

CRDENTIA CORP
Form 424B3
May 15, 2006

PROSPECTUS SUPPLEMENT NO. 2

Filed Pursuant to Rule 424(b)(3)

Registration File No. 333-131603

CRDENTIA CORP.

PROSPECTUS SUPPLEMENT NO. 2 DATED May 15, 2006

TO THE PROSPECTUS DATED April 10, 2006

This Prospectus Supplement No. 2 supplements our Prospectus dated April 10, 2006 with the following attached document:

A. Quarterly Report on Form 10-QSB for the period ended March 31, 2006

The attached information modifies and supersedes, in part, the information in the prospectus. Any information that is modified or superseded in the prospectus shall not be deemed to constitute a part of the Prospectus except as modified or superseded by this Prospectus Supplement.

This Prospectus Supplement No. 2 should be read in conjunction with the Prospectus Supplement No. 1 and the Prospectus, each of which are required to be delivered with this Prospectus Supplement.

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INVESTING IN OUR COMMON STOCK INVOLVES A HIGH DEGREE OF RISK.

SEE RISK FACTORS BEGINNING ON PAGE 3 OF THE PROSPECTUS, AS
SUPPLEMENTED BY THIS PROSPECTUS SUPPLEMENT.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE
SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE
SECURITIES OR DETERMINED IF THIS PROSPECTUS SUPPLEMENT IS
TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A
CRIMINAL OFFENSE.

The date of this prospectus supplement is May 15, 2006

INDEX TO FILINGS

Annex

Quarterly Report on Form 10-QSB for the period ended March 31, 2006

A

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-QSB

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**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2006

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**TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF
THE EXCHANGE ACT**

Commission file number: 0-31152

CRDENTIA CORP.

(Exact name of small business issuer as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or
organization)

76-0585701

(IRS Employer Identification No.)

5001 LBJ Freeway, Suite 850, Dallas, Texas 75244

(Address of principal executive offices)

(972) 850-0780

(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 ý No o

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. At May 12, 2006, 14,415,293 shares of common stock, \$.0001 par value, were outstanding.

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

CRDENTIA CORP.

Form 10-QSB Quarterly Report

For the Quarterly Period Ended March 31, 2006

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PART I FINANCIAL INFORMATION**Item 1. Financial Statements**

Crdentia Corp.

Condensed Consolidated Balance Sheets

	March 31, 2006 (unaudited)	December 31, 2005
Current assets:		
Cash and cash equivalents	\$ 148,678	\$ 434,921
Accounts receivable, net of allowance for doubtful accounts of \$200,000 at March 31, 2006 and \$275,000 at December 31, 2005	4,432,648	4,566,975
Unbilled receivables	614,043	625,899
Other current assets	603,341	464,865
Total current assets	5,798,710	6,092,660
Property and equipment, net	394,874	418,837
Goodwill	22,977,377	22,977,377
Intangible assets, net	1,804,161	1,985,585
Other assets	930,409	518,001
Total assets	\$ 31,905,531	\$ 31,992,460
Current liabilities:		
Revolving lines of credit	\$ 3,848,827	\$ 4,672,096
Accounts payable and accrued expenses	1,370,864	1,447,905
Accrued dividends on convertible preferred stock		800,748
Accrued employee compensation and benefits	1,014,680	980,005
Debentures, net of discount of \$1,595,002	144,998	
Note payable to seller	3,215,490	3,215,490
Current portion of note payable to lender, net of discount	1,177,651	1,147,634
Other current liabilities	331,139	321,963
Total current liabilities	11,103,649	12,585,841
Notes payable to lender, less current portion, net of discount		1,149,833
Long-term bonus payable	825,730	801,084
Other long-term liabilities	7,032	7,032
Total liabilities	11,936,411	14,543,790
Commitments and contingencies		
Convertible preferred stock, 10,000,000 shares authorized:		
Series C Convertible Preferred Stock \$0.0001 par value, 183,028 shares issued and outstanding at March 31, 2006 and December 31, 2005 (liquidation preference of \$54,908,400 at March 31, 2006 and December 31, 2005)	10,020,048	10,020,048
Series C preferred stock warrants	839,555	839,555
Stockholders' equity:	387	352

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Common stock, par value \$0.0001, 150,000,000 shares authorized at 2005; 3,870,701 shares issued and 3,763,060 shares outstanding at March 31, 2006 and 3,515,766 shares issued and 3,408,125 shares outstanding at December 31, 2005			
Additional paid in capital		113,681,176	109,802,174
Treasury stock, 107,641 shares at cost			
Accumulated deficit		(104,572,046)	(103,213,459)
Total stockholders' equity		9,109,517	6,589,067
Total liabilities and stockholders' equity	\$	31,905,531	\$ 31,992,460

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

Crdentia Corp.

Unaudited Condensed Consolidated Statements of Operations

Three months ended March 31,
2006 **2005**
