

Celsion CORP
Form 10-Q
May 15, 2012

UNITED STATES
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 March 31, 2012

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: 001-15911

CELSION CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

52-1256615

(I.R.S. Employer Identification Number)

997 Lenox Drive, Suite 100
Lawrenceville, NJ 08648
(Address of principal executive offices)

(609) 896-9100

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 (§232.405 of this chapter) 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,

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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 (Check One):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not
check if a smaller reporting
company)

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 May 14, 2012, the Registrant had 33,225,574 shares of Common Stock, \$.01 par value per share, outstanding.

CELSION CORPORATION

QUARTERLY REPORT ON
FORM 10-Q

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Forward-Looking Statements

This report includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). All statements other than statements of historical fact are “forward-looking statements” for purposes of this Quarterly Report on Form 10-Q, including any projections of earnings, revenue or other financial items, any statements of the plans and objectives of management for future operations (including, but not limited to, pre-clinical development, clinical trials, manufacturing and commercialization), any statements concerning proposed drug candidates or other new products or services, any statements regarding future economic conditions or performance, any unforeseen changes in the course of research and development activities and in clinical trials, any possible changes in cost and timing of development and testing, capital structure, and other financial items, any changes in approaches to medical treatment, any introduction of new products by others, any possible acquisitions of other technologies, assets or businesses, any possible actions by customers, suppliers, competitors and regulatory authorities, and any statements of assumptions underlying any of the foregoing. In some cases, forward-looking statements can be identified by the use of terminology such as “may,” “will,” “expects,” “plans,” “anticipates,” “estimates,” “potential” or “continue,” or the negative thereof or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements contained herein are reasonable, such expectations or any of the forward-looking statements may prove to be incorrect and actual results could differ materially from those projected or assumed in the forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to inherent risks and uncertainties, including, but not limited to, the risk factors set forth in Part II, Item 1A “Risk Factors” below and for the reasons described elsewhere in this Quarterly Report on Form 10-Q. All forward-looking statements and reasons why results may differ included in this report are made as of the date hereof and we do not intend to update any forward-looking statements, except as required by law or applicable regulations. Except where the context otherwise requires, in this Quarterly Report on Form 10-Q, the “Company,” “Celsion,” “we,” “us,” and “our” refer to Celsion Corporation, a Delaware corporation, and, where appropriate, its subsidiaries.

Trademarks

The Celsion brand and product names, including but not limited to Celsion® and ThermoDox® , contained in this document are trademarks, registered trademarks or service marks of Celsion Corporation in the United States (U.S.) and certain other countries.

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PART I: FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

CELSION CORPORATION
BALANCE SHEETS

ASSETS	March 31, 2012 (unaudited)	December 31, 2011
Current assets:		
Cash and cash equivalents	\$ 9,122,079	\$20,145,854
Short-term investments	15,471,646	10,400,905
Other current assets	1,178,660	961,726
Total current assets	25,772,385	31,508,485
Property and equipment (at cost, less accumulated depreciation of \$695,552 and \$643,472, respectively)	908,240	782,720
Other assets:		
Deposits and other assets	322,629	322,629
Patent licensing fees, net	33,750	35,625
Total other assets	356,379	358,254
Total assets	\$ 27,037,004	\$32,649,459
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 3,708,845	\$4,010,203
Other accrued liabilities	2,611,257	2,031,934
Note payable - current portion	78,407	110,287
Total current liabilities	6,398,509	6,152,424
Common stock warrant liability	88,798	166,398
Note payable – non-current portion	57,141	71,602
Other liabilities – non-current	130,934	65,467
Total liabilities	6,675,382	6,455,891
Stockholders' equity:		
Common stock, \$0.01 par value; 75,000,000 shares authorized and 33,899,057 shares issued at March 31, 2012 and December 31, 2011 and 33,217,366 and 33,186,325 shares outstanding at March 31, 2012 and December 31, 2011, respectively	338,991	338,991
Additional paid-in capital	153,531,908	153,237,225
Accumulated other comprehensive loss	(277,916)	(276,700)
Accumulated deficit	(130,472,952)	(124,221,823)
Subtotal	23,120,031	29,077,693
Treasury stock, at cost (681,691 and 712,732 shares at March 31, 2012 and December 31, 2011, respectively)	(2,758,409)	(2,884,125)

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Total stockholders' equity	20,361,622	26,193,568
Total liabilities and stockholders' equity	\$ 27,037,004	\$ 32,649,459

See accompanying notes to the financial statements.

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CELSION CORPORATION

STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,	
	2012	2011
Licensing revenue (Note 13)	\$	\$ 2,000,000
Operating expenses:		
Research and development	4,693,007	4,348,636
General and administrative	1,570,466	1,215,283
Total operating expenses	6,263,473	5,563,919
Loss from operations	(6,263,473)	(3,563,919)
Other (expense) income:		
Gain from valuation of common stock warrant liability	77,600	168,311
Investment income	5,333	467
Interest and dividend expense	(5,701)	(369,142)
Total other income (expense), net	77,232	(200,364)
Net Loss	\$ (6,186,241)	\$ (3,764,283)
Net loss per common share – basic and diluted	\$ (0.19)	\$ (0.28)
Weighted average shares outstanding – basic and diluted	33,197,196	13,452,939

See accompanying notes to the financial statements.

