

ADVENTRX PHARMACEUTICALS INC

Form 10-Q

May 10, 2006

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**FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

(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, 2006

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 001-32157

ADVENTRX Pharmaceuticals, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or
organization)

84-1318182
(I.R.S. Employer Identification No.)

**6725 Mesa Ridge Road, Suite 100
San Diego, California 92121
858-552-0866**

(Address of principal executive offices, zip code and telephone number, including area code)

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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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 shares outstanding of the registrant's common stock, \$.001 par value, as of May 3, 2006 was 71,649,833.

ADVENTRX PHARMACEUTICALS, INC. AND SUBSIDIARY
FORM 10-Q QUARTERLY REPORT
For the Period Ended March 31, 2006
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(A Development Stage Enterprise)

Condensed Consolidated Balance Sheets

	March 31, 2006 (unaudited)	December 31, 2005
Assets		
Current assets:		
Cash and cash equivalents	\$ 16,819,293	\$ 14,634,618
Accrued interest income	13,773	10,214
Prepaid expenses	291,052	255,802
Short-term investments	5,194,703	7,958,458
Total current assets	22,318,821	22,859,092
Property and equipment, net	389,102	407,544
Other assets	335,554	355,137
Total assets	\$ 23,043,477	\$ 23,621,773
Liabilities and Shareholders Deficiency		
Current liabilities:		
Accounts payable	\$ 694,363	\$ 593,228
Accrued liabilities	1,276,202	930,274
Accrued salary and related taxes	237,868	173,398
Warrant liability	46,723,476	29,696,411
Total current liabilities	48,931,909	31,393,311
Long-term liabilities	57,078	57,078
Total liabilities	48,988,987	31,450,389
Commitments and contingencies		
Temporary equity:		
Common stock subject to continuing registration, \$.001 par value; 10,810,809 shares issued and outstanding in 2006 and 2005, respectively		
Shareholders deficiency:		
Common stock, \$.001 par value. Authorized 200,000,000 shares; issued 58,317,667 shares in 2006 and 56,529,388 shares in 2005		
	69,152	67,364
Additional paid-in capital	55,034,292	52,105,329
Accumulated other comprehensive loss	(2,686)	(1,722)
Deficit accumulated during the development stage	(81,011,521)	(59,964,840)
Treasury stock, 23,165 shares at cost	(34,747)	(34,747)
Total shareholders deficiency	(25,945,510)	(7,828,616)

Total liabilities and shareholders' deficiency	\$ 23,043,477	\$ 23,621,773
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See accompanying notes to unaudited condensed consolidated financial statements.

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ADVENTRX PHARMACEUTICALS, INC. AND SUBSIDIARY
(A Development Stage Enterprise)
Condensed Consolidated Statements of Operations
(unaudited)

	Three months ended March 31,		Inception (June 12, 1996) through March 31, 2006
	2006	2005	
Net sales	\$	\$	\$ 174,830
Cost of goods sold			51,094
Gross margin			123,736
Grant revenue			129,733
Interest income	236,527	37,322	934,864
	236,527	37,322	1,188,333
Operating expenses:			
Research and development	2,483,858	1,704,797	18,640,610
General and administrative	1,735,172	1,150,033	19,069,471
Depreciation and amortization	37,113	27,126	10,292,674
Impairment loss write off of goodwill			5,702,130
Interest expense		300	179,090
Equity in loss of investee			178,936
Total operating expenses	4,256,143	2,882,256	54,062,911
Loss from operations	(4,019,616)	(2,844,934)	(52,874,578)
Gain (loss) on fair value of warrants	(17,027,065)		(28,606,725)
Loss before cumulative effect of change in accounting principle	(21,046,681)	(2,844,934)	(81,481,303)
Cumulative effect of change in accounting principle			(25,821)
Net loss	(21,046,681)	(2,844,934)	(81,507,124)
Preferred stock dividends			(621,240)
Net loss applicable to common stock	\$ (21,046,681)	\$ (2,844,934)	\$ (82,128,364)
Loss per common share basic and diluted	\$ (.31)	\$ (.05)	
Weighted average number of common shares outstanding basic and diluted	67,976,352	53,967,933	

