

ADEONA PHARMACEUTICALS, INC.
Form 10-Q
November 14, 2008

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 September 30, 2008

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: 333-139354

ADEONA PHARMACEUTICALS, INC.
(Name of small business issuer in its charter)

Delaware

13-3808303

(State or other jurisdiction of incorporation or
organization)

(IRS Employer Identification Number)

3930 Varsity Drive
Ann Arbor, MI

48108
(Zip Code)

(Address of principal executive offices)

Registrant's telephone number, including area code:
(734) 332-7800

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, a non-accelerated filer, or a smaller reporting company. See 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 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

State registrant's revenues for its most recent fiscal year: \$0

As of November 1, 2008, the registrant had 20,838,528 shares of common stock outstanding.

Transitional Small Business Disclosure Format (Check one): Yes No

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ADEONA PHARMACEUTICALS, INC.

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PART I.—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Adeona Pharmaceuticals, Inc. and Subsidiaries
(A Development Stage Company)

Consolidated Balance Sheets

Assets	September 30, 2008 (Unaudited)	December 31, 2007 (Audited)
Current Assets		
Cash	\$ 6,435,607	\$ 11,492,802
Prepaid expenses	10,583	63,636
Other receivable	48,617	-
Total Current Assets	6,494,807	11,556,438
Property and Equipment, net of accumulated depreciation of \$521,518 and \$232,564	1,699,301	2,063,233
Deposits and other assets	11,989	13,381
Total Assets	\$ 8,206,097	\$ 13,633,052
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 500,648	\$ 728,119
Accrued liabilities	176,388	59,409
Notes payable	-	900,000
Total Current Liabilities	677,036	1,687,528
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, 20,838,528 and 20,433,467 shares issued and outstanding	20,839	20,433
Additional paid-in capital	44,874,712	43,001,609
Deficit accumulated during the development stage	(37,366,490)	(31,076,518)
Total Stockholders' Equity	7,529,061	11,945,524
Total Liabilities and Stockholders' Equity	\$ 8,206,097	\$ 13,633,052

See accompanying notes to unaudited consolidated financial statements

Adeona Pharmaceuticals, Inc. and Subsidiaries
(A Development Stage Company)

Consolidated Statements of Operations
(Unaudited)

	For the three months ended September 30,		For the nine months ended September 30,		For the Period from January 8, 2001
	2008	2007	2008	2007	(Inception) to September 30, 2008
	Operating Expenses:				
Research and development	\$ 863,272	\$ 1,573,610	\$ 4,156,255	\$ 4,069,782	\$ 15,317,050
General and administrative	606,685	599,388	2,242,855	2,852,126	9,088,066
Total Operating Expenses	1,469,957	2,172,998	6,399,110	6,921,908	24,405,116
Loss from Operations	(1,469,957)	(2,172,998)	(6,399,110)	(6,921,908)	(24,405,116)
Other Income (Expense):					
Interest income	26,688	66,041	108,503	218,298	451,892
Gain on sale of equipment	14,430	-	14,430	-	14,430
Interest expense	-	(13,985)	(13,831)	(29,270)	(66,760)
Total Other Income, net	41,118	52,056	109,102	189,028	399,562
Net Loss	\$ (1,428,839)	\$ (2,120,942)	\$ (6,290,008)	\$ (6,732,880)	\$ (24,005,554)
Less: Preferred stock dividend - subsidiary	-	-	-	-	(951,250)
Less: Merger dividend	-	-	-	(12,409,722)	(12,409,722)
Net Loss Applicable to Common Shareholders	\$ (1,428,839)	\$ (2,120,942)	\$ (6,290,008)	\$ (19,142,602)	\$ (37,366,526)
Net Loss Per Share - Basic and Diluted	\$ (0.07)	\$ (0.12)	\$ (0.31)	\$ (1.12)	\$ (6.49)
Weighted average number of shares outstanding during the period - basic and	20,715,966	17,110,581	20,587,746	17,042,690	5,759,615

diluted

See accompanying notes to unaudited consolidated financial statements

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Adeona Pharmaceuticals, Inc. and Subsidiaries
(A Development Stage Company)

Consolidated Statements of Cash Flows
(Unaudited)