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CELSION CORPORATION

STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)

	Three Months Ended March 31,	
	2012	2011
Net Loss	\$ (6,186,241)	\$ (3,764,283)
Other comprehensive (loss) gain		
Unrealized (loss)/gain on investments available for sale	(1,216)	36,983
Comprehensive loss	\$ (6,187,457)	\$ (3,727,300)

See accompanying notes to the financial statements.

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CELSION CORPORATION
STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
	2012	2011
Cash flows from operating activities:		
Net loss	\$(6,186,241)	\$(3,764,283)
Non-cash items included in net loss:		
Depreciation and amortization	53,955	43,245
Change in fair value of common stock warrant liability	(77,600)	(168,311)
Stock-based compensation	305,127	326,877
Shares issued out of treasury	50,384	13,708
Change in deferred rent liability	65,467	–
Non cash dividend expense on preferred stock	–	281,878
Net changes in:		
Other current assets	(216,934)	(1,172,780)
Accounts payable	(301,358)	(1,231,782)
Other accrued liabilities	579,323	1,298,910
Net cash used in operating activities:	(5,727,877)	(4,372,538)
Cash flows from investing activities:		
Purchases of investment securities	(10,309,461)	–
Proceeds from sale and maturity of investment securities	5,237,504	301,633
Purchases of property and equipment	(177,600)	(447)
Net cash (used in) provided by investing activities	(5,249,557)	301,186
Cash flows from financing activities:		
Proceeds from sale of 8% Series A Redeemable, Convertible Preferred Stock, net of issuance costs	–	4,324,080
Proceeds from sale of common stock equity, net of issuance costs	–	602,263
Principal payments on note payable	(46,341)	(29,369)
Net cash (used in) provided by financing activities	(46,341)	4,896,974
(Decrease) increase in cash and cash equivalents	(11,023,775)	825,622
Cash and cash equivalents at beginning of period	20,145,854	1,138,916
Cash and cash equivalents at end of period	\$9,122,079	\$1,964,538
Supplemental disclosures of cash flow information:		
Interest and preferred stock dividends paid	\$5,701	\$87,264

See accompanying notes to the financial statements.

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CELSION CORPORATION
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
(Unaudited)

	Common Stock		Additional Paid in Capital	Treasury Stock		Accumulated Other Comprehensive (Loss) / Income		Accumulated Deficit	Total
	Outstanding Shares	Amount		Shares	Amount				
Balance at December 31, 2010	13,331,096	\$140,914	\$99,316,859	760,274	\$(3,076,670)	\$(18,367)	\$(100,938,261)	\$(4,575,525)	
Net loss	—	—	—	—	—	—	(3,764,283)	(3,764,283)	
Other comprehensive income	—	—	—	—	—	36,983	—	36,983	
Valuation of common stock warrants in connection with issuance of 8% Series A Redeemable, Convertible Preferred Stock	—	—	2,030,000	—	—	—	—	2,030,000	
Conversion of Series A Redeemable, Convertible Preferred Stock	212,498	2,125	300,813	—	—	—	—	302,938	
Shares issued under CEFF, net of issuance costs	275,855	2,758	586,100	—	—	—	—	588,858	
Stock-based compensation expense	—	—	326,877	—	—	—	—	326,877	
Issuance of restricted stock upon vesting	47,500	475	(475)	—	—	—	—	—	
Issuance of common stock out of treasury	6,687	—	67	(6,687)	27,082	—	(13,441)	13,708	
Balance at March 31, 2011	13,873,636	\$146,272	\$102,560,241	753,587	\$(3,049,588)	\$18,616	\$(104,715,985)	\$(5,040,444)	
	Common Stock		Additional	Treasury Stock		Accumulated			
	Outstanding	Amount	Paid in	Shares	Amount	Other	Accumulated		
	Shares					Comprehensive			

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	Capital				Loss	Deficit	Total	
Balance at December 31, 2011	33,186,325	\$ 338,991	\$ 153,237,225	712,732	\$(2,884,125)	\$(276,700)	\$(124,221,823)	\$26,193,568
Net loss	–	–	–	–	–	–	(6,186,241)	(6,186,241)
Other Comprehensive loss	–	–	–	–	–	(1,216)	–	(1,216)
Stock-based compensation expense	–	–	305,127	–	–	–	–	305,127
Issuance of common stock out of treasury	31,041	–	(10,444)	(31,041)	125,716	–	(64,888)	50,384
Balance at March 31, 2012	33,217,366	\$ 338,991	\$ 153,531,908	681,691	\$(2,758,409)	\$(277,916)	\$(130,472,952)	\$20,361,622

See accompanying notes to the financial statements.

