NORTH BAY RESOURCES INC
Form 10-Q
October 29, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2015

or

o 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 000-54213

NORTH BAY RESOURCES INC.
(Exact name of registrant as specified in its charter)

Delaware	83-0402389
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

3995 Yerkes Rd.
Collegeville, Pennsylvania 19426
(Address of principal executive offices)

(215) 661-1100
(Issuer's telephone number, including area code)

____
(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 x No o

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 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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 1,062,057,813 shares of Common Stock as of October 28, 2015.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NORTH BAY RESOURCES INC.
UNAUDITED CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2015 AND DECEMBER 31, 2014

	Sep 30, 2015	Dec 31, 2014
ASSETS		
Current Assets		
Cash	$ 46,608	$ 32,060
Accounts Receivable	13,421	1,515
Deferred Financing Costs, net	3,151	31,049
Available For Sale Securities	75,738	33,956
Total Current Assets	138,918	98,580
Other Assets		
Certificates of Deposit - Pledged	173,434	173,200
Prepaid Expenses	36,920	36,920
Mining Claims – Unproved	1,795,778	1,795,778
Property, Plant & Equipment, net of accumulated depreciation	438,438	506,719
Reclamation Bond – Fraser River	5,000	5,000
Total Other Assets	2,449,570	2,517,617
TOTAL ASSETS	$ 2,588,488	$ 2,616,197
LIABILITIES & STOCKHOLDERS' EQUITY (DEFICIT)		
Liabilities		
Current Liabilities		
Accounts Payable	$ 136,596	$ 126,706
Accrued Expenses - Related Party	1,094,624	947,624
Accrued Interest	379,807	200,404
Convertible notes payable (net of discounts of $166,985 and $762,510, respectively)	945,908	1,045,512
Convertible notes payable (net of discounts of $0 and $0, respectively) - default	597,817	-
Derivative Liabilities – Convertible Debt	693,325	1,383,813
Note Payable – Ruby Mine Mortgage	1,697,055	1,697,055
Note Payable - Equipment	16,721	17,548
Total Current Liabilities	5,561,853	5,418,662
Long-Term Liabilities		
Note Payable – Equipment, net of current portion	-	12,551
Asset Retirement Obligation	5,180	4,952
Total Long-Term Liabilities	5,180	17,503
Total Liabilities	$ 5,567,033	$ 5,436,165
Stockholders' Equity (Deficit)		
Preferred stock, Series I, $0.001 par value, 100 shares authorized, 100 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively	-	-

Convertible Preferred stock, Series A, $0.001 par value, 8,000,000 shares authorized, 4,000,000 and 4,000,000 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively	4,000	4,000
Common stock, $0.00001 par value, 7,500,000,000 shares authorized, 1,011,579,972 and 9,163,491 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively	10,116	92
Additional Paid-In Capital	16,401,451	15,891,846
Stock Payable	79,648	79,648
Accumulated Deficit	(19,473,760)	(18,795,554)
Total Stockholders' Equity (Deficit)	(2,978,545)	(2,819,968)
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY (DEFICIT)	$ 2,588,488	$ 2,616,197

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

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NORTH BAY RESOURCES INC.
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTH PERIODS ENDING
SEPTEMBER 30, 2015 AND 2014

	3 months ended September 30, 2015	3 months ended September 30, 2014	9 months ended September 30, 2015	9 months ended September 30, 2014
Revenues				
Gold Sales	-	6,602	-	6,602
Gross Profit	-	6,602	-	6,602
Operating Expenses				
General & Administrative Costs	68,445	86,188	219,398	257,612
Mining Property Costs	4,408	484,642	22,636	1,170,747
Depreciation Expense	18,121	28,786	68,281	82,682
Accretion Expense	76	117	228	383
Professional Services	10,125	26,710	50,206	127,189
Total Operating Expenses	101,175	626,443	360,749	1,638,613
Net Operating Loss	(101,175)	(619,841)	(360,749)	(1,632,011)
Other Income (Expenses)				
Gain on Mineral Claim Sales	-	2,000	-	2,000
Other Income from Mineral Claims	100,000	200,000	200,000	200,000
Interest Income	79	1,370	236	6,242
Interest Expense	(222,552)	(392,567)	(907,753)	(1,017,569)
Gain/Loss on Derivative Liability	21,374	(29,050)	431,015	523,528
Loss on Settlement	-	(38,630)	-	(71,103)
Other Income	-	-	3,842	52,203
Gain on Forgiveness of Debt	-	-	4,161	-
Realized Gain (Loss) on Investment	(12,517)	-	(48,958)	-
Net Other Income (Expenses)	(113,616)	(256,877)	(317,457)	(304,699)
Net Loss	(214,791)	(876,718)	(678,206)	(1,936,710)
Interest on Redeemable Common Stock	-	-	-	(29,288)
Net Loss Attributable to Common Shareholders	(214,791)	(876,718)	(678,206)	(1,965,998)
Unrealized (Loss)/Gain on Available For Sale Securities	-	(43,587)	-	(43,587)
Total Comprehensive (Loss)/Gain	(214,791)	(920,305)	(678,206)	(2,009,585)
WEIGHTED AVG NUMBER OF SHARES OUTSTANDING (Basic)	783,064,173	1,129,401	321,802,844	910,517
Basic Net Loss per Share	$ (0.00)	$ (0.82)	$ (0.00)	$ (2.21)
WEIGHTED AVG NUMBER OF SHARES OUTSTANDING (Diluted)	783,064,173	1,129,401	321,802,844	910,517
Diluted Net Loss per Share	$ (0.00)	$ (0.82)	$ (0.00)	$ (2.21)

