

BIOLARGO, INC.  
Form 10QSB/A  
March 10, 2008  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**AMENDMENT No. 2 to**

**FORM 10-QSB**

x **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended June 30, 2007.

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)*

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**Delaware**  
*(State or other jurisdiction of  
incorporation or organization)*

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

**2603 Main Street, Suite 1155**

**Irvine, California 92614**

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

**(949) 235-8062**

*(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.

Check whether the Registrant (1) 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 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 Aug 23, 2007 was 39,654,643 shares.

**DOCUMENTS INCORPORATED BY REFERENCE: None**

Transitional Small Business Disclosure Format (Check one): Yes  No

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**BIOLARGO, INC.**

**FORM 10-QSB**

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THIS AMENDMENT NO. 2 TO THE QUARTERLY REPORT ON FORM 10-QSB FOR THE PERIOD ENDED JUNE 30, 2007, OF BIOLARGO, INC. (THE COMPANY) IS BEING FILED FOR THE FOLLOWING PURPOSES: (1) TO RECALCULATE THE VALUE OF CERTAIN WARRANTS ISSUED BY THE COMPANY AS PART OF CERTAIN PRIVATE OFFERINGS OF THE COMPANY'S SECURITIES WHICH GIVES RISE TO ADDITIONAL INTEREST EXPENSE; (2) TO VALUE AN OPTION GRANTED TO OUR CHIEF EXECUTIVE OFFICER, RESULTING IN ADDITIONAL OPTION COMPENSATION EXPENSE RECORDED OVER THE VESTING PERIOD OF THE OPTION RATHER THAN EXPENSING IT ALL AT ONCE ON THE ANNIVERSARY DATE; AND (3) AFTER A RE-EVALUATION OF THE ACCOUNTING TREATMENT AND PRESENTATION OF THE ACQUISITION OF ASSETS FROM IOWC TECHNOLOGIES, INC., WE HAVE MODIFIED OUR ACCOUNTING AND PRESENTATION OF SUCH ACQUISITION IN ACCORDANCE WITH THE FAIR VALUE RULES OF THE FASB.

**PART I****Item 1. Financial Statements****BIOLARGO, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****AS OF DECEMBER 31, 2006 AND JUNE 30, 2007****ASSETS**

	<b>December 31, 2006</b>	<b>June 30, 2007 (unaudited)</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 229,334	\$ 84,327
Prepaid expenses	16,500	
Total current assets	245,834	84,327
<b>OTHER ASSET</b>		
Licensing rights, net of amortization		11,166,220
Assigned agreement, net of amortization		382,923
TOTAL ASSETS	\$ 245,834	\$ 11,633,470
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 2,311,500	\$ 801,055
Accrued option compensation expense		158,961
Convertible notes payable, current portion	2,373,070	
Prepaid interest related to above convertible notes, current portion net of amortization	(284,025)	
Note payable, related party	900,000	
Note payable	25,000	25,000
Debentures payable, net	21,151	21,151
Total current liabilities	5,346,696	1,006,167

**LONG-TERM LIABILITIES**

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Convertible notes payable, net of current portion	484,000	1,096,950
Prepaid interest related to above convertible notes, net of current portion and amortization	(255,875)	(700,885)
<b>Total long-term liabilities</b>	<b>228,125</b>	<b>396,065</b>
<b>TOTAL LIABILITIES</b>	<b>5,574,821</b>	<b>1,402,232</b>
<b>COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS</b>		
<b>STOCKHOLDERS DEFICIT</b>		
Convertible Preferred Series A, \$.00067 par value, 50,000,000 shares authorized, -0- shares issued and outstanding at June 30, 2007 and at December 31, 2006		
Common Stock, \$.00067 par value, 200,000,000 shares authorized, 39,355,166 and 3,135,822 shares issued at June 30, 2007 and December 31, 2006, respectively	52,256	76,523
Additional paid-in capital	24,372,650	42,758,508
Accumulated deficit	(29,753,893)	(32,603,793)
<b>Total stockholders deficit</b>	<b>(5,328,987)</b>	<b>10,231,238</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS DEFICIT</b>	<b>\$ 245,834</b>	<b>\$ 11,633,470</b>

See accompanying notes to consolidated financial statements.

