

ARBIOS SYSTEMS INC
Form 10-Q
September 21, 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 June 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.)

530 South Lake Avenue, #363, Pasadena, CA
(Address of principal executive offices)

91101
(Zip Code)

(626) 795-4641
(Registrant's telephone number, including area code)

200 E. Del Mar Blvd., Suite 320, Pasadena, CA, 91105
(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

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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 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 definition 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

(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 14, 2009, there were 24,356,247 shares of common stock, \$.001 par value per share, issued and outstanding.

ARBIOS SYSTEMS, INC.
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PART I - FINANCIAL INFORMATION

ITEM 1. Condensed Financial Statements

ARBIOS SYSTEMS, INC.
(Debtor-in-Possession)
(A Development Stage Company)
CONDENSED BALANCE SHEETS

	June 30, 2009 (Unaudited)	December 31, 2008
ASSETS		
Current assets		
Cash	\$ 185,598	\$ 370,686
Restricted cash	199,112	-
Prepaid expenses	149,044	21,506
Total current assets	533,754	392,192
Receivable	-	200,000
Property and equipment, net	4,339	6,177
Investment	-	86,209
Other assets	750	750
Total assets	\$ 538,843	\$ 685,328
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
Current liabilities		
Accounts payable	\$ 393,863	\$ 194,046
Deposit from Arbios Acquisition Partners, LLC	199,112	-
Accrued expenses	530,000	286,888
Total current liabilities	1,122,975	480,934
Liabilities subject to compromise under reorganization proceedings	111,029	-
Long term contract obligations	-	150,000
Total liabilities	1,234,004	630,934
Stockholders' (deficit) equity		
Common stock, \$.001 par value; 100,000,000 shares authorized; 24,356,247 and 25,792,747 shares issued and outstanding at June 30, 2009 and December 31, 2008, respectively	24,356	25,792
Additional paid-in capital	21,618,511	21,617,075
Deficit accumulated during the development stage	(22,338,028)	(21,588,473)
Total stockholders' (deficit) equity	(695,161)	54,394
Total liabilities and stockholders' (deficit) equity	\$ 538,843	\$ 685,328

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

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

	For the three months ended June		For the six months ended June		Inception to June 30, 2009
	2009	30, 2008	2009	30, 2008	
Revenues	\$ -	\$ -	\$ -	\$ -	\$ 320,966
Operating expenses:					
General and administrative	284,828	492,121	404,447	1,211,615	13,646,498
Research and development	-	345,971	-	1,056,397	9,325,632
Total operating expenses	284,828	838,092	404,447	2,268,012	22,972,130
Loss before reorganization costs and other income (expense)	(284,828)	(838,092)	(404,447)	(2,268,012)	(22,651,164)
Reorganization costs and other income (expense):					
Reorganization costs, primarily professional fees	(185,264)	-	(259,128)	-	(259,128)
Interest income	-	8,178	229	28,478	497,748
Gain on sale of HepatAssist program, net	-	-	-	-	404,863
Loss on investment	-	-	(86,209)	-	(86,209)
Interest expense	-	-	-	-	(244,138)
Total reorganization costs and other income (expense)	(185,264)	8,178	(345,108)	28,478	313,136
Net loss	\$ (470,092)	\$ (829,914)	\$ (749,555)	\$ (2,239,534)	\$ (22,338,028)
Net loss per share:					
Basic and diluted	\$ (0.02)	\$ (0.03)	\$ (0.03)	\$ (0.09)	
Weighted-average shares:					
Basic and diluted	24,356,247	25,749,458	24,427,675	25,672,613	

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

	For the six months ended June 30,		Inception to
	2009	2008	June 30, 2009
Cash flows from operating activities:			
Net loss	\$ (749,555)	\$ (2,239,534)	\$ (22,338,028)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization of debt discount	-	-	244,795
Depreciation and amortization	1,838	21,592	337,875
Patent rights impairment	-	-	91,694
Issuance of common stock, options and warrants for compensation	-	419,070	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	-	-	5,037
Loss on disposition of investment	86,209	-	86,209
Gain on sale of HepatAssist program, net	-	-	(404,863)
Changes in operating assets and liabilities:			
Prepaid expenses	(127,538)	25,938	(149,046)
Deferred financing costs	-	16,757	-
Other assets	-	20,189	(750)
Accounts payable	199,817	81,428	393,863
Accrued expenses	243,112	7,770	436,498
Other liabilities	-	-	64,695
Liabilities subject to compromise under reorganization proceedings	111,029	-	111,029
Long term contract obligations	(150,000)	(100,000)	-
Net cash used in operating activities	(385,088)	(1,746,790)	(16,601,008)
Cash flows from investing activities:			
Additions of property and equipment	-	-	(149,467)
Proceeds from sale of fixed assets	-	-	4,176
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	200,000	-	304,709
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	-	-	15,797,080
Net proceeds from issuance of preferred stock	-	-	238,732
Payments on capital lease obligation, net	-	-	(21,815)