The accompanying notes are an integral part of these financial statements

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NORTH BAY RESOURCES INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE PERIOD JANUARY 1, 2013 THROUGH SEPTEMBER 30, 2015

	Series A Shares	Series I Shares	Series A Amount	Series I Amount	Common Shares	Amount	Additional Paid-In Capital	Stock Payabl
Balance at 12/31/2013	4,000,000	100	$ 4,000	$ -	639,485	$ 6	$ 13,090,683	$
Common Stock issued for cash	-	-	-	-	469,300	5	766,495	
Common Stock issued for convertible debt conversion	-	-	-	-	8,001,278	80	850,355	60,20
Common Stock issued for services	-	-	-	-	500	-	2,700	
Common Stock issued for deferred financing costs	-	-	-	-	1,841	-	10,310	19,44
Mezzanine shares no longer deemed temporary	-	-	-	-	51,087	1	697,045	
Realized loss for other than temporary impairment	-	-	-	-	-	-	-	
Settlement of Derivative Liability - Gold	-	-	-	-	-	-	2,223	
Settlement of Derivative Liability – Convertible Debt	-	-	-	-	-	-	498,920	
Interest on redeemable	-	-	-	-	-	-	(29,288)	

common stock								
Donated Capital							2,403	
Net loss for period	-	-	-	-	-	-	-	
Balance at 12/31/2014	4,000,000	100	$ 4,000	$ -	9,163,491	$ 92	$ 15,891,846	$ 79,64
Common Stock issued for convertible debt conversion	-	-	-	-	1,002,415,959	10,024	174,226	
Common Stock issued for fractional shares	-	-	-	-	522	-	-	
Settlement of Derivative Liability – Convertible Debt	-	-	-	-	-	-	335,379	Maturity March 31, 201

Revolving loan facility	2.82%	May 2021	$ 120,600	$ 3,000
Term loan facility	3.11%	May 2021	680,000	680,000
Senior notes—fixed rate	3.81%	May 2018	25,000	25,000
Senior notes—fixed rate	4.60%	May 2021	75,000	75,000
Senior notes—fixed rate	3.13%	December 2020	100,000	100,000
Capital lease obligations	5.18%	Various through 2029	20,035	19,889
Notes payable and other	3.50%	June 2027	10,874	12,384
Debt issuance costs			(2,030)	(2,261)
Total debt, capital lease obligations, and notes			$ 1,029,479	$ 913,012

payable		
Less: current maturities	65,245	47,746
Total long-term debt, capital lease obligations, and notes payable	$964,234	$865,266

In August 2011, Polaris entered into a $350,000,000 unsecured revolving loan facility. In March 2015, Polaris amended the loan facility to increase the facility to $500,000,000 and to provide more beneficial covenant and interest rate terms. The amended terms also extended the expiration date to March 2020. Interest is charged at rates based on a LIBOR or "prime" base rate. In May 2016, Polaris amended the revolving loan facility to increase the facility to $600,000,000 and extend the expiration date to May 2021. The amended terms also established a $500,000,000 term loan facility. In November 2016, Polaris amended the revolving loan facility to increase the term loan facility to $750,000,000, of which $680,000,000 is outstanding as of March 31, 2018. Under the facility, the Company is required to make principal payments totaling $37,500,000 over the next 12 months, which are classified as current maturities.