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents**ADVENTRX PHARMACEUTICALS, INC. AND SUBSIDIARY**

(A Development Stage Enterprise)

Condensed Consolidated Statements of Shareholders' Equity (Deficit)

Inception (June 12, 1996) through March 31, 2006

	Cumulative convertible preferred stock, series A	Cumulative convertible preferred stock, series B	Cumulative convertible preferred stock, series C	Common stock	Additional paid-in capital	Comprehensive loss	Development stage	Treasury stock, at cost	Total shareholders' equity (deficit)
	Shares	Shares	Shares	Shares	Amount				
Balances at June 12, 1996 (date of incorporation)	\$	\$	\$		\$	\$	\$	\$	\$
Issuance of common stock without par value				503	5		5		
Change in par value of common stock					(4)		4		
Balance of common stock and net liabilities									
Balance in acquisition				1,716,132	1,716		3,224	(18,094)	(13,042)
Balance of common stock				2,010,111	2,010		456	(2,466)	(2,000)
Loss								(259,476)	(259,476)
Balances at December 31, 1996				3,726,746	3,727		3,689	(280,036)	(272,660)
Issuance of common stock, net of offering costs of 1996				1,004,554	1,004		1,789,975		1,790,979
Balance of common stock in acquisition				375,891	376		887,874		888,547
Priority interest deficiency at acquisition charged to Company								(45,003)	(45,003)
Loss								(1,979,400)	(1,979,400)
Balances at December 31, 1997				5,107,191	5,107		2,681,538	(2,304,439)	382,297
Issuance of acquisition				(375,891)	(376)		(887,874)	561,166	(327,975)
Balance of common stock at conversion of notes				450,264	451		363,549		364,000
Expense related to stock warrants issued							260,000		260,000
Loss								(1,204,380)	(1,204,380)
Balances at December 31, 1998				5,181,564	5,182		2,417,213	(2,947,653)	(525,058)
Issuance of common stock				678,412	678		134,322		135,000
Expense related to stock warrants issued							212,000		212,000
Loss								(1,055,485)	(1,055,485)
Balances at December 31, 1999				5,859,976	5,860		2,763,535	(4,003,138)	(1,233,643)

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	Cumulative convertible preferred stock, series A	Cumulative convertible preferred stock, series B	Cumulative convertible preferred stock, series C	Common stock	Additional paid-in capital	Other comprehensive loss	Development stage	Deficit accumulated during the period	Treasury stock, at cost
	Shares	Amount	Shares	Shares	Amount	Amount	Amount	Amount	Amount
Preferred stock, net of offering costs of \$76,500	3,200	32				3,123,468	\$		
Common stock at conversion of notes and payable				412,487	412	492,085			
Common stock at conversion of notes payable				70,354	70	83,930			
Common stock to settle obligations				495,111	496	1,201,664			
Common stock for acquisition				6,999,990	7,000	9,325,769			
Warrants for acquisition						4,767,664			
Warrants for acquisition costs				150,000	150	487,350			
Warrants related to stock warrants issued						140,000			
Payable on preferred stock						(85,000)			
Exercise of warrants				599,066	599	(599)			
								(3,701,084)	
December 31, 2000	3,200	32		14,586,984	14,587	22,299,866		(7,704,222)	
Payable on preferred stock						(256,000)			
Warrants						(55,279)			
Warrants						47,741			
Exercise of warrants				218,493	219	(219)			
Common stock to pay preferred dividends				93,421	93	212,907			
Warrants issued with notes payable						450,000			
Warrants to pay operating expenses						167,138			
Common stock to pay operating expenses				106,293	106	387,165			
Preferred stock to pay operating expenses	137	1				136,499			
								(16,339,120)	
December 31, 2001	3,337	33		15,005,191	15,005	23,389,818		(24,043,342)	

