

CALLISTO PHARMACEUTICALS INC

Form 10-Q

November 19, 2012

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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: September 30, 2012

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

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The number of the registrant's shares of common stock outstanding was 158,965,565 as of November 19, 2012.

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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 **plan, may, will, expect, intend, anticipate, believe, estimate** 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 this report and in our Annual Report on Form 10-K for the year ended December 31, 2011, as filed with the Securities Exchange Commission on March 30, 2012. 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.

On May 9, 2012, Callisto deconsolidated Synergy and derecognized the Synergy assets, liabilities, and non-controlling interest from its financial statements. All drug candidates to treat GI disorders and diseases, currently plecanatide and SP-333, are being developed exclusively by Synergy Pharmaceuticals, Inc., our former 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**

	September 30, 2012 (Unaudited)	December 31, 2011
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 120	\$ 13,244,961
Prepaid expenses and other		796,028
Tax credits receivable		377,865
Total Current Assets	120	14,418,854
Equity investment in Synergy	114,453,453	
Property and equipment, net		5,774
Security deposits	73,715	87,740
Total Assets	\$ 114,527,288	\$ 14,512,368
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Accounts payable	\$ 1,625,092	\$ 3,206,827
Accrued expenses	114,343	1,457,427
Total Current Liabilities	1,739,435	4,664,254
Derivative financial instruments, at estimated fair value warrants		3,325,114
Due to related party	2,655,594	
Total Liabilities	4,395,029	7,989,368
Commitments and contingencies		
Stockholders' Deficit:		
Series A convertible preferred stock, par value \$0.0001, 700,000 shares authorized, none shares outstanding at September 30, 2012 and 8,000 shares outstanding at December 31, 2011		1
Common stock, par value of \$.0001 per share: 225,000,000 shares authorized; 158,965,565 and 158,516,071 shares outstanding at September 30, 2012 and December 31, 2011 respectively	15,897	15,852
Additional paid-in capital	169,221,471	168,531,201
Deficit accumulated during development stage	(59,105,109)	(142,366,313)
Total Callisto Stockholders' Equity	110,132,259	26,180,741

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Non-controlling interest			(19,657,741)
Total Stockholders' Equity	110,132,259		6,523,000
	\$ 114,527,288	\$	14,512,368

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

Table of Contents**CALLISTO PHARMACEUTICALS, INC.****(A Development Stage Company)****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,		June 5, 1996 (Inception) to September 30, 2012
	2012	2011	2012	2011	
Revenues	\$	\$	\$	\$	\$
Costs and expenses:					
Research and development		3,882,802	7,880,230	7,610,829	66,974,747
Government grants			3,508		(1,131,810)
Purchased in process research and development					6,944,553
General and administrative	418,001	1,288,945	3,176,502	5,124,477	63,549,160
Loss from operations	(418,001)	(5,171,747)	(11,060,240)		