unaudited)	2014 (unaudited)
Revenue				
License revenue	\$—	\$—	\$100,000	\$—
Product revenue	18,418	16,448	52,764	46,821
Total revenue	18,418	16,448	152,764	46,821
Cost of goods sold	8,381	7,731	23,563	19,194
Gross margin	10,037	8,717	129,201	27,627
Costs and expenses				
Selling, general and administrative	536,026	652,432	1,470,936	2,208,461
Research and development	267,861	186,973	603,568	479,954
Amortization and depreciation	2,730	2,730	8,190	8,190
Total costs and expenses	806,617	842,135	2,082,694	2,696,605
Loss from operations	(796,580)	(833,418)	(1,953,493)	(2,668,978)
Interest expense, net	(2,528)	(3,665)	(240,556)	(313,117)
Net loss	\$(799,108)	\$(837,083)	\$(2,194,049)	\$(2,982,095)
Net loss (non-controlling interests)	\$(18,951)	\$(10,621)	\$(311,457)	\$(34,827)
Net loss (controlling interests)	\$(780,157)	\$(826,462)	\$(1,882,592)	\$(2,947,268)
Loss per common share – basic and diluted	\$(0.01)	\$(0.01)	\$(0.03)	\$(0.04)
Weighted average common share equivalents outstanding	73,178,574	81,226,826	72,416,712	79,270,195

See accompanying notes to unaudited condensed consolidated financial statements

BIOLARGO, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2014

(unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Non- controlling Interest	Total
	Number of Shares	Par Value \$.00067				
BALANCE DECEMBER 31, 2013	75,123,014	\$50,069	\$74,849,492	\$(75,327,603)	\$(136,922)	\$(564,964)
Issuance of stock for cash received as part of Summer 2013 PPM @ \$0.25	3,328,400	2,234	795,266	—	—	797,500
Fees paid for Summer 2013 PPM	—	—	(10,000)	—	—	(10,000)
Issuance of stock for cash received as part of Summer 2014 PPM @ \$0.40	459,688	309	181,691	—	—	182,000
Fees paid for Summer 2014 PPM	—	—	(20,000)	—	—	(20,000)
Issuance of stock to convert Note Payables and related accrued interest	1,360,000	911	583,889	—	—	584,800
Cash received from Clyra Spring 2014 PPM	—	—	—	—	245,000	245,000
Issuance of stock for cash received from Winter 2012 Warrant	394,288	263	196,881	—	—	197,144
Issuance of stock for cash received from Summer 2013 Warrant	280,000	188	83,812	—	—	84,000
Issuance of stock for services to consultants	450,005	302	313,267	—	—	313,569
Issuance of options for services to consultants	—	—	298,413	—	—	298,413
Issuance of stock for option conversion	41,875	28	(28)	—	—	—
Issuance of stock for accrued and unpaid obligations to officers	336,967	227	179,966	—	—	180,193
Issuance of options for services and unpaid obligations to board of directors	—	—	368,661	—	—	—