

MANHATTAN PHARMACEUTICALS INC
Form 10-Q
November 16, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2009

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 001-32639

Manhattan Pharmaceuticals, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

36-3898269
(I.R.S. Employer Identification No.)

48 Wall Street, New York, New York 10005
(Address of principal executive offices)

(212) 582-3950

(Issuer's telephone number)

Check whether the issuer: (1) 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 issuer 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 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.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act).
Yes No

As of November 4, 2009 there were 70,624,232 shares of the issuer's common stock, \$.001 par value, outstanding.

INDEX

	Page
PART I FINANCIAL INFORMATION	
Item 1. Financial Statements:	
Unaudited Condensed Balance Sheets	4
Unaudited Condensed Statements of Operations	5
Unaudited Condensed Statement of Stockholders' Equity (Deficiency)	6
Unaudited Condensed Statements of Cash Flows	8
Notes to Unaudited Condensed Financial Statements	10
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	23
Item 3. Quantitative and Qualitative Disclosure About Market Risk	36
Item 4T. Controls and Procedures	36
PART II OTHER INFORMATION	
Item 1. Legal Proceedings	37
Item 1A. Risk Factors	37
Item 6. Exhibits	37
Signatures	38

Forward-Looking Statements

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities and Exchange Act of 1934. Any statements about our expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as “anticipate,” “estimate,” “plan,” “project,” “expect,” “may,” “intend” and similar words or phrases. Accordingly, these statements involve estimates, assumptions and uncertainties that could cause actual results to differ materially from those expressed in them. These statements are therefore subject to risks and uncertainties, known and unknown, which could cause actual results and developments to differ materially from those expressed or implied in such statements. Such risks and uncertainties relate to, among other factors:

- the development of our product candidates;
- the regulatory approval of our product candidates;
- our use of clinical research centers and other contractors;
- our ability to find collaborative partners for research, development and commercialization of potential products;
- acceptance of our products by doctors, patients or payers;
- our ability to market any of our products;
- our history of operating losses;
- our ability to compete against other companies and research institutions;
- our ability to secure adequate protection for our intellectual property;
- our ability to attract and retain key personnel;
- availability of reimbursement for our product candidates;
- the effect of potential strategic transactions on our business;
- our ability to obtain adequate financing; and
- the volatility of our stock price.

Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict which factors will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Part I – Financial Information

Item 1. Unaudited Condensed Financial Statements

MANHATTAN PHARMACEUTICALS, INC.
(A Development Stage Company)
Condensed Balance Sheets

	September 30, 2009 (Unaudited)	December 31, 2008 (See Note 1)
Assets		
Current assets:		
Cash and cash equivalents	\$ 153,641	\$ 106,023
Restricted cash	-	730,499
Other current assets	86,609	37,718
Total current assets	240,250	874,240
Investment in Hedrin JV	162,952	-
Property and equipment, net	4,775	9,072
Secured 12% notes payable issue costs	253,209	330,756
Other assets	21,370	34,895
Total assets	\$ 682,556	\$ 1,248,963
Liabilities and Stockholders' Deficiency		
Current Liabilities:		
Secured 10% notes payable	\$ -	\$ 70,000
Accounts payable	143,065	542,296
Accrued expenses	774,320	874,072
Derivative liability	681,111	-
Total current liabilities	1,598,496	1,486,368
Secured 12% notes payable, net	1,607,610	1,174,107
Interest payable on secured 12% notes payable	171,674	15,237
Exchange obligation	3,949,176	2,949,176
Total liabilities	7,326,956	5,624,888
Commitments and contingencies		
Stockholders' deficiency:		
Preferred stock, \$.001 par value. Authorized 1,500,000 shares; no shares issued and outstanding at September 30, 2009 and December 31, 2008	-	-
Common stock, \$.001 par value. Authorized 300,000,000 shares; 70,624,232 shares issued and outstanding at September 30, 2009 and December 31, 2008	70,624	70,624
Additional paid-in capital	54,995,498	54,821,379
Deficit accumulated during the development stage	(61,710,522)	(59,267,928)
Total stockholders' deficiency	(6,644,400)	(4,375,925)
Total liabilities and stockholders' deficiency	\$ 682,556	\$ 1,248,963

See accompanying notes to financial statements.

MANHATTAN PHARMACEUTICALS, INC.
(A Development Stage Company)
Condensed Statements of Operations
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,		Cumulative period from August 6, 2001 (inception) to September 30, 2009
	2009	2008	2009	2008	2009
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Costs and expenses:					
Research and development	5,574	498,853	57,154	1,864,652	28,348,989
General and administrative	390,066	884,705	1,373,083	2,600,303	17,835,356
In-process research and development charge	-	-	-	-	11,887,807
Impairment of intangible assets	-	-	-	-	1,248,230
Loss on disposition of intangible assets	-	-	-	-	1,213,878
Total operating expenses	395,640	1,383,558	1,430,237	4,464,955	60,534,260
Operating loss	(395,640)	(1,383,558)	(1,430,237)	(4,464,955)	(60,534,260)
Other (income) expense:					
Equity in losses of Hedrin JV	105,362	140,138	337,048	247,731	587,048
Change in fair value of derivative	(157,778)	-	658,889	-	531,111
Interest and other income	(63,873)	(148,184)	(252,500)	(335,613)	(1,533,031)
Interest expense	136,738	18,804	396,698	18,804	487,522
Realized gain on sale of marketable equity securities	-	-	-	-	(76,032)
Total other (income) expense	20,449	10,758	1,140,135	(69,078)	(3,382)
Net loss	(416,089)	(1,394,316)	(2,570,372)	(4,395,877)	(60,530,878)
Preferred stock dividends (including imputed amounts)	-	-	-	-	(1,179,644)
Net loss applicable to common shares	\$ (416,089)	\$ (1,394,316)	\$ (2,570,372)	\$ (4,395,877)	\$ (61,710,522)
Net loss per common share:					
Basic and diluted	\$ (0.01)	\$ (0.02)			