

NovaBay Pharmaceuticals, Inc.
Form 10-Q
May 12, 2010

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 EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2010

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 001-33678

NOVABAY PHARMACEUTICALS, INC.
(Exact name of registrant as specified in its charter)

California
(State or other jurisdiction of incorporation or
organization)

68-0454536
(I.R.S. Employer Identification No.)

5980 Horton Street, Suite 550, Emeryville CA 94608
(Address of principal executive offices) (Zip Code)

Registrant's Telephone Number, Including Area Code: (510) 899-8800

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

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. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

(Do not check if a smaller reporting company)

Edgar Filing: NovaBay Pharmaceuticals, Inc. - Form 10-Q

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

As of May 7, 2010, there were 23,309,188 shares of the registrant's common stock outstanding.

1

NOVABAY PHARMACEUTICALS, INC.

TABLE OF CONTENTS

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements and Notes (unaudited)

The following Consolidated Financial Statements are presented for NovaBay Pharmaceuticals, Inc, and its subsidiaries.

1.	Consolidated Statements of Operations: Three months ended March 31, 2010 and 2009	3
2.	Consolidated Balance Sheets: March 31, 2010 and December 31, 2009	4
3.	Consolidated Statements of Cash Flows: Three months ended March 31, 2010 and 2009	5
4.	Notes to Consolidated Financial Statements	6
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	21
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	27
Item 4.	Controls and Procedures	27
Item 4T.	Controls and Procedures	27
PART II		
OTHER INFORMATION		
Item 1A.	Risk Factors	28
Item 6.	Exhibits	43
SIGNATURES		44

Unless the context requires otherwise, all references in this report to “we,” “our,” “us,” the “Company” and “NovaBay” refer to NovaBay Pharmaceuticals, Inc. and its subsidiaries.

NovaBay Pharma®, Aganocide®, NovaBay™, AgaDerm™, AgaNase™, and NeutroPhase™ are trademarks of NovaBay Pharmaceuticals, Inc. All other trademarks and trade names are the property of their respective owners.

PART I

FINANCIAL INFORMATION

ITEM FINANCIAL STATEMENTS

1.

NOVABAY PHARMACEUTICALS, INC.
(a development stage company)
CONSOLIDATED BALANCE SHEETS

	March 31, 2010 (unaudited)	December 31, 2009 (Note 2)
(in thousands, except per share data)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$12,890	\$10,992
Short-term investments	854	300
Accounts receivable and other receivables	51	3,801
Deferred tax asset	—	34
Prepaid expenses and other current assets	411	479
Total current assets	14,206	15,606
Other assets	225	105
Property and equipment, net	1,736	1,812
TOTAL ASSETS	\$16,167	\$17,523
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Current liabilities:		
Accounts payable	\$227	\$272
Accrued liabilities	681	1,228
Capital lease obligation	—	7
Equipment loan	330	364
Deferred revenue	2,701	2,167
Total current liabilities	3,939	4,038
Deferred tax liability	—	34
Equipment loan - non-current	42	106
Total liabilities	3,981	4,178
Stockholders' Equity:		
Common stock, \$0.01 par value; 65,000 shares authorized at March 31, 2010 and December 31, 2009; 23,306 and 23,254 issued and outstanding at March 31, 2010 and December 31, 2009, respectively	233	233
Additional paid-in capital	37,475	37,003
Accumulated other comprehensive loss	(2)	—
Accumulated deficit during development stage	(25,520)	(23,891)
Total stockholders' equity	12,186	13,345
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$16,167	\$17,523

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

NOVABAY PHARMACEUTICALS, INC.
(a development stage company)
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

(in thousands, except per share data)	March 31, Three Months Ended		Cumulative Period from July 1, 2002 (date of development stage inception) to March 31, 2010
	2010	2009	
Revenue:			
License and collaboration revenue	\$ 2,084	\$ 2,611	\$ 31,936
Operating Expenses:			
Research and development	2,233	1,361	34,577
General and administrative			