

BIODELIVERY SCIENCES INTERNATIONAL INC
Form 10QSB
November 12, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-QSB

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2004

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 0-28931

BioDelivery Sciences International, Inc.

(Exact name of small business issuer as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

35-2089858

(I.R.S. Employer Identification No.)

185 South Orange Avenue, Administrative Building 4

Newark, New Jersey 07103

(Address of principal executive offices)

(973) 972-0015

(Issuer's telephone number)

The Issuer had 7,245,863 shares of common stock issued and 7,145,863 shares of common stock outstanding as of September 30, 2004.

BioDelivery Sciences International, Inc. and Subsidiaries

Form 10-QSB

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BIODELIVERY SCIENCES INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

AS OF SEPTEMBER 30, 2004 AND DECEMBER 31, 2003

	September 30, 2004 (unaudited)	December 31, 2003
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,140,362	\$ 525,670
Investments		2,027,652
Accounts receivable, including \$500,000 due from related company	527,145	
Prepaid expenses and other current assets	217,938	222,490
Total current assets	2,885,445	2,775,812
Equipment, net	922,946	1,067,596
Licenses	449,215	477,641
Intangibles subject to Purchase Price Allocation	5,295,001	
Other assets, net	25,527	26,953
Total assets	\$ 9,578,134	\$ 4,348,002
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current maturities of note payable, bank	\$ 246,813	\$ 225,979
Accounts payable and accrued liabilities	1,569,247	158,148
Due to related parties		61,836
Deferred revenue		23,974
Capital lease obligation	1,185	4,742
Total current liabilities	1,817,245	474,679
Note payable, bank	524,021	732,354
Total liabilities	2,341,266	1,207,033
Commitments and contingencies		
Stockholders' equity:		
Series A Preferred Stock, \$.001 par value, 1,647,059 shares designated, issued and outstanding 2004	3,705,883	
Series B Preferred Stock, \$.001 par value, 941,177 designated, 341,176 shares issued and outstanding 2004	1,450,000	
Common stock, \$.001 par value 45,000,000 shares authorized, 7,245,863 and 5,770,677 shares issued, 7,145,863 shares outstanding in 2004 and 2003	7,246	7,086
Additional paid-in capital	14,490,021	14,106,366
Treasury stock, at cost, 100,000 shares	(303,894)	(303,894)
Accumulated deficit	(12,113,482)	(10,668,589)
Accumulated other comprehensive gain	1,094	
Total stockholders' equity	7,236,868	3,140,969
Total liabilities and stockholders' equity	\$ 9,578,134	\$ 4,348,002

See notes to condensed consolidated financial statements.

BIODELIVERY SCIENCES INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE LOSS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Sponsored research revenues	\$ 164,892	\$ 179,617	\$ 683,542	\$ 689,867
Development cost reimbursement	500,000		500,000	
License fees, related party		600,000		1,800,000
	<u>664,892</u>	<u>779,617</u>	<u>1,183,542</u>	<u>2,489,867</u>
Expenses:				
Research and development	1,366,882	700,027	2,882,089	1,986,194
General and administrative	741,275	552,994	2,092,949	1,887,369
Stock-based compensation	33,858	13,492	111,816	36,714
Total expenses	<u>2,142,015</u>	<u>1,266,513</u>	<u>5,086,854</u>	<u>3,910,277</u>
Other income (expense):				
Sale of future revenue stream	2,500,000		2,500,000	
Interest income (expense), net	(14,115)	(1,452)	(39,181)	53,025
Gain (loss) before income taxes	<u>1,008,762</u>	<u>(488,348)</u>	<u>(1,442,493)</u>	<u>(1,367,385)</u>
Income tax expense	(2,400)		(2,400)	
Net income (loss)	<u>\$ 1,006,362</u>	<u>(\$488,348)</u>	<u>(\$1,444,893)</u>	<u>(\$1,367,385)</u>
Other comprehensive gain (loss):				
Unrealized gain (loss) on marketable equity securities			1,094	6,125
Comprehensive income (loss)	<u>\$ 1,006,362</u>	<u>(\$488,348)</u>	<u>(\$1,443,799)</u>	<u>(\$1,361,260)</u>
Net income (loss) per common share:				
Basic and diluted	<u>\$.14</u>	<u>(\$.07)</u>	<u>(\$.21)</u>	<u>(\$.19)</u>
Weighted average common shares outstanding basic and diluted	<u>7,098,635</u>	<u>6,985,863</u>	<u>7,023,728</u>	<u>7,027,064</u>

Note: Other comprehensive gain (loss) consists exclusively of unrealized gain (loss) on marketable equity securities.

See notes to condensed consolidated financial statements.

BIODELIVERY SCIENCES INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STOCKHOLDERS EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004

(Unaudited)

	<u>Preferred Stock</u>		<u>Common Stock</u>		<u>Treasury</u>	<u>Additional Paid-In Stock</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders Equity</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>					
Balance, December 31, 2003		\$	7,085,863	\$ 7,086	(\$ 303,894)	\$ 14,106,366	(\$ 10,668,589)	\$	\$ 3,140,969
Issuance of common stock options						111,815			111,815
Unrealized loss on marketable securities							1,094		1,094
Exercise of stock options			160,000	160		271,840			272,000
Issuance of Series A Preferred Stock for business acquisition	1,647,059	3,705,883							3,705,883
Issuance of Series B Preferred Stock for equity line draws	341,176	1,450,000							1,450,000
Net loss							(1,444,893)		(1,444,893)
Balance, September 30, 2004 (unaudited)	2,011,655	\$ 5,155,883	7,245,863	\$ 7,246	(\$ 303,894)	\$ 14,490,021	(\$ 12,113,482)	\$ 1,094	\$ 7,236,868

See notes to condensed consolidated financial statements.

BIODELIVERY SCIENCES INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003

(Unaudited)

	Nine Months Ended September 30,	
	2004	2003
Operating activities:		
Net loss	(\$1,444,893)	(\$1,367,385)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization	242,945	155,221
Loss on sale of marketable securities	10,993	
Stock-based compensation	111,816	36,714
Expense in-process R&D from acquisition	100,000	
Changes in assets and liabilities:		