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ADVENTRX PHARMACEUTICALS, INC. AND SUBSIDIARY

(A Development Stage Enterprise)

Condensed Consolidated Statements of Shareholders' Equity (Deficit)

Inception (June 12, 1996) through March 31, 2006

CONTINUED FROM PREVIOUS PAGE

Cumulative convertible preferred stock, series A		Cumulative convertible preferred stock, series B		Cumulative convertible preferred stock, series C		Common stock		Deficit Accumulated		Treasury Stock
Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Additional paid-in capital	other comprehensive loss	during the development stage
								(242,400)		
						240,000	240	117,613		
						100,201	100	(100)		
						344,573	345	168,477		
	200,000	2,000						298,000		
				70,109	701			700,392		
(3,000)	(30)					1,800,000	1,800	(1,770)		
								335,440		
								163,109		
						6,292	6	12,263		

136	1							6,000	
								329,296	(2,105,727)
473	4	200,000	2,000	70,109	701	17,496,257	17,496	25,276,138	(26,149,069)
								(37,840)	
				(70,109)	(701)	14,021,860	14,022	(13,321)	
						165,830	165	53,326	
						6,640,737	6,676	2,590,656	
						3,701,733	3,668	3,989,181	
						235,291	235	49,486	
						230,000	230	206,569	
								156,735	
								286,033	

(2,332,077)

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	Cumulative convertible preferred stock, series A		Cumulative convertible preferred stock, series B		Cumulative convertible preferred stock, series C		Common stock		Additional paid-in capital	Deficit Accumulated		Treasury Stock, at cost
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount		Other Comprehensive Loss	development stage	
September 30, 2003	473	4	200,000	2,000	42,491,708	42,492			32,556,963		(28,481,146)	
of dividends												
ferred stock									72,800			
series A												
ferred stock	(473)	(4)			236,500	236			(232)			
series B												
			(200,000)	(2,000)	200,000	200			1,800			
se of warrants					464,573	465			(465)			
rants					23,832	23			27,330			
rants in												
claim									86,375			
a stock at \$1.50												
					10,417,624	10,419			15,616,031			
ncing and									(1,366,774)			
k options to									524,922			
reasury stock									34,747			(34,747)
											(6,701,048)	
September 30, 2004					53,834,237	53,835			47,553,497		(35,182,194)	(34,747)
income:											(24,782,646)	
e in fair value of												
e securities										(1,722)		
nsive loss												
res issued in												
n mezzanine					10,810,809	10,811			(10,811)			
rants					2,408,316	2,408			3,071,030			
k options					185,000	185			144,815			
k options to									994,874			
k options to									93,549			
mon stock to					125,000	125			258,375			

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September 30, 2005								
Income:	67,363,362	67,364	52,105,329	(1,722)	(59,964,840)	(34,747)		
					(21,046,681)			
Change in fair value of available securities					(964)			
Comprehensive loss								
Dividends, net of withheld stock taxes	1,781,279	1,781	2,359,799					
Stock options to purchase	7,000	7	30,163					
Stock options to cancel					444,655			
Stock options to reissue						94,346		
October 31, 2006	\$	\$	\$	\$	\$	\$	\$	\$
			69,151,641	\$69,152	\$55,034,292	\$(2,686)	\$(81,011,521)	\$(34,747)

See accompanying notes to unaudited condensed consolidated financial statements.

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ADVENTRX PHARMACEUTICALS, INC. AND SUBSIDIARY
(A Development Stage Enterprise)
Condensed Consolidated Statements of Cash Flows
(unaudited)

	Three months ended March 31,		Inception
	2006	2005	(June 12, 1996) through March 31, 2006
Cash flows from operating activities:			
Net loss	\$ (21,046,681)	\$ (2,844,934)	\$ (81,507,124)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	37,113	27,126	9,842,674
Fair value of warrant liability	17,027,065		28,606,725
Amortization of debt discount			450,000
Forgiveness of employee receivable			30,036
Impairment loss write-off of goodwill			5,702,130
Expenses paid by warrants			573,357
Expenses paid by preferred stock			