

CALLISTO PHARMACEUTICALS INC
Form 10-Q
August 08, 2005

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED: JUNE 30, 2005**

**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: 001-32325

CALLISTO PHARMACEUTICALS, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

13-3894575
(I.R.S. Employer Identification No.)

420 Lexington Avenue, Suite 1609, New York, New York 10170
(Address of principal executive offices) (Zip Code)

(212) 297-0010
(Registrant's telephone number)

(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 twelve 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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes

No

As of August 8, 2005 the issuer had 31,238,893 shares of common stock outstanding.

CALLISTO PHARMACEUTICALS, INC.
(A DEVELOPMENT STAGE COMPANY)

FORM 10-Q

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INTRODUCTORY NOTE

This Report on Form 10-Q for Callisto Pharmaceuticals, Inc. ("Callisto" or the "Company") may contain forward-looking statements. You can identify these statements by forward-looking words such as "may," "will," "expect," "intend," "anticipate," "believe," "estimate" and "continue" or similar words. Forward-looking statements include information concerning possible or assumed future business success or financial results. You should read statements that contain these words carefully because they discuss future expectations and plans, which contain projections of future results of operations or financial condition or state other forward-looking information. We believe that it is important to communicate future expectations to investors. However, there may be events in the future that we are not able to accurately predict or control. Accordingly, we do not undertake any obligation to update any forward-looking statements for any reason, even if new information becomes available or other events occur in the future.

The forward-looking statements included herein are based on current expectations that involve a number of risks and uncertainties set forth under "Risk Factors" in our Annual Report on Form 10-K/A for the year ended December 31, 2004 and other periodic reports filed with the SEC. Accordingly, to the extent that this Report contains forward-looking statements regarding the acquisitions, financial condition, operating results, business prospects or any other aspect of the Company, please be advised that the Company's actual financial condition, operating results and business performance may differ materially from that projected or estimated by the Company in forward-looking statements.

PART I – FINANCIAL INFORMATION**ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****CALLISTO PHARMACEUTICALS, INC.**
(A DEVELOPMENT STAGE COMPANY)**CONDENSED CONSOLIDATED BALANCE SHEETS**

ASSETS	June 30, 2005 (UNAUDITED)	December 31, 2004
Current assets:		
Cash and cash equivalents	\$ 3,278,765	\$ 5,323,384
Marketable investments	991,790	—
Prepaid expenses	136,317	45,231
	4,406,872	5,368,615
Property and equipment - net	8,712	18,856
Rent deposits	82,196	82,196
	\$ 4,497,780	\$ 5,469,667
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,475,069	\$ 984,486
Accrued expenses	215,799	235,803
	1,690,868	1,220,289
Stockholders' equity:		
Common stock, par value \$.0001, 75,000,000 shares authorized, 31,228,893 and 29,219,102 outstanding at June 30, 2005 and December 31, 2004, respectively	3,123	2,922
Additional paid-in capital	42,907,120	39,910,187
Unamortized deferred stock based compensation	(1,537,326)	(2,302,534)
Deficit accumulated during development stage	(38,566,005)	(33,361,197)
	2,806,912	4,249,378
	\$ 4,497,780	\$ 5,469,667

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

CALLISTO PHARMACEUTICALS, INC.
(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended June 30,	Three Months Ended June 30,	Six Months Ended June 30,	Six Months Ended June 30,	June 5, 1996
	2005	2004	2005	2004	(Inception) to
					June 30, 2005
Revenues	\$ —	\$ —	\$ —	\$ —	\$ —
Costs and expenses:					
Research and development	1,513,737	324,363	3,020,442	925,652	10,740,190
Government grant	—	(47,962)	—	(100,220)	(265,697)
Purchased in process research and development	—	—	—	209,735	6,944,553
Stock based compensation - research and development	69,063	881,371	138,126	1,066,892	2,080,901
General and administrative	779,021	555,893	1,473,297	1,074,233	10,085,543
Stock based compensation - general and administrative	287,136	220,847	630,814	598,702	10,039,311
Loss from operations	(2,648,957)	(1,934,512)	(5,262,679)	(3,774,994)	(39,624,801)
Interest and investment income	38,280	24,715	57,871	37,284	607,552
Other income	—	—	—	—	451,244
Net loss	\$ (2,610,677)	\$ (1,909,797)	\$ (5,204,808)	\$ (3,737,710)	\$ (38,566,005)
Weighted average shares outstanding:					
basic and diluted	31,228,893	28,749,608	30,490,517	27,767,221	—
Net loss per common share:					
basic and diluted	\$ (0.08)	\$ (0.07)	\$ (0.17)	\$ (0.13)	—