In December 2010, the Company entered into a Master Note Purchase Agreement to issue $25,000,000 of unsecured senior notes due May 2018 and $75,000,000 of unsecured senior notes due May 2021 (collectively, the "Senior Notes"). The Senior

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Notes were issued in May 2011. In December 2013, the Company entered into a First Supplement to Master Note Purchase Agreement, under which the Company issued $100,000,000 of unsecured senior notes due December 2020. The unsecured revolving loan facility and the Master Note Purchase Agreement contain covenants that require Polaris to maintain certain financial ratios, including minimum interest coverage and maximum leverage ratios. Polaris was in compliance with all such covenants as of March 31, 2018.
The debt issuance costs are recognized as a reduction in the carrying value of the related long-term debt in the consolidated balance sheets and are being amortized to interest expense in our consolidated statements of income over the expected remaining terms of the related debt.
A property lease agreement for a manufacturing facility which Polaris began occupying in Opole, Poland commenced in February 2014. The Poland property lease is accounted for as a capital lease.
The Company has a mortgage note payable agreement for land, on which Polaris built the Huntsville, Alabama manufacturing facility in 2016. The original mortgage note payable was for $14,500,000, of which $10,874,000 is outstanding as of March 31, 2018. The payment of principal and interest for the note payable is forgivable if the Company satisfies certain job commitments over the term of the note. The Company has met the required commitments to date. Forgivable loans related to other Company facilities are also included within notes payable.

Note 5. Goodwill and Other Intangible Assets
Goodwill and other intangible assets, net of accumulated amortization, as of March 31, 2018 and December 31, 2017 are as follows (in thousands):

	March 31, 2018	December 31, 2017
Goodwill	$435,640	$433,374
Other intangible assets, net	342,204	347,212
Total goodwill and other intangible assets, net	$777,844	$780,586

There were no material additions to goodwill and other intangible assets in 2018 or 2017.
The changes in the carrying amount of goodwill for the three months ended March 31, 2018 were as follows (in thousands):

	Three months ended March 31, 2018
Goodwill, beginning of period	$433,374
Currency translation effect on foreign goodwill balances	2,266
Goodwill, end of period	$435,640

The components of other intangible assets were as follows (in thousands):

	Total estimated life (years)	March 31, 2018	December 31, 2017
Non-amortizable—indefinite lived:			
Brand names		$231,084	$ 230,709
Amortizable:			
Non-compete agreements	5	540	540
Dealer/customer related	5-10	170,958	169,694
Developed technology	5-7	23,707	22,903
Total amortizable		195,205	193,137
Less: Accumulated amortization		(84,085)	(76,634)
Net amortized other intangible assets		111,120	116,503
Total other intangible assets, net		$342,204	$ 347,212

Amortization expense for intangible assets for the three months ended March 31, 2018 and 2017 was $6,126,000 and $6,210,000, respectively. Estimated amortization expense for the remainder of 2018 through 2023 is as follows: 2018 (remainder), $18,400,000; 2019, $22,600,000; 2020, $17,400,000; 2021, $14,500,000; 2022, $9,800,000; 2023, $28,200,000; and after 2023, $200,000. The preceding expected amortization expense is an estimate and actual amounts could differ due to additional intangible asset acquisitions, changes in foreign currency rates or impairment of intangible assets.

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Note 6. Shareholders' Equity

During the three months ended March 31, 2018, Polaris paid $14,987,000 to repurchase and retire approximately 133,000 shares of its common stock. As of March 31, 2018, the Board of Directors has authorized the Company to repurchase up to an additional 6,303,000 shares of Polaris stock. The repurchase of any or all such shares authorized for repurchase will be governed by applicable SEC rules and dependent on management's assessment of market conditions. Polaris paid a regular cash dividend of $0.60 per share on March 15, 2018 to holders of record at the close of business on March 1, 2018. On April 25, 2018, the Polaris Board of Directors declared a regular cash dividend of $0.60 per share payable on June 15, 2018 to holders of record of such shares at the close of business on June 1, 2018. Cash dividends declared and paid per common share for the three months ended March 31, 2018 and 2017, were as follows:

	Three months ended March 31,	
	2018	2017
Cash dividends declared and paid per common share	$0.60	$0.58

Net income (loss) per share

Basic income (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding during each period, including shares earned under the Deferred Compensation Plan for Directors ("Director Plan") and the ESOP and deferred stock units under the 2007 Omnibus Incentive Plan ("Omnibus Plan"). Diluted income (loss) per share is computed under the treasury stock method and is calculated to compute the dilutive effect of outstanding stock options and certain shares issued under the Omnibus Plan. A reconciliation of these amounts is as follows (in thousands):

	Three months ended March 31,	
	2018	2017
Weighted average number of common shares outstanding	63,050	62,873
Director Plan and deferred stock units	166	145
ESOP	87	110
Common shares outstanding—basic	63,303	63,128
Dilutive effect of Omnibus Plan	1,916	1,005
Common and potential common shares outstanding—diluted	65,219	64,133

During the three months ended March 31, 2018, the number of options that were not included in the computation of diluted income (loss) per share because the option exercise price was greater than the market price, and therefore, the effect would have been anti-dilutive, was 1,540,000 compared to 3,167,000 for the same period in 2017.

