

CALLISTO PHARMACEUTICALS INC
Form 10-Q
August 15, 2011
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UNITED STATES
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: June 30, 2011

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: 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 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 (§ 232.405 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. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

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

The number of the registrant's shares of common stock outstanding was 158,516,071 as of August 12, 2011.

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CALLISTO PHARMACEUTICALS, INC.

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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 control, and 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, 2010 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. All drug candidates to treat GI disorders and diseases, currently plecatanide and SP-333, are being developed exclusively by Synergy Pharmaceuticals, Inc., our controlled subsidiary (Synergy). Use of the terms we, our or us in connection with GI drug candidates discussed herein refer to research and development activities and plans of Synergy.

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****CALLISTO PHARMACEUTICALS, INC.****(A Development Stage Company)****CONDENSED CONSOLIDATED BALANCE SHEETS**

	June 30, 2011	December 31, 2010
	(Unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 598,104	\$ 1,708,982
Prepaid expenses and other	969,399	769,403
Tax credits receivable	250,000	781,127
Total Current Assets	1,817,503	3,259,512
Property and equipment, net	6,763	9,397
Security deposits	87,740	87,740
Total Assets	\$ 1,912,006	\$ 3,356,649
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current Liabilities:		
Accounts payable	\$ 4,382,375	\$ 4,755,361
Accrued expenses	2,306,145	2,311,050
Total Current Liabilities	6,688,520	7,066,411
Derivative financial instruments, at estimated fair value warrants	7,958,506	3,487,959
Total Liabilities	14,647,026	10,554,370
Commitments and contingencies		
Stockholders' Deficit:		
Series A convertible preferred stock, par value \$0.0001, 700,000 shares authorized, 8,000 shares outstanding at June 30, 2011 and December 31, 2010	1	1
Series B convertible preferred stock, par value \$0.0001, 2,500,000 shares authorized, no shares outstanding at June 30, 2011 and December 31, 2010		
Common stock, par value of \$0.0001 per share: 225,000,000 shares authorized; 158,516,071 and 157,509,404 shares outstanding at June 30, 2011 and December 31, 2010, respectively	15,852	15,751
Additional paid-in capital	142,565,138	139,496,452
Deficit accumulated during development stage	(139,835,231)	(135,573,268)
Total Stockholders' Equity	2,745,760	3,938,936
Non-controlling interest	(15,480,780)	(11,136,657)

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Total Stockholders' Deficit	(12,735,020)	(7,197,721)
Total Liabilities and Stockholders' Deficit	\$ 1,912,006	\$ 3,356,649

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

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CALLISTO PHARMACEUTICALS, INC.

(A Development Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,		June 5, 1996 (Inception) to June 30, 2011
	2011	2010	2011	2010	
Revenues	\$	\$	\$	\$	\$
Costs and expenses:					
Research and development	2,356,099	4,402,155	3,728,027	5,597,565	49,560,509
Government grants					(1,135,318)
Purchased in process research and development					6,944,553
General and administrative	1,875,688	1,604,747	3,835,532	3,038,534	56,541,633
Loss from operations	(4,231,787)	(6,006,902)	(7,563,559)	(8,636,099)	(111,911,377)
Interest and investment income	3	7,675	54	24,150	914,936
State tax credit				628,806	1,025,606
Interest and other expense	6,208	(16,542)	(6,206)	(300,711)	(937,453)
Loss on debt extinguishment					(2,099,892)
Change in fair value of derivative instruments warrants	(697,660)	1,420,784	(1,036,375)	(15,641,361)	(23,203,691)
Net loss	(4,923,236)	(4,594,985)	(8,606,086)	(23,925,215)	(136,211,871)
Net Loss of subsidiary attributable to noncontrolling interest	2,422,640	2,870,134	4,344,123	4,035,191	15,480,780
Net loss attributable to controlling interest	(2,500,596)	(1,724,851)	(4,261,963)	(19,890,024)	(120,731,091)
Series A Preferred stock beneficial conversion feature accreted as a dividend					(4,888,960)
Series B Preferred stock beneficial conversion feature accreted as a dividend					(10,495,688)
Series A Preferred stock conversion rate change accreted as a dividend					(136,889)
Series B Preferred stock conversion rate change accreted as a dividend					(1,678,703)
Cumulative effect of adopting ASC Topic 815 January 1, 2009					(1,903,900)
Net loss available to common stockholders	\$ (2,500,596)	\$ (1,724,851)	\$ (4,261,963)	\$ (19,890,024)	\$ (139,835,231)

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*Weighted average shares
outstanding:*

basic and diluted	158,506,181	54,420,023	158,078,170	54,146,561
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Net loss per common share :

basic and diluted	\$	(0.02)	\$	(0.03)	\$	(0.03)	\$	(0.37)
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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					

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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 unaudited condensed consolidated financial statements.

