

HOLLIS EDEN PHARMACEUTICALS INC /DE/
Form 10-Q
November 06, 2009
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 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 September 30, 2009

OR

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: 000-24672

HOLLIS-EDEN PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation)

13-3697002
(I.R.S. Employer Identification No.)

4435 Eastgate Mall, Suite 400, San Diego, California
(Address of principal executive offices)

92121
(zip code)

Registrant's telephone number, including area code: (858) 587-9333

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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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 "accelerated filer", "large 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

As of November 5, 2009 there were 29,417,589 shares of registrant's Common Stock, \$.01 par value, outstanding.

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HOLLIS-EDEN PHARMACEUTICALS, INC.

Form 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 2009

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Table of Contents**Part I. Financial Information****Item 1. Financial Statements
Hollis-Eden Pharmaceuticals, Inc.****(A Development Stage Company)****Balance Sheets****All numbers in thousands (except par value)**

	Sept. 30, 2009 (Unaudited)	Dec. 31, 2008*
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 12,099	\$ 24,152
Restricted cash	34	
Prepaid expenses	397	262
Other receivable	19	
Deposits	61	7
Total current assets	12,610	24,421
Property and equipment, net of accumulated depreciation of \$1,493 and \$1,496, respectively	421	641
Restricted Cash		34
Deposits		61
Total assets	\$ 13,031	\$ 25,157
LIABILITIES AND STOCKHOLDERS EQUITY:		
Current liabilities:		
Accounts payable	305	323
Accrued expenses	1,328	1,629
Total current liabilities	\$ 1,633	\$ 1,952
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value, 10,000 shares authorized; no shares issued or outstanding		
Common stock, \$.01 par value, 50,000 shares authorized; 29,452 and 29,228 shares issued; 29,393 and 29,169 shares outstanding, respectively	294	292
Paid-in capital	260,614	259,465
Cost of treasury stock (59 shares)	(346)	(346)
Deficit accumulated during development stage	(249,164)	(236,206)
Total stockholders' equity	11,398	23,205
Total liabilities and stockholders' equity	\$ 13,031	\$ 25,157

* Derived from the audited financial statements as of December 31, 2008

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

Table of Contents**Hollis-Eden Pharmaceuticals, Inc.****(A Development Stage Company)****Statements of Operations****(Unaudited)****All numbers in thousands, except per share amounts**

	Three Months ended Sept. 30,		Nine Months ended Sept. 30,		Period from Inception (Aug. 15, 1994) to Sept. 30, 2009
	2009	2008	2009	2008	2009
Revenue:					
Contract R&D revenue	\$	\$	\$	\$	\$ 1,208
Total revenue					1,208
Operating expenses:					
Research and development:					
R&D operating expenses	2,411	3,339	8,260	11,638	159,482
R&D costs related to common stock, stock option grants including collaborations and technology purchases	167	221	469	701	9,946
Total research and development	2,578	3,560	8,729	12,339	169,428
General and administrative:					
G&A operating expenses	738	1,128	3,734	4,012	68,359
G&A costs related to common stock, option & warrant grants	103	377	605	1,115	18,758
Total general and administrative	847	1,505	4,345	5,127	87,123
Settlement of dispute					3,000
Total operating expenses	3,425	5,065	13,074	17,466	259,551
Other income (expense):					
Loss on disposal of assets	(12)		(19)		(166)
Non-cash amortization of deemed discount and deferred issuance costs on convertible debentures					(7,627)
Interest income	18	210	129	876	17,354
Interest expense					(388)
Total other income, net	12	210	116	876	9,179
Net loss	\$ (3,413)	\$ (4,855)	\$ (12,958)	\$ (16,590)	\$ (249,164)
Net loss per share-basic and diluted	\$ (0.12)	\$ (0.17)	\$ (0.44)	\$ (0.57)	
Weighted average number of common shares outstanding-basic and diluted	29,389	29,073	29,288	29,040	

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

Table of Contents**Hollis-Eden Pharmaceuticals, Inc.****(A Development Stage Company)****Statements of Cash Flows****(Unaudited)****All numbers in thousands**

	Nine Months ended Sept. 30,		Period from Inception (Aug. 15, 1994) to Sept. 30, 2009
	2009	2008	
Cash flows from operating activities:			
Net loss	\$ (12,958)	\$ (16,590)	\$ (249,164)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	186	235	2,200
Loss on disposal of assets	39		201
Compensation expense related to equity awards	1,074	1,816	10,409
Amortization of deemed discount on convertible debentures			6,470
Amortization of deferred issuance cost			1,157
Common stock issued for the company 401k plan	78	105	1,488
Common stock issued as consideration for amendments to the license / finance agreements			67
Common stock and options issued as consideration for license fees, milestone payments, interest, note repayment and services			2,859
Expense related to warrants issued as consideration to consultants			4,369
Expense related to warrants issued to a director for successful closure of merger			570
Expense related to stock options issued			5,718
Expense related to common stock issued for the purchase of technology			1,848
Common stock issued as consideration for In Process R&D			2,809
Deferred compensation expense related to options issued			1,210
Changes in assets and liabilities:			
Prepaid expenses	(135)	20	(397)
Deposits	7	(2)	(61)
Other receivables	(19)	645	(19)
Accounts payable	(18)	307	996
Accrued expenses	(302)	(619)	1,280