Accumulated other comprehensive loss

Changes in the accumulated other comprehensive loss balance is as follows (in thousands):

	Foreign Currency Items	Cash Flow Hedging Derivatives	Retirement Benefit Plan Activity	Accumulated Other Comprehensive Loss
Balance as of December 31, 2017	$(42,442)	$ (34)	$ (3,153)	$ (45,629)
Reclassification to the statement of income	—	(125)	85	(40)
Change in fair value	10,978	4,654	—	15,632
Balance as of March 31, 2018	$(31,464)	$ 4,495	$ (3,068)	$ (30,037)

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The table below provides data about the amount of gains and losses, net of tax, reclassified from accumulated other comprehensive loss into the statements of income for cash flow derivatives designated as hedging instruments for the three months ended March 31, 2018 and 2017 (in thousands):

Derivatives in Cash Flow Hedging Relationships	Location of (Gain) Loss Reclassified from Accumulated Other Comprehensive Loss into Income	Three months ended March 31, 2018	2017
Foreign currency contracts	Other expense, net	$157	$1,227
Foreign currency contracts	Cost of sales	(32)	(404)
Retirement benefit plan activity	Operating expenses	(85)	—
Total		$40	$823

The net amount of the existing gains or losses at March 31, 2018 that is expected to be reclassified into the statements of income within the next 12 months is not expected to be material. See Note 10 for further information regarding Polaris' derivative activities.

Note 7. Financial Services Arrangements

Polaris Acceptance, a joint venture between Polaris and Wells Fargo Commercial Distribution Finance, a direct subsidiary of Wells Fargo Bank, N.A. ("Wells Fargo"), which is supported by a partnership agreement between their respective wholly owned subsidiaries, finances substantially all of Polaris' United States sales whereby Polaris receives payment within a few days of shipment of the product.

Polaris' subsidiary has a 50 percent equity interest in Polaris Acceptance. Polaris Acceptance sells a majority of its receivable portfolio to a securitization facility (the "Securitization Facility") arranged by Wells Fargo. The sale of receivables from Polaris Acceptance to the Securitization Facility is accounted for in Polaris Acceptance's financial statements as a "true-sale" under Accounting Standards Codification ("ASC") Topic 860. Polaris' allocable share of the income of Polaris Acceptance has been included as a component of income from financial services in the accompanying consolidated statements of income. The partnership agreement is effective through February 2022.

Polaris' total investment in Polaris Acceptance of $95,511,000 at March 31, 2018 is accounted for under the equity method, and is recorded in investment in finance affiliate in the accompanying consolidated balance sheets. At March 31, 2018, the outstanding amount of net receivables financed for dealers under this arrangement was $1,203,580,000, which included $539,574,000 in the Polaris Acceptance portfolio and $664,006,000 of receivables within the Securitization Facility ("Securitized Receivables").

Polaris has agreed to repurchase products repossessed by Polaris Acceptance up to an annual maximum of 15 percent of the aggregate average month-end outstanding Polaris Acceptance receivables and Securitized Receivables during the prior calendar year. For calendar year 2018, the potential 15 percent aggregate repurchase obligation is approximately $164,969,000. Polaris' financial exposure under this arrangement is limited to the difference between the amounts unpaid by the dealer with respect to the repossessed product plus costs of repossession and the amount received on the resale of the repossessed product. No material losses have been incurred under this agreement during the periods presented.

Polaris has agreements with Performance Finance, Sheffield Financial and Synchrony Bank, under which these financial institutions provide financing to end consumers of Polaris products. Polaris' income generated from these agreements has been included as a component of income from financial services in the accompanying consolidated statements of income.

Polaris also administers and provides extended service contracts to consumers and certain insurance contracts to dealers and consumers through various third-party suppliers. Polaris finances its self-insured risks related to extended service contracts, but does not retain any insurance or financial risk under any of the other arrangements. Polaris' service fee income generated from these arrangements has been included as a component of income from financial services in the accompanying consolidated statements of income.

Note 8. Investment in Other Affiliates

The Company has certain investments in nonmarketable securities of strategic companies. As of December 31, 2017, the Company's investment in Eicher-Polaris Private Limited (EPPL) represented the majority of these investments and is recorded as a component of other long-term assets in the accompanying consolidated balance sheets.