**Table of Contents****BIOLARGO, INC. AND SUBSIDIARIES****STATEMENTS OF OPERATIONS FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED****JUNE 30, 2006 AND 2007****(UNAUDITED)**

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2006 (unaudited)	2007 (unaudited)	2006 (unaudited)	2007 (unaudited)
Revenue	\$	\$	\$	\$
Total revenue				
Costs and expenses				
Selling, general and administrative	207,449	841,553	550,157	1,460,848
Research and development	73,529	23,511	84,298	42,003
Amortization expense		184,534		184,534
Total costs and expenses	280,978	1,049,598	634,455	1,687,385
Loss from operations	(280,978)	(1,049,598)	(634,455)	(1,687,385)
Other income and (expense)				
Interest expense	(30,815)	(141,619)	(118,976)	(1,194,820)
Reduction to note payable	220,000		220,000	
Reversal of accruals related to prior periods		32,305		32,305
Net other income and (expense)	189,185	(109,314)	101,024	(1,162,515)
Net loss	\$ (91,793)	\$ (1,158,912)	\$ (533,431)	\$ (2,849,900)
Loss per common share basic and diluted				
Loss per share	\$ (0.04)	\$ (0.04)	\$ (0.22)	\$ (0.16)
Weighted average common share equivalents outstanding	2,499,130	30,777,550	2,456,730	17,631,060

See accompanying notes to consolidated financial statements.

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**BIOLARGO, INC. AND SUBSIDIARIES**  
**STATEMENTS OF STOCKHOLDERS DEFICIT**  
**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2007**  
**(UNAUDITED)**

	Preferred Stock		Common Stock			Retained Deficit	Total
	Number of Shares	Par Value \$.00067	Number of Shares	Par Value \$.00067	Additional Paid-In Capital		
BALANCE DECEMBER 31, 2006		\$	3,135,822	\$ 52,256	\$ 24,372,650	\$ (29,753,893)	\$ (5,328,987)
CONVERSION OF NOTE OBLIGATIONS (INCLUDING ADDITIONAL INTEREST EXPENSE)			6,985,441	4,680	3,125,610		3,130,290
SHARES ISSUED FOR SERVICES (INCLUDING ADDITIONAL COSTS AND EXPENSES)			1,803,615	1,209	938,752		939,961
CONVERSION OF BOARD OF DIRECTOR AND OFFICER PAYABLES			1,623,359	1,088	607,671		608,759
ISSUANCE OF WARRANTS IN CONJUNCTION WITH CONVERTIBLE NOTE OFFERINGS					380,300		380,300
SHARES ISSUED FOR ACQUISITION OF ASSETS FROM IOWC			22,139,012	14,833	11,718,844		11,733,677
CONVERSION OF AUGUSTINE NOTE PAYABLE OBLIGATION			2,031,553	1,361	715,777		717,138
CONVERSION OF NEW MILLENIUM NOTE PAYABLE OBLIGATION (RELATED PARTY)			1,636,364	1,096	898,904		900,000
NET LOSS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2007						(2,849,900)	(2,849,900)
BALANCE JUNE 30, 2007		\$	39,355,166	\$ 76,523	\$ 42,758,508	\$ (32,603,793)	\$ 10,231,238

See accompanying notes to consolidated financial statements.

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	<b>For the six-month period ended June 30,</b>	
	<b>2006</b>	<b>2007</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (533,431)	\$ (2,849,900)
Adjustments to reconcile net loss to net cash used in operating activities:		
Conversion of note payable obligations and additional non-cash interest expense		1,216,904
Conversion of consultant obligations and additional non-cash expense		160,625
Non-cash interest expense related to value of warrants issued in conjunction with our convertible notes		219,316
Non-cash compensation expense related to options to employees		158,961
Amortization of intangible assets		184,534
Decrease in prepaid expenses	(42,500)	(16,500)
Increase in accounts payable and accrued expenses	82,055	168,053
<b>Net cash used in operating activities</b>	<b>(493,876)</b>	<b>(758,007)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
No cash used in or provided by investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Reduction of note payable, related party	(220,000)	
Funds from convertible notes payable	777,500	613,000
<b>Net cash provided by financing activities</b>	<b>557,500</b>	<b>613,000</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>63,624</b>	<b>(145,007)</b>
<b>CASH AND CASH EQUIVALENTS BEGINNING</b>	<b>283,462</b>	<b>229,334</b>
<b>CASH AND CASH EQUIVALENTS ENDING</b>	<b>\$ 347,086</b>	<b>\$ 84,327</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASHFLOW INFORMATION</b>		
Cash paid during the period for:		
Interest	\$	\$
Income taxes	\$	\$
Conversion of note payable, related party to shares of the company's common stock	\$	\$ 900,000
Conversion of convertible notes payable to shares of the company's common stock	\$	\$ 2,373,120
Conversion of accrued expenses to shares of the company's common stock:		
Board of director and officer payable	\$	\$ 608,759