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Net cash provided by financing activities	-	-	16,481,897
Net (decrease) increase in cash	(185,088)	(1,746,790)	185,598
Cash at beginning of period	370,686	2,735,944	-
Cash at end of period	\$ 185,598	\$ 989,154	\$ 185,598
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.
 (Debtor-in-Possession)
 (A Development Stage Company)
 CONDENSED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
 PERIOD FROM AUGUST 23, 2000 (INCEPTION) TO JUNE 30, 2009
 (Unaudited)

	Preferred Stock		Common Stock		Additional	Deferred	Deficit		
	Shares	Amount	Shares	Amount	Paid-In	Costs	Accumulated	Total	
					Capital		During the		
							Development		
							Stage		
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 of \$11,268, June 29, 2001	681,818	7			958,278	(343,553)			614,732
Issuance of common stock in exchange for			362,669	4	547,284				547,288

patent rights and deferred research and development costs								
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

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ARBIOS SYSTEMS, INC.
 (Debtor-in-Possession)
 (A Development Stage Company)
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 PERIOD FROM AUGUST 23, 2000 (INCEPTION) TO JUNE 30, 2009
 (Unaudited)

	Preferred Stock		Common Stock		Additional	Deferred	Deficit	
	Shares	Amount	Shares	Amount	Paid-In	Costs	Accumulated	Total
					Capital		During the	
							Development	
							Stage	
Amendment of December 31, 2001 agreement for the issuance of common stock agreement in exchange for research and development services					(495,599)	550,000		54,401
Deferred employee loan out costs receivable earned						171,776		171,776
Issuance of common stock for compensation			70,000	1	10,499			10,500
Issuance of common stock for cash			999,111	9	149,857			149,866
Net loss							(494,780)	(494,780)
Balance, December 31, 2002	681,818	7	6,431,780	64	1,175,269	(88,889)	(741,808)	344,643
Issuance of common stock for cash less issuance expense of \$2,956			417,000	417	246,827			247,244
Issuance of common stock in private placement for cash less issuance expense of \$519,230			4,000,000	4,000	3,476,770			3,480,770

Issuance of common stock for convertible debenture less issuance expense of \$49,500	400,000	400	350,100	350,500
Shares issued in connection with acquisition of Historical Autographs U.S.A., Inc. on October 30, 2003	1,220,000	8,263	(8,263)	-

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 PERIOD FROM AUGUST 23, 2000 (INCEPTION) TO JUNE 30, 2009
 (Unaudited)

	Preferred Stock		Common Stock		Additional	Deferred	Deficit	
	Shares	Amount	Shares	Amount	Paid-In	Costs	Accumulated	Total
					Capital		During the	
							Development	
							Stage	
Value of warrants and beneficial conversion feature of bridge loan					244,795			244,795
Deferred employee loan-out costs receivable earned						88,889		88,889
Preferred Stock converted to Common Stock	(681,818)	(7)	681,818	7				-
Net loss							(885,693)	(885,693)
Balance, December 31, 2003	-	-	13,150,598	13,151	5,485,498	-	(1,627,501)	3,871,148
Issuance of common stock options and warrants for compensation					972,430			972,430
Exercise of common stock options			18,000	18	2,682			2,700
Issuance of securities for payable			47,499	47	47,451			47,498
Net loss							(3,327,827)	(3,327,827)

Balance, December 31, 2004	-	-	13,216,097	13,216	6,508,061	-	(4,955,328)	1,565,949
Issuance of common stock in private placement for cash less issuance expense of \$384,312			2,991,812	2,992	6,224,601			6,227,593
Issuance of common stock options and warrants for compensation					557,080			557,080
Exercise of common stock options			25,000	25	62,475			62,500

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PERIOD FROM AUGUST 23, 2000 (INCEPTION) TO JUNE 30, 2009
(Unaudited)

	Deficit Accumulated
Additional	