

Synthetic Biologics, Inc.
Form 10-Q
August 14, 2013

UNITED STATES 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 June 30, 2013

OR

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

For the transition period from _____ to _____

Commission File Number: 1-12584

SYNTHETIC BIOLOGICS, INC.

(Name of small business issuer in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

13-3808303

(IRS Employer Identification Number)

155 Gibbs Street, Suite 412

Rockville, MD

(Address of principal executive offices)

20850

(Zip Code)

Registrant's telephone number, including area code:

(734) 332-7800

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, \$0.001 par value per share

Securities registered pursuant to Section 12(g) of the Act:

None.

(Title of Class)

Indicate by check mark whether the issuer: (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

Edgar Filing: Synthetic Biologics, Inc. - Form 10-Q

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 | <input type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-Accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input checked="" type="checkbox"/> |

(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 August 12, 2013 the registrant had 44,654,414 shares of common stock outstanding.

SYNTHETIC BIOLOGICS, INC.

**FORM 10-Q
TABLE OF CONTENTS**

| | Page |
|------------|---|
| | PART I. FINANCIAL INFORMATION |
| Item 1. | Financial Statements (Unaudited) 3 |
| | Consolidated Balance Sheets as of June 30, 2013 and December 31, 2012 3 |
| | Consolidated Statements of Operations for the three and six months ended June 30, 2013 and 2012 4 |
| | Consolidated Statements of Cash Flows for the three and six months ended June 30, 2013 and 2012 5 |
| | Notes to Consolidated Financial Statements 6 |
| Item 2. | Management's Discussion and Analysis of Financial Information and Results of Operations 12 |
| Item 3. | Quantitative and Qualitative Disclosures About Market Risks 22 |
| Item 4. | Controls and Procedures 22 |
| | PART II. OTHER INFORMATION |
| Item 1. | Legal Proceedings 23 |
| Item 1A. | Risk Factors 23 |
| Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds 33 |
| Item 3. | Defaults Upon Senior Securities 33 |
| Item 4. | Mine Safety Disclosures 33 |
| Item 5. | Other Information 33 |
| Item 6. | Exhibits 34 |
| SIGNATURES | 35 |
| GLOSSARY | 36 |

PART I.-FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS**

Synthetic Biologics, Inc. and Subsidiaries
Consolidated Balance Sheets
(In thousands, except per share amounts)
(Unaudited)

| | June 30, 2013 | December 31, 2012 |
|---|---------------|-------------------|
| Assets | | |
| Current Assets: | | |
| Cash | \$ 6,877 | \$ 9,954 |
| Prepaid expenses and other current assets | 1,880 | 2,509 |
| Note receivable | 700 | - |
| Total Current Assets | 9,457 | 12,463 |
| Property and equipment, net | 155 | 223 |
| Long-term note receivable | - | 700 |
| Deposits and other assets | 15 | 37 |
| Total Assets | \$ 9,627 | \$ 13,423 |
| Liabilities and Stockholders' Equity | | |
| Current Liabilities: | | |
| Accounts payable | \$ 213 | \$ 395 |
| Accrued liabilities | 16 | - |
| Total Current Liabilities | 229 | 395 |
| Total Liabilities | 229 | 395 |
| Stockholders' Equity: | | |
| Preferred stock, \$0.001 par value; 10,000,000 shares authorized, none issued and outstanding | - | - |
| Common stock, \$0.001 par value; 100,000,000 shares authorized, 44,735,896 issued and 44,654,414 outstanding and 44,444,230 issued and 44,362,748 outstanding, respectively | 45 | 44 |
| Additional paid-in capital | 83,019 | 81,925 |
| Accumulated deficit | (73,666) | (68,941) |
| Total Stockholders' Equity | 9,398 | 13,028 |
| Total Liabilities and Stockholders' Equity | \$ 9,627 | \$ 13,423 |

See accompanying notes to unaudited consolidated financial statements.

Synthetic Biologics, Inc. and Subsidiaries
Consolidated Statements of Operations
(In thousands, except share and per share amounts)
(Unaudited)

| | For the three months ended June 30, | | For the six months ended June 30, | |
|--|-------------------------------------|------------|-----------------------------------|------------|
| | 2013 | 2012 | 2013 | 2012 |
| Operating Costs and Expenses: | | | | |
| General and administrative | \$ 1,258 | \$ 1,176 | \$ 2,380 | \$ 2,644 |
| Research and development | 1,203 | 547 | 2,321 | 933 |
| Total Operating Costs and Expenses | 2,461 | 1,723 | 4,701 | 3,577 |
| Loss from Operations | (2,461) | (1,723) | (4,701) | (3,577) |
| Other Income (Expense): | | | | |
| Interest income | 10 | - | 21 | - |
| Other income (expense) | (46) | 7 | (45) | 12 |
| Total Other Income (Expense), net | (36) | 7 | (24) | 12 |
| Loss from Continuing Operations | (2,497) | (1,716) | (4,725) | (3,565) |
| Income (Loss) from Discontinued Operations | - | (156) | - | 493 |
| Net Loss | \$ (2,497) | \$ (1,872) | \$ (4,725) | \$ (3,072) |
| Net Income (Loss) Per Share - Basic and Dilutive: | | | | |
| Continuing operations | \$ (0.06) | \$ (0.05) | \$ (0.11) | \$ (0.11) |
| Discontinued operations | - | - | - | 0.02 |
| Net Loss Per Share | \$ (0.06) | \$ (0.05) | \$ (0.11) | \$ (0.09) |
| Weighted average number of shares outstanding during the period - Basic and Dilutive | 44,654,414 | 33,011,460 | 44,628,051 | 32,507,312 |

See accompanying notes to unaudited consolidated financial statements.

Synthetic Biologics, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

(In thousands)
(Unaudited)

| | For six months ended June 30, | |
|---|-------------------------------|------------|
| | 2013 | 2012 |
| Cash Flows From Operating Activities: | | |
| Net loss | \$ (4,725) | \$ (3,072) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Stock-based compensation | 864 | 908 |
| Depreciation | 23 | 39 |
| Provision for uncollectible accounts receivable | - | 165 |
| Loss on sale of equipment | 58 | - |
| Impairment on loss of equipment | - | 30 |
| Gain on sale of discontinued operations | - | (677) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | - | (5) |
| Prepaid expenses and other current assets | 629 | (78) |
| Deposits and other assets | 22 | 11 |
| Accounts payable | (182) | (110) |
| Accrued liabilities | 16 | 88 |
| Net Cash Used In Operating Activities | (3,295) | (2,701) |
| Cash Flows From Investing Activities: | | |
| Purchase of property and equipment | (13) | - |
| Net Cash Used In Investing Activities | (13) | - |
| Cash Flows From Financing Activities: | | |
| Proceeds from issuance of common stock for stock option exercises | 231 | 94 |
| Proceeds from issuance of common stock for warrant exercises | - | 1,861 |
| Net Cash Provided By Financing Activities | 231 | 1,955 |
| Net increase (decrease) in cash | (3,077) | (746) |
| Cash at beginning of period | 9,954 | 6,678 |