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CALLISTO PHARMACEUTICALS, INC.
(A Development Stage Company)

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN
STOCKHOLDERS EQUITY (DEFICIT) (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

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CALLISTO PHARMACEUTICALS, INC.
(A Development Stage Company)

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN
STOCKHOLDERS EQUITY (DEFICIT) (Continued)**

	Preferred Stock	Preferred Stock Par Value	Common Stock	Common Stock Par Value	Additional Paid in Capital	Unamortized Deferred Stock Based Compensation	Deficit Accumulated during the Development Stage	Total Stockholders Equity
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
Balance, December 31, 2003		\$	25,928,760	\$ 2,590	\$ 34,149,975	\$ (5,480,007)	\$ (25,817,730)	\$ 2,854,828

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CALLISTO PHARMACEUTICALS, INC.
(A Development Stage Company)

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN
STOCKHOLDERS EQUITY (DEFICIT) (Continued)**

	Common Stock	Common Stock Par Value	Additional Paid in Capital	Unamortized Deferred Stock Based Compensation	Deficit Accumulated during the Development Stage	Total Stockholders Equity
Balance, December 31, 2003	25,928,760	\$ 2,590	\$ 34,149,975	\$ (5,480,007)	\$ (25,817,730)	\$ 2,854,828
Net loss for the year					(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
Warrant and stock-based compensation for services in connection with the Merger			269,826			269,826
Common stock returned from former Synergy stockholders	(90,000)	(9)	(159,083)			(159,092)
Stock issued for patent rights	25,000	3	56,247			56,250
Common stock issued for services	44,000	7	70,833			70,840
Balance, December 31, 2004	29,219,102	\$ 2,922	\$ 39,910,186	\$ (2,302,534)	\$ (33,361,197)	\$ 4,249,377

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CALLISTO PHARMACEUTICALS, INC.

(A Development Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN
STOCKHOLDERS EQUITY (DEFICIT) (Continued)

	Common Stock	Common Stock Par Value	Additional Paid in Capital	Unamortized Deferred Stock Based Compensation	Deficit Accumulated during the Development Stage	Total Stockholders Equity (Deficit)
Balance, December 31, 2004	29,219,102	\$ 2,922	\$ 39,910,186	\$ (2,302,534)	\$ (33,361,197)	\$ 4,249,377
Net loss for the year					(11,779,457)	(11,779,457)
Deferred stock-based compensation new grants			1,571,772	(1,571,772)		
Amortization of deferred stock-based compensation				2,290,843		2,290,843
Variable accounting for stock options			75,109			75,109
Common stock issued via private placement:						
March 2005	1,985,791	198	3,018,203			3,018,401
August 2005	1,869,203	187	1,812,940			1,813,127
Finders fees and expenses			(176,249)			(176,249)
Exercise of common stock warrant	125,000	13	128,737			128,750
Common stock issued for services	34,000	3	47,177			47,180
Balance, December 31, 2005	33,233,096	\$ 3,323	\$ 46,387,875	\$ (1,583,463)	\$ (45,140,654)	\$ (332,919)

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CALLISTO PHARMACEUTICALS, INC.

(A Development Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN
STOCKHOLDERS EQUITY (DEFICIT) (Continued)

	Series A Convertible Preferred Shares	Series A Convertible Preferred Stock	Common Stock	Common Stock Par Value	Additional Paid in Capital	Unamortized Deferred Stock Based Compensation	Deficit Accumulated during the Development Stage	Total Stockholders Equity (Deficit)
Balance, December 31, 2005		\$	33,233,096	\$ 3,323	\$ 46,387,875	\$ (1,583,463)	\$ (45,140,654)	\$ (332,919)
Net loss for the year							(12,919,229)	(12,919,229)
Reclassification of deferred unamortized stock-based compensation upon adoption of FAS 123R					(1,583,463)	1,583,463		
Stock based compensation expense					2,579,431			2,579,431
Common stock issued via private placement:								
February 2006			4,283,668	428	5,139,782			5,140,210
Finders fees and expenses					(561,808)			(561,808)
April 2006			666,667	67	799,933			800,000
Finders fees and expenses					(41,000)			(41,000)
Waiver and Lock-up Agreement			740,065	74	579,622			579,696
Common stock issued for services			87,000	9	121,101			121,110
Exercise of common stock warrants			184,500	18	190,017			190,035
Series A convertible preferred stock issued via private placement:	574,350	57			5,743,443			5,743,500
Finders fees and expenses	11,775	1			(448,909)			(448,908)
Detachable warrants					2,384,485			