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CELSION CORPORATION
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

Note 1. Business Description

Celsion Corporation, referred to herein as “Celsion”, “We”, or “the Company,” a Delaware corporation based in Lawrenceville, New Jersey, is an innovative oncology drug development company focused on improving treatment for those suffering with difficult-to-treat forms of cancer. We are working to develop and commercialize more efficient, effective, targeted chemotherapeutic oncology drugs based on our proprietary heat-activated liposomal technology. Our lead product ThermoDox® is being tested in human clinical trials for the treatment of primary liver cancer, recurrent chest wall breast cancer and colorectal liver metastases.

Note 2. Basis of Presentation

The accompanying unaudited financial statements of Celsion have been prepared in accordance with generally accepted accounting principles (GAAP) in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations.

In the opinion of management, all adjustments, consisting only of normal recurring accruals considered necessary for a fair presentation, have been included in the accompanying unaudited financial statements. Operating results for the three month period ended March 31, 2012 are not necessarily indicative of the results that may be expected for any other interim period(s) or for any full year. For further information, refer to the financial statements and notes thereto included in the Company’s Annual Report on Form 10-K/A for the fiscal year ended December 31, 2011 filed with the Securities and Exchange Commission on March 15, 2012.

The preparation of financial statements in conformity with GAAP requires management to make judgments, estimates, and assumptions that affect the amount reported in the Company’s financial statements and accompanying notes. Actual results could differ materially from those estimates.

Events and conditions arising subsequent to the most recent balance sheet date have been evaluated for their possible impact on the financial statements and accompanying notes. Other than the information contained in Note 14, no events and conditions would give rise to any information that required accounting recognition or disclosure in the financial statements other than those arising in the ordinary course of business.

Note 3. New Accounting Pronouncements

From time to time, new accounting pronouncements are issued by FASB and are adopted by us as of the specified effective date. Unless otherwise discussed, we believe that the impact of recently issued accounting pronouncements will not have a material impact on the Company’s consolidated financial position, results of operations, and cash flows, or do not apply to our operations.

In June 2011, the Financial Accounting Standards Board (FASB) amended its guidance on the presentation of comprehensive income in financial statements to improve the comparability, consistency and transparency of financial reporting and to increase the prominence of items that are recorded in other comprehensive income. The new accounting guidance requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. The provisions of this new guidance are effective for fiscal years, and interim periods within those years, beginning after December 15,

2011. We have incorporated this guidance into these financial statements and they did not have a material impact on the Company's financial statements.

There were no new accounting pronouncements issued or effective during the first three months of 2012 that have had or are expected to have a material impact on the Company's financial statements.

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Note 4. Net Loss per Common Share

Basic earnings per share is calculated based upon the net loss available to common shareholders divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated after adjusting the denominator of the basic earnings per share computation for the effects of all dilutive potential common shares outstanding during the period. The dilutive effects of options, warrants and their equivalents are computed using the treasury stock method.

For the three months ended March 31, 2012 and 2011, diluted loss per common share was the same as basic loss per common share as all options and warrants that were convertible into shares of the Company's common stock were excluded from the calculation of diluted earnings per share as their effect would have been anti-dilutive. The total number of outstanding warrants and equity awards for the periods ended March 31, 2012 and 2011 were 14,975,681 and 6,498,276 common stock equivalent shares, respectively.

Note 5. Short-Term Investments Available For Sale

Short-term investments available for sale of \$15,471,646 and \$10,400,905 as of March 31, 2012 and December 31, 2011, respectively, consist of commercial paper, corporate debt securities and equity securities. They are valued at fair value, with unrealized gains and losses reported as a separate component of stockholders' equity in Accumulated Other Comprehensive Loss.

Securities available for sale are evaluated periodically to determine whether a decline in their value is other than temporary. The term "other than temporary" is not intended to indicate a permanent decline in value. Rather, it means that the prospects for near-term recovery of value are not necessarily favorable, or that there is a lack of evidence to support fair values equal to, or greater than, the carrying value of the security. Management reviews criteria such as the magnitude and duration of the decline, as well as the reasons for the decline, to predict whether the loss in value is other than temporary. Once a decline in value is determined to be other than temporary, the value of the security is reduced and a corresponding charge to earnings is recognized.

	March 31, 2012	December 31, 2011
Short-term investments available for sale - at fair value		
Bonds - corporate issuances	\$ 13,471,266	\$ 10,400,905
Bonds - government issuances	2,000,380	–
Total short-term investments, available for sale	\$ 15,471,646	\$ 10,400,905

A summary of the cost, fair value and bond maturities of the Company's short-term investments is as follows:

	March 31, 2012		December 31, 2011	
	Cost	Fair Value	Cost	Fair Value
Short-term investments				
Bonds- corporate issuances	\$13,641,189	\$13,471,266	\$10,565,315	\$10,400,905
Bonds - government issuances	2,000,000	2,000,380		
Equity securities	108,373	–	108,373	–
Total	\$15,749,562	\$15,471,646	\$10,673,688	\$10,400,905
Bond maturities				
Within 3 months	\$2,071,980	\$2,015		