

ARBIOS SYSTEMS INC
Form 10-Q
November 18, 2009

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

FORM 10-Q

(MARK ONE)

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

For the quarterly period ended September 30, 2009

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

For the transition period from _____ to _____

Commission file number: 000-32603

ARBIOS SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or
organization)

91-1955323
(I.R.S. Employer Identification No.)

80 Commerce Drive, Allendale, NJ
(Address of principal executive offices)

07401
(Zip Code)

(201) 995-1919
(Registrant's telephone number, including area code)

530 S. Lake Avenue, Unit 363, Pasadena, CA 91101
(Former name, former address and former fiscal year, if changed since last report)

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 during

the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes
x No o

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 definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer <input type="radio"/>	Accelerated filer <input type="radio"/>
Non-accelerated filer <input type="radio"/>	Smaller reporting company <input checked="" type="radio"/>

(do not check if a 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

On September 30, 2009, there were 50,000,000 shares of common stock, \$.001 par value per share, issued and outstanding.

2

ARBIOS SYSTEMS, INC.
FORM 10-Q
TABLE OF CONTENTS

		PAGE NO.
PART I. FINANCIAL INFORMATION		
Item 1.	Financial Statements:	
	Condensed Balance Sheets as of September 30, 2009 (unaudited) and December 31, 2008 (audited)	4
	Condensed Statements of Operations for the three and nine months ended September 30, 2009 and 2008 and from August 23, 2000 (inception) through September 30, 2009 (unaudited)	5
	Condensed Statements of Cash Flows for the nine months ended September 30, 2009 and 2008 and from August 23, 2000 (inception) through September 30, 2009 (unaudited)	6
	Condensed Statement of Stockholders' Equity (Deficit) from August 23, 2000 (inception) through September 30, 2009 (unaudited)	7
	Notes to Condensed Financial Statements	12
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	19
Item 3.	Qualitative and Quantitative Disclosures About Market Risk.....	23
Item 4T.	Controls and Procedures	23
PART II. OTHER INFORMATION		
Item 1.	Legal Proceedings	23
Item 1A.	Risk Factors	24
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	24
Item 3.	Defaults Upon Senior Securities	24
Item 4.	Submission of Matters to a Vote of Security Holders	24

Item 5.	Other Information	24
Item 6.	Exhibits	24
SIGNATURES		25

PART I - FINANCIAL INFORMATION

ITEM 1. Condensed Financial Statements

ARBIOS SYSTEMS, INC.
(A Development Stage Company)
CONDENSED BALANCE SHEETS

	Successor September 30, 2009 (Unaudited)	Predecessor December 31, 2008
ASSETS		
Current assets		
Cash	\$ 193,815	\$ 370,686
Cash held in attorney trust	270,323	-
Prepaid expenses	-	21,506
Total current assets	464,138	392,192
Receivable	-	200,000
Property and equipment, net	-	6,177
Investment	-	86,209
Other assets	-	750
Total assets	\$ 464,138	\$ 685,328
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Accounts payable	\$ 470,870	\$ 194,046
Accrued expenses	-	286,888
Total current liabilities	470,870	480,934
Long term contract obligations	-	150,000
Total liabilities	470,870	630,934
Stockholders' equity (deficit)		
Successor common stock, \$.001 par value; 100,000,000 shares authorized; 50,000,000 shares issued and outstanding at September 30, 2009	50,000	-
Predecessor common stock, \$.001 par value; 100,000,000 shares authorized; 25,792,747 shares issued and outstanding at December 31, 2008	-	25,792
Additional paid-in capital	143,256	21,617,075
Receivable for stock issuance	(199,988)	-
Deficit accumulated during the development stage	-	(21,588,473)
Total stockholders' equity (deficit)	(6,732)	54,394
Total liabilities and stockholders' equity (deficit)	\$ 464,138	\$ 685,328

The accompanying notes are an integral part of these condensed financial statements.

ARBIOS SYSTEMS, INC.
(A Development Stage Company)
CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	Predecessor For the three months ended September 30, 2009	Predecessor For the three months ended September 30, 2008	Predecessor For the nine months ended September 30, 2009	Predecessor For the nine months ended September 30, 2008	Predecessor Inception to September 30, 2009
Revenues	\$ -	\$ -	\$ -	\$ -	\$ 320,966
Operating expenses:					
General and administrative	256,348	147,103	660,795	1,358,718	13,902,846
Research and development	-	164,350	-	1,220,747	9,325,632
Total operating expenses	256,348	311,453	660,795	2,579,465	23,228,478
Operating loss	(256,348)	(311,453)	(660,795)	(2,579,465)	(22,907,512)
Other income (expense):					
Loss from disposition of fixed assets	(3,120)	-	(3,120)	-	(3,120)
Interest income	-	3,786	229	32,264	497,748
Gain on sale of HepatAssist program, net	-	-	-	-	404,863
Loss on investment	-	-	(86,209)	-	(86,209)
Interest expense	-	-	-	-	(244,138)
Total other income (expense)	(3,120)	3,786	(89,100)	32,264	569,144
Loss before reorganization items, net	(259,468)	(307,667)	(749,895)	(2,547,201)	(22,338,368)
Reorganization items, net	147,885	-	(111,243)	-	(111,243)
Net loss	\$ (111,583)	\$ (307,667)	\$ (861,138)	\$ (2,547,201)	\$ (22,449,611)
Net loss per share:					
Basic and diluted	\$ (0.00)	\$ (0.01)	\$ (0.03)	\$ (0.10)	
Weighted-average shares:					
Basic and diluted	26,892,442	25,792,747	25,249,003	25,712,950	

The accompanying notes are an integral part of these condensed financial statements.