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

CALLISTO PHARMACEUTICALS, INC.
(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Preferred Shares	Preferred Stock, Par Value	Common Shares	Common Stock, Par Value	Additional Paid in Capital
Balance at inception, June 5, 1996	—	—	—	—	—
Net loss for the period					
Issuance of founder shares	—	—	2,642,500	264	528
Common stock issued	—	—	1,356,194	136	272
Common stock issued via private placement	—	—	1,366,667	137	1,024,863
Balance, December 31, 1996	—	—	5,365,361	537	1,025,663
Net loss for the year	—	—	—	—	—
Common stock issued via private placement	—	—	1,442,666	144	1,081,855
Balance, December 31, 1997	—	—	6,808,027	681	2,107,518
Net loss for the year	—	—	—	—	—
Amortization of Stock based Compensation	—	—	—	—	52,778
Common stock issued via private placement	—	—	1,416,667	142	1,062,358
Common stock issued for services	—	—	788,889	79	591,588
Common stock repurchased and cancelled	—	—	(836,792)	(84)	(96,916)
Balance, December 31, 1998	—	—	8,176,791	818	3,717,326
Net loss for the year	—	—	—	—	—
Deferred Compensation - stock options	—	—	—	—	9,946
Amortization of Stock based Compensation	—	—	—	—	—
Common stock issued for services	—	—	—	—	3,168,832
Common stock issued via private placement	—	—	346,667	34	259,966
Balance, December 31, 1999	—	—	8,523,458	852	7,156,070
Net loss for the year	—	—	—	—	—
Amortization of Stock based Compensation	—	—	—	—	—
Common stock issued	—	—	4,560,237	455	250,889
Other	—	—	—	—	432
Preferred shares issued	3,485,299	348	—	—	5,986,302
Preferred stock issued for services	750,000	75	—	—	1,124,925

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Balance, December 31, 2000	4,235,299	423	13,083,695	1,307	14,518,618
Net loss for the year	—	—	—	—	—
Deferred Compensation - stock Options	—	—	—	—	20,000
Amortization of Stock based Compensation	—	—	—	—	—
Balance, December 31, 2001	4,235,299	423	13,083,695	1,307	14,538,618
Net loss for the year	—	—	—	—	—
Amortization of Stock based Compensation	—	—	—	—	—
Balance, December 31, 2002	4,235,299 \$	423	13,083,695 \$	1,307 \$	14,538,618

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

CALLISTO PHARMACEUTICALS, INC.
(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(CONTINUED)

	Unamortized Deferred Stock Based Compensation	Deficit Accumulated during the Development Stage	Total Stockholders' Equity
Balance at inception, June 5, 1996	—	—	—
Net loss for the year		(404,005)	(404,005)
Issuance of founder shares	—	—	792
Common stock issued	—	—	408
Common stock issued via private placement	—	—	1,025,000
Balance, December 31, 1996	—	(404,005)	622,195
Net loss for the year	—	(894,505)	(894,505)
Common stock issued via private placement	—	—	1,081,999
Balance, December 31, 1997	—	(1,298,510)	809,689
Net loss for the year	—	(1,484,438)	(1,484,438)
Amortization of Stock based Compensation	—	—	52,778
Common stock issued			1,062,500
Common stock issued for services	—	—	591,667
Common Stock repurchased and cancelled	—	—	(97,000)
Balance, December 31, 1998	—	(2,782,948)	935,196
Net loss for the year	—	(4,195,263)	(4,195,263)
Deferred Compensation - stock options	(9,946)	—	—
Amortization of Stock based Compensation	3,262	—	3,262
Common stock issued for services	—	—	3,168,832
Common stock issued via private placement	—	—	260,000
Balance, December 31, 1999	(6,684)	(6,978,211)	172,027
Net loss for the year		(2,616,261)	(2,616,261)
Amortization of Stock based Compensation	4,197		4,197
Common stock issue	—	—	251,344
Other	—	—	432
Preferred shares issued	—	—	5,986,650
Preferred stock issued for services	—	—	1,125,000
Balance, December 31, 2000	(2,487)	(9,594,472)	4,923,389
Net loss for the year	—	(1,432,046)	(1,432,046)
Deferred Compensation - stock options	(20,000)	—	—
Amortization of Stock based Compensation			

22,155

	—
	22,155
Balance, December 31, 2001	
)	(332
)	(11,026,518
	3,513,498
Net loss for the year	
)	(1,684,965
)	(1,684,965
Amortization of Stock based Compensation	
	332
	—
	332
Balance, December 31, 2002	
)	(\$12,711,483
\$	1,828,865

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

CALLISTO PHARMACEUTICALS, INC.
(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(CONTINUED)

	Preferred Stock		Common Stock		Additional Paid in Capital	Unamortized Deferred Stock Based Compensation	Deficit Accumulated during the Development Stage	Total Stockholders' Equity
	Preferred Stock	Par Value	Common Stock	Par Value				
Balance December 31, 2002	4,235,299	\$ 423	13,083,695	\$ 1,307	\$ 14,538,618	—	—(\$12,711,483)	\$ 1,828,865
Net loss for the year	—	—	—	—	—	—	(13,106,247)	(13,106,247)
Conversion of preferred stock in connection with the Merger	(4,235,299)	(423)	4,235,299	423	—	—	—	—
Common stock issued to former Synergy stockholders	—	—	4,329,927	432	6,494,458	—	—	6,494,890
Common stock issued in exchange for Webtronics common stock	—	—	1,503,173	150	(150)	—	—	—
Deferred Compensation - stock options	—	—	—	—	9,313,953	(9,313,953)	—	—
Amortization of deferred Stock based Compensation	—	—	—	—	—	3,833,946	—	3,833,946
Private placement of common stock, net	—	—	2,776,666	278	3,803,096	—	—	3,803,374
	—	—	25,928,760	2,590	34,149,975	(5,480,007)	(25,817,730)	2,854,828

Balance,
December 31,
2003

Net loss for the period	—	—	—	—	—	—	(7,543,467)	(7,543,467)
Amortization of deferred Stock-based compensation expense	—	—	—	—	—	3,084,473	—	3,084,473
Variable accounting for stock options	—	—	—	—	(816,865)	—	—	(816,865)
Stock-based compensation net of forfeitures	—	—	—	—	240,572	93,000	—	333,572
Common stock issued via private placements, net	—	—	3,311,342	331	6,098,681	—	—	6,099,012