

PRO PHARMACEUTICALS INC

Form 10-Q

November 13, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended September 30, 2009

.. **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 of incorporation)	04-3562325 (I.R.S. Employer 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 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 (§232.05 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 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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer <input type="checkbox"/>	Accelerated Filer <input type="checkbox"/>
Non-Accelerated Filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input checked="" type="checkbox"/>

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 outstanding of the registrant's common stock as of November 6, 2009 was 51,382,063.

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Table of Contents**PRO-PHARMACEUTICALS, INC.****(A Development-Stage Company)****CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

	September 30, 2009	December 31, 2008
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 468	\$ 318
Prepaid expenses and other current assets	53	62
Total current assets	521	380
Property and equipment, net	21	40
Restricted cash	59	59
Intangible assets, net	214	225
Total assets	\$ 815	\$ 704
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 496	\$ 447
Accrued expenses	571	380
Accrued dividends payable		52
Advances received for equity consideration		200
Total current liabilities	1,067	1,079
Warrant liabilities	2,094	55
Other long-term liabilities	347	39
Total liabilities	3,508	1,173
Commitments and contingencies (Note 8)		
Series B-1 12% redeemable convertible preferred stock; 900,000 shares authorized, 900,000 shares issued and outstanding at September 30, 2009 and none at December 31, 2008, redemption value: \$1,800,000, liquidation value: \$1,800,000 at September 30, 2009		
	1,080	
Series B-2 12% redeemable convertible preferred stock; 2,100,000 shares authorized, 1,012,500 issued and outstanding at September 30, 2009 and none at December 31, 2008, redemption value: \$2,025,000, liquidation value of \$2,025,000 at September 30, 2009		
	288	
Stockholders' deficit:		
Series A 12% convertible preferred stock; 5,000,000 shares authorized, 1,742,500 issued and outstanding at September 30, 2009 and December 31, 2008		
	704	704
Common stock, \$0.001 par value; 300,000,000 and 200,000,000 shares authorized at September 30, 2009 and December 31, 2008, respectively, 51,382,063 and 48,052,159 issued and outstanding at September 30, 2009 and December 31, 2008 respectively;		
	51	48
Additional paid-in capital	41,591	37,329

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Deficit accumulated during the development stage	(46,407)	(38,550)
Total stockholders' deficit	(4,061)	(469)
Total liabilities and stockholders' deficit	\$ 815	\$ 704

See notes to unaudited condensed consolidated financial statements.

Table of Contents**PRO-PHARMACEUTICALS, INC.****(A Development-Stage Company)****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

	Three Months Ended		Nine Months Ended		Cumulative
	September 30,		September 30,		from
	2009	2008	2009	2008	inception
	September 30,				
	2009				
	(in thousands, except share and per share amounts)				
Operating expenses:					
Research and development	\$ 289	\$ 338	\$ 865	\$ 1,504	\$ 18,220
General and administrative	961	601	4,111	2,721	30,118
Total operating expenses	1,250	939	4,976	4,225	48,338
Total operating loss	(1,250)	(939)	(4,976)	(4,225)	(48,338)
Other income and (expense):					
Interest income	1	5	3	27	770
Interest expense					(4,451)
Change in fair value of convertible debt instrument					(3,426)
Change in fair value of warrant liabilities	(122)	1,148	(1,836)	1,863	10,325
Other income	2		2		2
Total other income (expense)	(119)	1,153	(1,831)	1,890	3,220
Net (loss) income	\$ (1,369)	\$ 214	\$ (6,807)	\$ (2,335)	\$ (45,118)
Series A 12% preferred stock dividend	(53)	(52)	(157)	(187)	(396)
Series B-1 12% preferred stock dividend	(59)		(146)		(146)
Series B-2 12% preferred stock dividend	(50)		(65)		(65)
Series B preferred stock accretion	(339)		(879)		(879)
Accretion of Series B-2 beneficial conversion feature	(45)		(57)		(57)
Net (loss) income applicable to common stock	\$ (1,915)	\$ 162	\$ (8,111)	\$ (2,522)	\$ (46,661)
Basic and diluted net (loss) income per share	\$ (0.04)	\$ 0.00	\$ (0.17)	\$ (0.05)	
Shares used in computing basic and diluted net (loss) income per share	48,447	47,948	48,232	46,403	

See notes to unaudited condensed consolidated financial statements.

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PRO-PHARMACEUTICALS, INC.

(A Development-Stage Company)

CONSOLIDATED STATEMENT OF CHANGES IN REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS DEFICIT

NINE MONTHS ENDED September 30, 2009 (UNAUDITED)

(in thousands except share data)

	Series B-1 12% Redeemable Convertible Preferred Stock		Series B-2 12% Redeemable Convertible Preferred Stock		Series A 12% Convertible Preferred Stock		Common Stock		Stockholders Deficit		
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Additional Paid-In Capital	Deficit Accumulated During the Development Stage	Total Stockholders Deficit
Balance at December 31, 2008		\$		\$	1,742,500	\$ 704	48,052,159	\$ 48	\$ 37,329	\$ (38,550)	\$ (469)
Cumulative effect of adoption of new accounting principle									(458)	254	(204)
Issuance of Series B-1 redeemable convertible preferred stock and warrants, net of issuance costs of \$300	900,000	395							1,105		1,105
Accretion of Series B-1 redeemable convertible preferred stock to redemption value		685								(685)	(685)
Issuance of Series B-2 redeemable convertible preferred stock and warrants, net of issuance costs of \$158			1,012,500	533					1,334		1,334
Beneficial conversion feature recognized on issuance of series B-2 redeemable convertible preferred stock				(496)					496		496
Accretion of Series B-2 redeemable convertible preferred stock to redemption value				194						(194)	(194)
							209,100		209	(157)	52

Series A 12%
convertible preferred
stock dividend
Series B-1 12%
redeemable
convertible pr

