

Nile Therapeutics, Inc.
Form 10-Q
August 14, 2013

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 JUNE 30, 2013

**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: 001-34058

NILE THERAPEUTICS, INC.

(Exact Name Of Registrant As Specified In Its Charter)

Delaware 88-0363465
(State of Incorporation) (I.R.S. Employer Identification No.)

63 Bovet Rd., Suite 421, San Mateo, CA 94402

(Address of principal executive offices)(Zip Code)

(650) 918-7489

(Registrant's telephone number, including area code)

Not Applicable

(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 Exchange Act 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

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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 August 13, 2013, there were 43,520,563 shares of common stock, par value \$0.001 per share, of Nile Therapeutics, Inc. issued and outstanding.

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Forward-Looking Statements

This Quarterly Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Any statements about our expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These forward-looking statements include, but are not limited to, statements about:

- our ability to complete our planned merger with Capricor, Inc.;
- our ability to obtain adequate financing;
- our ability to find collaborative partners for research, development and commercialization of potential products;
- the development of our product candidates;
- the regulatory approval of our product candidates;
- our use of clinical research centers and other contractors;
- acceptance of our products by doctors, patients or payors;
- our ability to market any of our product candidates;
- our history of operating losses;
- our ability to compete against other companies and research institutions;
- our ability to secure adequate protection for our intellectual property;
- our ability to attract and retain key personnel;
- availability of reimbursement for our product candidates;
- the effect of potential strategic transactions on our business; and
- the volatility of our stock price.

These statements are often, but not always, made through the use of words or phrases such as “anticipate,” “estimate,” “plan,” “project,” “continuing,” “ongoing,” “expect,” “believe,” “intend” and similar words or phrases. For such statements, under the protection of the Private Securities Litigation Reform Act of 1995. Readers of this Quarterly Report on Form 10-Q are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the time this Quarterly Report on Form 10-Q was filed with the Securities and Exchange Commission, or SEC. These forward-looking statements are based largely on our expectations and projections about future events and future trends affecting our business, and are subject to risks and uncertainties that could cause actual results to differ materially from those anticipated in the forward-looking statements. Discussions containing these forward-looking statements may be found throughout this report, including Part I, the section entitled “Item 2: Management’s Discussion and Analysis of Financial Condition and Results of Operations.” These forward-looking statements involve risks and uncertainties, including the risks discussed in our Annual Report on Form 10-K for the year ended December 31, 2012 (“Form 10-K”), that could cause our actual results to differ materially from those in the forward-looking statements. Except as required by law, we undertake no obligation to publicly revise our forward-looking statements to reflect events or circumstances that arise after the filing of this report or documents incorporated by reference herein that include forward-looking statements. The risks discussed in our Form 10-K and in this report should be considered in evaluating our prospects and future financial performance.

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In addition, past financial or operating performance is not necessarily a reliable indicator of future performance and you should not use our historical performance to anticipate results or future period trends. We can give no assurances that any of the events anticipated by the forward-looking statements will occur or, if any of them do, what impact they will have on our results of operations and financial condition.

References to the “Company,” “Nile,” the “Registrant,” “we,” “us,” or “our” in this report refer to Nile Therapeutics, Inc., a Delaware corporation, unless the context indicates otherwise.

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

NILE THERAPEUTICS, INC.

(A DEVELOPMENT STAGE COMPANY)

CONDENSED BALANCE SHEETS

	June 30, 2013 (unaudited)	December 31, 2012
ASSETS		
Current assets		
Cash and cash equivalents	\$ 229,205	\$ 46,716
Prepaid expenses and other current assets	60,088	124,912
Total current assets	289,293	171,628
Property and equipment, net	994	3,488
Other noncurrent assets	4,535	51,938
Total assets	\$ 294,822	\$ 227,054
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 397,577	\$ 182,916
Accrued expenses and other current liabilities	346,295	131,928
Notes payable, net of unamortized discount of \$191,486	258,514	-
Due to related party	13,200	16,139
Total current liabilities	1,015,586	330,983
Warrant liability	512,087	63,384
Total liabilities	1,527,673	394,367
Commitments and contingencies (Note 11)		
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, 43,062,231 shares issued and outstanding	43,062	43,062

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Additional paid-in capital	46,512,487	46,497,642	
Deficit accumulated during the development stage	(47,788,400)	(46,708,017))
Total stockholders' deficit	(1,232,851)	(167,313))
Total liabilities and stockholders' deficit	\$ 294,822	\$ 227,054	

See accompanying notes to the unaudited condensed financial statements.

