

HOLLIS EDEN PHARMACEUTICALS INC /DE/  
Form 10-Q  
August 14, 2009  
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**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 June 30, 2009

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: 000-24672

**HOLLIS-EDEN PHARMACEUTICALS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of incorporation)

**13-3697002**  
(I.R.S. Employer Identification No.)

**4435 Eastgate Mall, Suite 400, San Diego, California**  
(Address of principal executive offices)

**92121**  
(zip code)

**Registrant's telephone number, including area code: (858) 587-9333**

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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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 definition of "accelerated filer", "large 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   
(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 13, 2009 there were 29,310,355 shares of registrant's Common Stock, \$.01 par value, outstanding.

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FOR THE QUARTER ENDED JUNE 30, 2009

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**Table of Contents****Part I. Financial Information****Item 1. Financial Statements  
Hollis-Eden Pharmaceuticals, Inc.****(A Development Stage Company)****Balance Sheets****All numbers in thousands (except par value)**

	<b>June 30, 2009 (Unaudited)</b>	<b>Dec. 31, 2008*</b>
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 15,173	\$ 24,152
Restricted cash	34	
Prepaid expenses	581	262
Deposits	61	7
<b>Total current assets</b>	<b>15,849</b>	<b>24,421</b>
Property and equipment, net of accumulated depreciation of \$1,563 and \$1,496, respectively	502	641
Restricted cash		34
Deposits		61
<b>Total assets</b>	<b>\$ 16,351</b>	<b>\$ 25,157</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY:</b>		
Current liabilities:		
Accounts payable	282	323
Accrued expenses	1,562	1,629
<b>Total current liabilities</b>	<b>\$ 1,844</b>	<b>\$ 1,952</b>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value, 10,000 shares authorized; no shares issued or outstanding		
Common stock, \$.01 par value, 50,000 shares authorized; 29,369 and 29,228 shares issued; 29,310 and 29,169 shares outstanding, respectively	293	292
Paid-in capital	260,311	259,465
Cost of treasury stock (59 shares)	(346)	(346)
Deficit accumulated during development stage	(245,751)	(236,206)
<b>Total stockholders' equity</b>	<b>14,507</b>	<b>23,205</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 16,351</b>	<b>\$ 25,157</b>

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\* Derived from the audited financial statements as of December 31, 2008

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

**Table of Contents****Hollis-Eden Pharmaceuticals, Inc.****(A Development Stage Company)****Statements of Operations****(Unaudited)****All numbers in thousands, except per share amounts**

	Three Months ended June 30,		Six Months ended June 30,		Period from Inception (Aug. 15, 1994) to June 30, 2009
	2009	2008	2009	2008	
Revenue:					
Contract R&D revenue	\$	\$	\$	\$	\$ 1,208
Total revenue					1,208
Operating expenses:					
Research and development:					
R&D operating expenses	2,583	4,173	5,849	8,299	157,071
R&D costs related to common stock, stock option grants including collaborations and technology purchases	167	261	302	480	9,779
Total research and development	2,750	4,434	6,151	8,779	166,850
General and administrative:					
G&A operating expenses	1,241	1,400	2,996	2,884	67,620
G&A costs related to common stock, option & warrant grants	295	404	502	738	18,655
Total general and administrative	1,536	1,804	3,498	3,622	86,275
Settlement of dispute					3,000
Total operating expenses	4,286	6,238	9,649	12,401	256,125
Other income (expense):					
Loss on disposal of assets	(2)		(7)		(155)
Non-cash amortization of deemed discount and deferred issuance costs on convertible debentures					(7,627)
Interest income	37	251	111	666	17,336
Interest expense					(388)
Total other income, net	35	251	104	666	9,166
Net loss	\$ (4,251)	\$ (5,987)	\$ (9,545)	\$ (11,735)	\$ (245,751)
Net loss per share-basic and diluted	\$ (0.14)	\$ (0.21)	\$ (0.33)	\$ (0.40)	
Weighted average number of common shares outstanding-basic and diluted	29,305	29,040	29,237	29,023	

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



**Table of Contents****Hollis-Eden Pharmaceuticals, Inc.****(A Development Stage Company)****Statements of Cash Flows****(Unaudited)****All numbers in thousands**

	<b>Six Months ended June 30,</b>		<b>Period from Inception (Aug. 15, 1994) to June 30, 2009</b>
	<b>2009</b>	<b>2008</b>	
<b>Cash flows from operating activities:</b>			
Net loss	\$ (9,545)	\$ (11,735)	\$ (245,751)
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>			
Depreciation	137	154	2,151
Loss on disposal of assets	7		169
Compensation expense related to equity awards	804	1,218	10,139
Amortization of deemed discount on convertible debentures			6,470
Amortization of deferred issuance cost			1,157
Common stock issued for the company 401k plan	43	60	1,453
Common stock issued as consideration for amendments to the license / finance agreements			67
Common stock and options issued as consideration for license fees, milestone payments, interest, note repayment and services			2,859
Expense related to warrants issued as consideration to consultants			4,369
Expense related to warrants issued to a director for successful closure of merger			570
Expense related to stock options issued			5,718
Expense related to common stock issued for the purchase of technology			1,848
Common stock issued as consideration for In Process R&D			2,809
Deferred compensation expense related to options issued			1,210
<b>Changes in assets and liabilities:</b>			
Prepaid expenses	(319)	(17)	(581)
Deposits	7	5	(61)
Other receivables		645	
Accounts payable	(41)	889	973
Accrued expenses	(67)	(263)	1,515
<b>Net cash used in operating activities</b>	<b>(8,974)</b>	<b>(9,044)</b>	<b>(202,916)</b>
<b>Cash flows provided by (used in) investing activities:</b>			
Purchase of property and equipment	(5)	(48)	(2,821)
<b>Net cash used in investing activities</b>	<b>(5)</b>	<b>(48)</b>	<b>(2,821)</b>
<b>Cash flows from financing activities:</b>			
Contributions from stockholder			104
Restricted cash			