

PRO PHARMACEUTICALS INC
Form 10-Q
August 08, 2008
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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 June 30, 2008

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission File No. 000-32877

PRO-PHARMACEUTICALS, INC.

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Nevada
(State or other jurisdiction)

04-3562325
(I.R.S. Employer

of incorporation)

Identification No.)

7 Wells Avenue, Newton, Massachusetts
(Address of Principal Executive Offices)

02459
(Zip Code)

(617) 559-0033

(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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer 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)

The number of shares outstanding of the registrant's common stock as of August 8, 2008 was 47,947,609.

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(A Development-Stage Company)

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED) (dollars in thousands except share and per share data)

	June 30, 2008	December 31, 2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,554	\$ 1,319
Prepaid expenses and other current assets	98	70
Total current assets	\$ 1,652	\$ 1,389
PROPERTY AND EQUIPMENT NET	54	73
RESTRICTED CASH	69	70
INTANGIBLE ASSETS NET	242	250
TOTAL ASSETS	\$ 2,017	\$ 1,782
LIABILITIES AND STOCKHOLDERS DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	\$ 238	\$ 601
Accrued expenses	364	362
Accrued dividends payable	52	
Advances received from subscribers for Series A 12% Convertible Preferred Stock and related warrants		1,637
Advances received for warrant subscriptions	20	
Total current liabilities	\$ 674	\$ 2,600
WARRANT LIABILITIES	2,016	2,069
OTHER LONG TERM LIABILITIES	40	37
Total liabilities	\$ 2,730	\$ 4,706
CONTINGENCIES (Note 7)		
STOCKHOLDERS DEFICIT:		
Undesignated shares, \$0.01 par value; 10,000,000 shares authorized; 5,000,000 shares designated Series A 12% Convertible Preferred Stock and 5,000,000 shares undesignated at June 30, 2008 and December 31, 2007	\$	\$
Series A 12% Convertible Preferred Stock; 5,000,000 shares designated, 1,742,500 issued and outstanding at June 30, 2008 and 1,667,500 shares subscribed, none issued and outstanding at December 31, 2007	704	
Common stock, \$0.001 par value; 200,000,000 shares authorized, 47,947,609 and 40,364,792 issued and outstanding at June 30, 2008 and December 31, 2007 respectively;	49	40
Additional paid-in capital	36,243	32,196
Deficit accumulated during the development stage	(37,709)	(35,160)
Total stockholders deficit	\$ (713)	\$ (2,924)
TOTAL LIABILITIES AND STOCKHOLDERS DEFICIT	\$ 2,017	\$ 1,782

See notes to unaudited condensed consolidated financial statements.

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(A Development-Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED) (dollars in thousands except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,		Cumulative Period from Inception (July 10, 2000) to June 30, 2008
	2008	2007	2008	2007	
OPERATING EXPENSES:					
Research and development	\$ 744	\$ 668	\$ 1,166	\$ 1,336	\$ 16,747
General and administrative	1,130	1,104	2,120	2,360	24,575
Total operating loss	\$ (1,874)	\$ (1,772)	\$ (3,286)	\$ (3,696)	\$ (41,322)
OTHER INCOME AND EXPENSE					
Interest income	10	18	22	80	759
Interest expense		(29)		(325)	(4,451)
Change in fair value of convertible debt instrument		15		(1,096)	(3,426)
Change in fair value of warrant liabilities	1,301	1,804	715	(501)	10,731
Total other income and (expense)	\$ 1,311	\$ 1,808	\$ 737	\$ (1,842)	\$ 3,613
NET INCOME (LOSS)	\$ (563)	\$ 36	\$ (2,549)	\$ (5,538)	\$ (37,709)
SERIES A 12% CONVERTIBLE PREFERRED STOCK DIVIDEND	(52)		(135)	\$	(135)
NET INCOME (LOSS) APPLICABLE TO COMMON STOCK	\$ (615)	\$ 36	\$ (2,691)	\$ (5,538)	\$ (37,844)
NET INCOME (LOSS) PER SHARE BASIC	\$ (0.01)	\$ 0.00	\$ (0.06)	\$ (0.15)	
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING BASIC	47,929,407	40,364,792	45,630,616	37,596,303	
NET LOSS PER SHARE DILUTED	\$ (0.01)	\$ 0.00	\$ (0.06)	\$ (0.15)	
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING DILUTED	47,929,407	40,364,792	45,630,616	37,596,303	

See notes to unaudited condensed consolidated financial statements.

Table of Contents**PRO-PHARMACEUTICALS, INC.****(A Development-Stage Company)****CONSOLIDATED STATEMENT OF STOCKHOLDERS DEFICIT****SIX MONTHS ENDED JUNE 30, 2008 (UNAUDITED) (dollars in thousands except share data)**

	Common Stock		Preferred Stock		Additional	Deficit	Total
	Number	Amount	Number	Amount	Paid in	During the	Stockholders
	of Shares		of Shares		Capital	Development	Deficit
						Stage	
BALANCE, JANUARY 1, 2008	40,364,792	\$ 40		\$	\$ 32,196	\$ (35,160)	\$ (2,924)
Net loss						(2,549)	(2,549)
Series A 12% Convertible Preferred Stock issued in a February 4, 2008 private placement (net of cash issuance costs of \$52)			1,742,500	704			704
Common stock issued in a February 25, 2008 offering (net of cash issuance costs of \$369)	7,500,000	8			1,036		1,044
Series A 12% Convertible Preferred Dividend					(135)		(135)
Issuance of common stock in payment of Series A 12% Convertible Preferred Dividend	82,817	1			82		83
Reclassification of Warrant Liabilities					2,662		2,662
Stock-based compensation expense					402		402
BALANCE, JUNE 30, 2008	47,947,609	\$ 49	1,742,500	\$ 704	\$ 36,243	\$ (37,709)	\$ (713)

See notes to unaudited condensed consolidated financial statements

Table of Contents**PRO-PHARMACEUTICALS, INC.****(A Development-Stage Company)****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (dollars in thousands)**

	Six Months Ended June 30,		Cumulative Period from Inception (July 10, 2000) to June 30,
	2008	2007	2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$ (2,549)	\$ (5,538)	\$ (37,709)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	27	33	466
Stock-based compensation expense	402	320	2,490
Non-cash interest expense		315	4,279
Change in fair value of convertible debt instrument		1,096	3,426
Change in fair value of warrant liabilities	(715)	501	(10,730)
Write off of intangible assets			170
Changes in operating assets and liabilities:			
Prepaid expenses and other current assets	(27)	11	(95)
Accounts payable and accrued expenses	(361)	114	720
Other long term liabilities	3	8	40
Net cash used in operating activities	\$ (3,220)	\$ (3,140)	\$ (36,943)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Maturity of certificate of deposit	\$	\$ 5,000	\$
Purchases of property and equipment		(2)	(419)
Change in restricted cash	1	(10)	(69)
Increase in patents costs and other assets		(74)	(404)
Net cash provided by (used in) investing activities	\$ 1	\$ (4,914)	\$ (892)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from issuance of common stock and warrants	\$ 3,381	\$	\$ 28,690
Net proceeds from issuance of Series A 12% Convertible Preferred Stock and related warrants	53		1,690
Net proceeds from issuance of convertible debt instruments			