NILE THERAPEUTICS, INC.

(A DEVELOPMENT STAGE COMPANY)

CONDENSED STATEMENTS OF OPERATIONS

(unaudited)

	Three months ended June 30,		Six months ended June 30,		Period from August 1, 2005 (inception) through June 30, 2013
	2013	2012	2013	2012	
Income:					
Grant income	\$-	\$-	\$-	\$-	\$ 482,235
Collaboration income	-	-	-	195,500	1,550,000
Total income	-	-	-	195,500	2,032,235
Operating expenses:					
Research and development	36,513	332,450	99,119	797,803	31,118,939
General and administrative	384,621	441,970	647,095	941,990	18,584,966
Total operating expenses	421,134	774,420	746,214	1,739,793	49,703,905
Loss from operations	(421,134)	(774,420)	(746,214)	(1,544,293)	(47,671,670)
Other income (expense):					
Interest income	104	596	144	840	795,336
Interest expense	(74,046)	-	(87,064)	-	(1,360,798)
Other income (expense)	(102,545)	420,890	(247,249)	418,640	448,732
Total other income (expense)	(176,487)	421,486	(334,169)	419,480	(116,730)
Net loss	\$(597,621)	\$(352,934)	\$(1,080,383)	\$(1,124,813)	\$(47,788,400)
Basic and diluted loss per share	\$(0.01)	\$(0.01)	\$(0.03)	\$(0.03)	
Weighted-average common shares outstanding	43,062,231	42,951,791	43,062,231	41,332,011	

See accompanying notes to the unaudited condensed financial statements.

NILE THERAPEUTICS, INC.

(A DEVELOPMENT STAGE COMPANY)

CONDENSED STATEMENT OF STOCKHOLDERS' (DEFICIT) EQUITY

PERIOD FROM AUGUST 1, 2005 (INCEPTION) TO JUNE 30, 2013

(unaudited)

	COMMON STOCK		ADDITIONAL	DEFICIT	TOTAL
	SHARES	AMOUNT	PAID-IN	ACCUMULATED	STOCKHOLDERS'
			CAPITAL	DURING THE	EQUITY
				DEVELOPMENT	(DEFICIT)
				STAGE	
Issuance of common shares to founders	13,794,132	\$ 13,794	\$ (8,794) \$ -	\$ 5,000
Founders shares returned to treasury	(1,379,419)	-	-	-	-
Net loss	-	-	-	(10,043) (10,043)
Balance at December 31, 2005	12,414,713	13,794	(8,794) (10,043) (5,043)
Issuance of common shares pursuant to licensing agreement	1,379,419	-	500	-	500
Issuance of stock options for services	-	-	10,000	-	10,000
Net loss	-	-	-	(2,581,972) (2,581,972)
Balance at December 31, 2006	13,794,132	13,794	1,706	(2,592,015) (2,576,515)
Issuance of common shares pursuant to licensing agreement	63,478	64	182,172	-	182,236
Issuance of common shares pursuant to licensing agreement	350,107	350	999,650	-	1,000,000
Common shares sold in private placement, net of issuance costs of \$102,000	6,957,914	6,958	19,865,789	-	19,872,747
Warrants issued in connection with note conversion	-	-	288,000	-	288,000
Conversion of notes payable upon event of merger	1,684,085	1,684	4,349,481	-	4,351,165
Note discount arising from beneficial conversion feature	-	-	483,463	-	483,463
Reverse merger transaction	-	-	(234,218) -	(234,218)
Elimination of accumulated deficit	-	-	(234,218) -	(234,218)
Previously issued SMI stock	1,250,000	1,250	232,968	-	234,218
Employee stock-based compensation	-	-	1,902,298	-	1,902,298

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Non-employee stock-based compensation	-	-	(667)	-	(667)
Net loss	-	-	-	(10,302,795)	(10,302,795)
Balance at December 31, 2007	24,099,716	24,100	28,070,642	(12,894,810)	15,199,932	
Warrants issued in satisfaction of accrued liabilities	-	-	334,992	-		334,992	
Employee stock-based compensation	-	-	2,436,603	-		2,436,603	