

BIODELIVERY SCIENCES INTERNATIONAL INC
Form 10QSB
May 17, 2006
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-QSB

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2006

.. 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 0-28931

BioDelivery Sciences International, Inc.

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

Delaware
(State or other jurisdiction of
incorporation or organization)

2501 Aerial Center Parkway Suite 205

Morrisville, NC 27560

(Address of principal executive offices)

(919) 653-5160

(Issuer's telephone number)

35-2089858
(I.R.S. Employer

Identification No.)

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

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days. Yes No

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: The Issuer had 11,963,637 shares of common stock issued and 11,948,146 shares of common stock outstanding as of May 15, 2006.

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

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BioDelivery Sciences International, Inc. and Subsidiaries

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BIODELIVERY SCIENCES INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

AS OF MARCH 31, 2006 AND DECEMBER 31, 2005

	March 31, 2006 (unaudited)	December 31, 2005	Proforma March 31, 2006 (unaudited) See Note 11
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,258,856	\$ 4,914,735	\$ 8,842,189
Due from related party	80,582	59,038	80,582
Prepaid expenses and other current assets	180,181	211,445	180,181
Total current assets	4,519,619	5,185,218	9,102,951
Equipment, net	582,569	647,677	582,569
Goodwill	2,715,000	2,715,000	2,715,000
Other intangible assets:			
Licenses	2,442,171	2,442,171	2,442,171
Non-compete agreements	500,000	500,000	500,000
Accumulated amortization	(756,594)	(647,608)	(756,594)
Total other intangible assets	2,185,577	2,294,563	2,185,577
Other assets	749,573	844,430	749,573
Total assets	\$ 10,752,338	\$ 11,686,888	\$ 15,335,670
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities:			
Current maturities of convertible notes payable	\$ 2,169,446	\$ 1,638,763	\$ 2,169,446
Accounts payable and accrued expenses	1,457,322	1,194,797	1,457,322
Due to related parties	333,432	37,668	333,432
Deferred revenue	70,360	70,360	70,360
Dividends payable	103,642	87,553	103,642
Derivative liability	2,151,475	1,687,026	2,151,475
Total current liabilities	6,285,677	4,716,167	6,285,677
Convertible notes payable, less current maturities	1,167,756	1,595,525	1,167,756
Deposits	2,416,667		
Total liabilities	9,870,100	6,311,692	7,453,432
Stockholders equity:			
Series A Preferred stock, \$.001 par value; 1,647,059 shares designated, 1,647,059 issued and outstanding	3,705,883	3,705,883	3,705,883
Series B Preferred stock, \$.001 par value, 941,177 shares designated, 341,176 shares issued and outstanding	1,450,000	1,450,000	1,450,000

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Common stock, \$.001 par value; 45,000,000 shares authorized, 11,943,637 issued; 11,928,146 outstanding	11,944	11,829	13,944
Additional paid-in capital	25,012,805	23,599,632	32,010,805
Treasury stock, at cost, 15,491 shares	(47,183)	(47,183)	(47,183)
Accumulated deficit	(29,251,211)	(23,344,965)	(29,251,211)
Total stockholders' equity	882,238	5,375,196	7,882,238
Total liabilities and stockholders' equity	\$ 10,752,338	\$ 11,686,888	\$ 15,335,670

See notes to condensed consolidated financial statements

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BIODELIVERY SCIENCES INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005

	Three Months Ended	
	March 31, 2006	March 31, 2005
	(as restated)	
Sponsored research revenues	\$ 17,153	\$ 73,412
Royalty revenue, related party	20,813	14,389
Research fees	10,000	
Total Revenues	47,966	87,801
Expenses:		
Research and development:		
Related Party	1,117,854	58,224
Other	1,923,227	953,247
Product development costs	746,591	
General and administrative:		
Stock-based compensation	50,291	26,980
Related party	19,903	8,590
Other	735,256	972,616
Total expenses	4,593,122	2,019,657
Loss from operations	(4,545,156)	(1,931,856)
Interest expense, net	(547,894)	(81,868)
Derivative loss	(583,659)	(19,988)
Loss before income taxes	(5,676,710)	(2,033,712)
Income tax benefit		
Net loss	(5,676,710)	(2,033,712)
Preferred stock dividends	(16,089)	(16,089)
Loss attributable to common stockholders	\$ (5,692,799)	\$ (2,049,801)
Per share amounts, basic and diluted:		
Loss attributed to common stockholders	\$ (0.48)	\$ (0.28)
Weighted average common stock shares outstanding basic and diluted	11,870,813	7,204,517

See notes to condensed consolidated financial statements

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BIODELIVERY SCIENCES INTERNATIONAL, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2006

(Unaudited)

	Series A		Series B		Common Stock			Additional	Treasury	Accumulated	Total
	Preferred Stock		Preferred stock		Common Stock						
	Shares	Amount	Shares	Amount	Shares	Amount	Paid-In Capital	Stock	Deficit	Equity	
Balances, January 1, 2006	1,647,059	\$ 3,705,883	341,176	\$ 1,450,000	11,828,637	\$ 11,829	\$ 23,831,168	(\$ 47,183)	(\$ 23,574,501)	\$ 5,377,196	
Stock-based compensation							50,291			50,291	
Issuance of warrants for product development							746,591			746,591	
Conversion of notes payable to common stock					108,363	108	265,380			265,488	
Payment of interest with common stock					6,637	7	16,254			16,261	
Reclassification of derivative liability to equity							119,210			119,210	
Series B Preferred Dividends							(16,089)			(16,089)	
Net loss									(5,676,710)	(5,676,710)	
Balances, March 31, 2006	1,647,059	\$ 3,705,883	341,176	\$ 1,450,000	11,943,637	\$ 11,944	\$ 25,012,805	(\$ 47,183)	(\$ 29,251,211)	\$ 882,238 ⁽¹⁾	

(1) See Proforma Balance Sheet and Note 11.

See notes to condensed consolidated financial statements

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BIODELIVERY SCIENCES INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005

(Unaudited)

	Three Months Ended	
	March	March 31, 2005
	31,2006	(as restated)
Operating activities:		
Net loss	\$ (5,676,710)	\$ (2,033,612)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Expenses paid through the issuance of treasury stock		20,000
Expenses paid through the issuance of common stock	16,261	
Expenses paid through the issuance of warrants	746,591	
Depreciation	69,706	70,824
Amortization	108,986	108,513
Derivative loss	583,659	