	For the nine months ended September 30,		For the Period from January 8, 2001 (Inception) to September 30, 2008
	2008	2007	
Cash Flows From Operating Activities:			
Net loss	\$ (6,290,008)	\$ (6,732,880)	\$ (24,005,554)
Adjustments to reconcile net loss to net cash used in operating activities:			
Stock-based compensation	1,110,771	703,386	3,047,417
Stock-based consulting	344,169	641,926	1,505,156
Stock issued as compensation	55,385	-	55,385
Stock issued as compensation in acquisition of subsidiary	-	601,712	601,712
Contributed services - related party	73,750	275,124	349,395
Stock issued for license fee	145,000	-	533,691
Stock issued for milestone payment	50,000	-	75,000
Stock issued for consulting fee	90,042	-	90,042
Depreciation	307,466	108,642	540,030
Gain on sale of equipment	(14,430)	-	(14,430)
Changes in operating assets and liabilities:			
Prepaid expenses and other	4,436	9,372	(59,200)
Deposits and other assets	1,392	(17,534)	(11,989)
Accounts payable	(135,177)	189,525	592,942
Accrued liabilities	116,979	(158,899)	179,406
Net Cash Used In Operating Activities	(4,140,225)	(4,379,626)	(16,500,997)
Cash Flows From Investing Activities:			
Purchases of property and equipment	(21,398)	(1,743,313)	(2,032,805)
Cash paid to acquire shell in reverse acquisition	-	-	(665,000)
Net Cash Used In Investing Activities	(21,398)	(1,743,313)	(2,697,805)
Cash Flows From Financing Activities:			
Proceeds from loans payable - related party	-		3,210,338
Repayments of loans payable - related party	-		(220,000)
Proceeds from notes payable	-	1,100,000	1,100,000
Repayments of notes payable	(900,000)	(100,000)	(1,100,000)
Net proceeds from issuance of common stock for stock options exercised	4,428	-	4,428

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Proceeds from issuance of preferred and common stock	-	-	1,150,590
Proceeds from sale of common stock and warrants in private placements	-	-	13,926,362
Proceeds from sale of common stock in connection with warrants exercise	-	282,841	7,552,378
Cash paid as direct offering costs in private placements and warrant call	-	-	(1,739,987)
Proceeds from issuance of Series B, convertible preferred stock - subsidiary	-	-	1,902,500
Direct offering costs in connection with issuance of series B, convertible preferred stock - subsidiary	-	-	(152,200)
Net Cash Provided By (Used In) Financing Activities	(895,572)	1,282,841	25,634,409
Net increase (decrease) in cash and cash equivalents	(5,057,195)	(4,840,098)	6,435,607
Cash and cash equivalents at beginning of period	11,492,802	12,192,426	-
Cash and cash equivalents at end of period	\$ 6,435,607	\$ 7,352,328	\$ 6,435,607
Supplemental disclosures of cash flow information:			
Cash paid for interest	\$ 13,831	\$ 29,270	\$ 66,760
Cash paid for taxes	\$ -	\$ -	\$ -
Supplemental disclosure of non-cash investing and financing activities:			
Sale of equipment in exchange for accounts payable	\$ 92,294	\$ -	\$ 92,294
Exchange of EPI preferred stock into Adeona common stock in acquisition	\$ -	\$ 12,409,722	\$ 12,409,722
Adeona acquired equipment in exchange for a loan with a related party	\$ -	\$ -	\$ 284,390
EPI declared a 10% and 30% in-kind dividend on its Series B, convertible preferred stock.	\$ -	\$ -	\$ 951,250
The Company issued shares and warrants in connection with the conversion of certain related party debt.	\$ -	\$ -	\$ 3,274,728
Conversion of accrued liabilities to contributed capital - former related party	\$ -	\$ -	\$ 3,017

See accompanying notes to unaudited consolidated financial statements

Adeona Pharmaceuticals, Inc. and Subsidiaries
(A Development Stage Company)

Notes to Consolidated Financial Statements
(Unaudited)

Note 1 Organization and Nature of Operations and Basis of Presentation

(A) Description of the Business

Adeona Pharmaceuticals, Inc. (“Adeona”) is a development-stage pharmaceutical company that is developing proprietary, late-stage drug candidates for the treatment of neurologic and fibrotic diseases.

(B) Corporate Name Change

On October 16, 2008, the Company completed a corporate name change to Adeona Pharmaceuticals, Inc. from Pipex Pharmaceuticals, Inc.

(C) Basis of Presentation