

CALLISTO PHARMACEUTICALS INC
Form 10-Q
May 15, 2008

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**UNITED STATES OF AMERICA
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: MARCH 31, 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 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 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 large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "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

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The number of the registrant's shares of common stock outstanding was 47,218,161 as of May 14, 2008.

CALLISTO PHARMACEUTICALS, INC.

FORM 10-Q

CONTENTS

PART I FINANCIAL INFORMATION

Item 1.	Financial Statements	1
	Condensed Consolidated Balance Sheets as of March 31, 2008 (unaudited) and December 31, 2007	1
	Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2008 and 2007 (unaudited) and the period June 5, 1996 (Inception) to March 31, 2008 (unaudited)	2
	Condensed Consolidated Statements of Changes in Stockholders' Equity (Deficit) for the period June 5, 1996 (Inception) to March 31, 2008 (unaudited)	3
	Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2008 and 2007 (unaudited) and for the period June 5, 1996 (Inception) to March 31, 2008 (unaudited)	11
	Notes to Condensed Consolidated Financial Statements (unaudited)	13
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	19
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	23
Item 4.	Controls and Procedures	23

PART II OTHER INFORMATION

Item 1A.	Risk Factors	25
Item 6.	Exhibits	25
Signatures		26

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 for the year ended December 31, 2007 and other periodic reports filed with the SEC. Accordingly, to the extent that this Report contains forward-looking statements regarding the financial condition, operating results, business prospects or any other aspect of the Company, please be advised that Callisto'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. Financial Statements

CALLISTO PHARMACEUTICALS, INC.
(A development stage company)

CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2008	December 31, 2007
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 236,499	\$ 3,269,341
Short term investments	2,994,640	2,967,690
Prepaid expenses and other	29,518	88,820
	<u>3,260,657</u>	<u>6,325,851</u>
Property and equipment net	13,568	15,108
Security deposits	73,716	73,716
	<u>\$ 3,347,941</u>	<u>\$ 6,414,675</u>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	\$ 3,363,083	\$ 3,254,992
Accrued expenses	1,083,195	1,366,333
	<u>4,446,278</u>	<u>4,621,325</u>
Stockholders' equity (deficit):		
Series A convertible preferred stock, par value \$0.0001, 700,000 shares authorized, 214,925 shares outstanding at March 31, 2008 with a liquidation preference of \$2,149,250 and 218,675 shares outstanding at December 31, 2007 with a liquidation preference of \$2,186,750	21	22
Series B convertible preferred stock, par value \$0.0001, 2,500,000 shares authorized, 1,137,050 shares outstanding at March 31, 2008 with a liquidation preference of \$11,370,500 and 1,147,050 shares outstanding at December 31, 2007 with a liquidation preference of \$11,470,500	114	115
Common stock, par value \$.0001, 225,000,000 shares authorized, 47,218,161 and 46,943,161 shares outstanding at March 31, 2008 and December 31, 2007, respectively	4,722	4,694
Additional paid-in capital	83,220,360	83,120,315
Deficit accumulated during development stage	(84,323,554)	(81,331,796)
	<u>(1,098,337)</u>	<u>1,793,350</u>
	<u>\$ 3,347,941</u>	<u>\$ 6,414,675</u>

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 Month Ended March 31, 2008	Three Months Ended March 31, 2007	For the period From June 5, 1996 (Inception) to March 31, 2008
Revenues	\$	\$	\$
Costs and expenses:			
Research and development	2,016,983	958,683	30,665,526
Government grant		(43,956)	(1,105,318)
Purchased in process research and development			6,944,553
General and administrative	1,020,312	940,182	35,687,151
Loss from operations	(3,037,295)	(1,854,909)	(72,191,912)
Interest and investment income	45,537	24,971	833,847
Other income (expense)			(171,846)
Change in fair value of Series B Preferred stock investor warrants from date of issuance to expiration of put option			2,591,005
Net loss	(2,991,758)	(1,829,938)	(68,938,906)
Series A Preferred stock beneficial conversion feature accreted as a dividend		(119,685)	(4,888,960)
Series B Preferred stock beneficial conversion feature accreted as a dividend			(10,495,688)
Net loss available to common stockholders	\$ (2,991,758)	\$ (1,949,623)	\$ (84,323,554)
Weighted average shares outstanding:			
basic and diluted	47,124,205	39,194,996	
Net loss per common share:			
basic and diluted	\$ (0.06)	\$ (0.05)	

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 (DEFICIT)**

(Unaudited)

	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 year					
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
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 (DEFICIT)**

(Unaudited)

	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