ARBIOS SYSTEMS, INC.
(A Development Stage Company)
CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	Predecessor For the nine months ended September 30, 2009	Predecessor 2008	Predecessor Inception to September 30, 2009
Cash flows from operating activities:			
Net loss	\$ (861,138)	\$ (2,547,201)	\$ (22,449,611)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization of debt discount	-	-	244,795
Depreciation and amortization	2,757	32,190	338,794
Patent rights impairment	-	-	91,694
Issuance of common stock, options and warrants for compensation	-	441,055	4,071,460
Issuance of warrants for patent acquisition	-	-	74,570
Settlement of accrued expense	-	-	54,401
Deferred compensation costs	-	-	319,553
Loss on disposition of fixed assets	3,120	2,207	8,157
Loss on disposition of investment	86,209	-	86,209
Gain on sale of HepatAssist program, net	-	-	(404,863)
Non-cash reorganization items, net	(226,103)	-	(226,103)
Changes in operating assets and liabilities:			
Prepaid expenses	21,506	35,459	-
Deferred financing costs	-	16,757	-
Other assets	750	68,686	-
Accounts payable	322,927	(114,149)	516,971
Accrued expenses	(106,888)	(97,367)	86,498
Other liabilities	-	-	64,695
Contract obligations	(150,000)	(100,000)	-
Net cash used in operating activities	(906,860)	(2,262,363)	(17,122,780)
Cash flows from investing activities:			
Additions of property and equipment	-	-	(149,467)
Proceeds from sale of fixed assets	300	4,175	4,476
Proceeds from sale of HepatAssist program	200,000	-	450,000
Purchase of short term investments	-	-	(21,866,787)
Maturities of short term investments	-	-	21,866,787
Net cash provided from investing activities	200,300	4,175	305,009
Cash flows from financing activities:			
Proceeds from issuance of convertible debt	-	-	400,000
Proceeds from common stock option/warrant exercise	-	-	67,900
Net proceeds from issuance of common stock and warrants	800,012	-	16,597,092
Net proceeds from issuance of preferred stock	-	-	238,732
Payments on capital lease obligation, net	-	-	(21,815)
Net cash provided by financing activities	800,012	-	17,281,909

Edgar Filing: ARBIOS SYSTEMS INC - Form 10-Q

Net (decrease) increase in cash	93,452	(2,258,188)	464,138
Cash at beginning of period	370,686	2,735,944	-
Cash at end of period	\$ 464,138	\$ 477,756	\$ 464,138
Supplemental disclosures of non-cash financing activity			
Issuance of securities for obligation related to finder's fees	\$ -	\$ -	\$ 47,500

The accompanying notes are an integral part of these condensed financial statements.

ARBIOS SYSTEMS, INC.
(A Development Stage Company)
CONDENSED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
PERIOD FROM AUGUST 23, 2000 (INCEPTION) TO SEPTEMBER 30, 2009
(Unaudited)

	Preferred Stock		Common Stock		Additional Receivable for Stock Issuance		Deferred Costs	Deficit Accumulated During the Development Stage	Total	
	Shares	Amount	Shares	Amount	Paid-In Capital					
Balance, August 23, 2000 (inception) restated for effect of reverse merger with Historical Autographs U.S.A. Inc.	-	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Stock issuance in exchange for cash			5,000,000	50	4,950					5,000
Net loss								(9,454)		(9,454)
Balance, December 31, 2000, as restated	-	-	5,000,000	50	4,950	-	-	(9,454)		(4,454)
Issuance of junior preferred stock for cash of \$250,000 and in exchange for \$400,000 in patent rights, research and development costs, and employee loanout costs less issuance expenses	681,818	7			958,278		(343,553)			614,732

of \$11,268, June
29, 2001

Issuance of
common stock in
exchange
for patent rights
and deferred
research
and development
costs

362,669 4 547,284 547,288

Services
receivable

(550,000) (550,000)

Deferred
employee
loan-out costs
receivable
earned

82,888 82,888

Net loss

(237,574) (237,574)

Balance,
December 31,
2001

681,818 7 5,362,669 54 1,510,512 - (810,665) (247,028) 452,880

The accompanying notes are an integral part of these condensed financial statements.

ARBIOS SYSTEMS, INC.
 (A Development Stage Company)
 CONDENSED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
 PERIOD FROM AUGUST 23, 2000 (INCEPTION) TO SEPTEMBER 30, 2009
 (Unaudited)

	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Paid-In Capital	Additional Receivable for Stock Issuance	Deferred Development Costs	Deficit Accumulated During the Development Stage	Total
Amendment of December 31, 2001 agreement for the issuance of									