

Cytosorbents Corp
Form 10-Q
August 12, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2014

Or

**..TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934**

Commission file number: 000-51038

CYTOSORBENTS CORPORATION

(Exact name of registrant as specified in its charter)

Nevada **98-0373793**
(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)

7 Deer Park Drive, Suite K

Monmouth Junction, New Jersey 08852

(Address of principal executive offices) (Zip Code)

(732) 329-8885

(Registrant's telephone number, including area code)

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, 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 6, 2014 there were 310,699,452 shares of the issuer's Common Stock outstanding.

CytoSorbents Corporation

(a development stage company)

FORM 10-Q

TABLE OF CONTENTS

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements (June 30, 2014 and 2013 unaudited)</u>	3
<u>Consolidated Balance Sheets</u>	3
<u>Consolidated Statements of Operations and Comprehensive Loss</u>	4
<u>Consolidated Statement of Changes in Redeemable Convertible Preferred Stock and Stockholders' Equity (Deficiency)</u>	5
<u>Consolidated Statements of Cash Flows</u>	6
<u>Notes to Consolidated Financial Statements</u>	8
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	17
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	23
<u>Item 4. Controls and Procedures</u>	23
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	24
<u>Item 1A. Risk Factors</u>	24
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	24
<u>Item 3. Defaults of Senior Securities</u>	24
<u>Item 4. Mine Safety Disclosures</u>	24
<u>Item 5. Other Information</u>	24
<u>Item 6. Exhibits</u>	24

PART I — FINANCIAL INFORMATION**Item 1. Financial Statements.****CYTOSORBENTS CORPORATION****(a development stage company)****CONSOLIDATED BALANCE SHEETS**

	June 30, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current Assets:		
Cash and cash equivalents	\$4,878,446	\$2,183,030
Grants and accounts receivable, net of allowance for doubtful accounts of \$1,801 at June 30, 2014 and \$-0- at December 31, 2013	330,347	453,017
Short-term investments	4,745,000	—
Inventories	303,686	245,608
Prepaid expenses and other current assets	364,964	605,312
Total current assets	10,622,443	3,486,967
Property and equipment – net	171,990	144,393
Other assets	462,588	414,375
Total long-term assets	634,578	558,768
Total Assets	\$11,257,021	\$4,045,735
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$525,957	\$786,517
Accrued expenses and other current liabilities	638,746	361,700
T Deferred revenue	5,833	272,359
Warrant liability	889,440	—
Convertible notes payable, net of debt discount in the amount of \$35,662 at June 30, 2014 and \$198,644 at December 31, 2013	709,338	1,644,356
Total current liabilities	2,769,314	3,064,932
Redeemable Series B Convertible Preferred Stock, par value \$0.001, 200,000 Shares authorized; 83,353.00 and 79,336.54 issued and outstanding at June 30, 2014 and December 31, 2013, respectively	17,717,838	15,246,350

Edgar Filing: Cytosorbents Corp - Form 10-Q

Stockholders' Equity/ (Deficiency):

10% Series A Convertible Preferred Stock, 12,000,000 shares authorized; 1,848,753 and 1,759,666 shares issued and outstanding at June 30, 2014 and December 31, 2013, respectively	1,849	1,760
Common Stock, 800,000,000 shares authorized; 310,399,452 and 251,319,547 shares issued and outstanding at June 30, 2014 and December 31, 2013, respectively	310,399	251,320
Additional paid-in capital	101,631,678	91,343,135
Accumulated other comprehensive loss	(50,836)	(55,987)
Deficit accumulated during the development stage	(111,123,221)	(105,805,775)
Total stockholders' equity (deficiency)	(9,230,131)	(14,265,547)
Total Liabilities and Stockholders' Equity (Deficiency)	\$11,257,021	\$4,045,735

See accompanying notes to consolidated financial statements.

CYTOSORBENTS CORPORATION**(a development stage company)****CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

	Period from January 22,1997 (date of inception) to June 30, 2014 (Unaudited)	Six months ended June 30, 2014 (Unaudited)		Three months ended June 30, 2014 (Unaudited)	
		2013 (Unaudited)	2013 (Unaudited)	2014 (Unaudited)	2013 (Unaudited)
Revenue:					
Sales	\$2,241,915	\$1,232,476	\$304,067	\$663,233	\$127,969
Grant income	4,642,871	850,184	358,746	358,922	163,514
Other revenue	4,167	4,167	—	2,500	—
Total revenue	6,888,953	2,086,827	662,813	1,024,655	291,483
Cost of revenue	4,074,124	1,328,688	453,066	666,151	199,555
Gross profit	2,814,829	758,139	209,747	358,504	91,928
Other Expenses:					
Research and development	56,252,164	583,767	1,412,300	346,993	708,159
Legal, financial and other consulting	10,043,839	550,060	412,539	239,752	189,793
Selling, general and administrative	31,149,581	2,161,619	1,213,980	1,154,872	600,818
Change in fair value of management incentive units	(6,055,483)	—	—	—	—
Total expenses	91,390,101	3,295,446	3,038,819	1,741,617	1,498,770
Loss from operations	(88,575,272)	(2,537,307)	(2,829,072)	(1,383,113)	(1,406,842)
Other (income)/expense:					
Gain on disposal of property and equipment	(21,663)	—	—	—	—
Gain on extinguishment of debt	(216,617)	—	—	—	—
Interest expense/(income), net	7,989,251	264,858	214,859	127,769	8,147
Penalties associated with non-registration of Series A Preferred Stock	361,495	—	—	—	—
Change in warrant liability	26,520	26,520	—	342,720	—
Total other (income) expense, net	8,138,986	291,378	214,859	470,489	8,147
Loss before benefit from income taxes	(96,714,258)	(2,828,685)	(3,043,931)	(1,853,602)	(1,414,989)
Benefit from income taxes	(1,397,353)	—	—	—	—
Net loss	(95,316,905)	(2,828,685)	(3,043,931)	(1,853,602)	(1,414,989)
Preferred Stock Dividend	15,806,316	2,488,761	1,202,905	1,374,245	616,488
	\$(111,123,221)	\$(5,317,446)	\$(4,246,836)	\$(3,227,847)	\$(2,031,477)

Edgar Filing: Cytosorbents Corp - Form 10-Q

Net Loss available to common shareholders					
Basic and diluted net loss per common share		\$(0.02	) \$(0.02	) \$(0.01	) \$(0.01
Weighted average number of shares of common stock outstanding		283,424,589	227,299,644	301,195,959	231,583,119
Net loss		\$(95,316,905	) \$(2,828,685	) \$(3,043,931	) \$(1,853,602
Other comprehensive loss:					
Currency translation adjustment		(50,836	) 5,151	(3,269	) 4,318
Comprehensive loss		\$(95,367,741	) \$(2,823,534	) \$(3,047,200	) \$(1,849,284,
				)	\$(1,415,856

See accompanying notes to consolidated financial statements.

CYTOSORBENTS CORPORATION**(a development stage company)****CONSOLIDATED STATEMENT OF CHANGES IN REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIENCY)****Period from December 31, 2013 to June 30, 2014 (Unaudited):**

	Series B Redeemable Convertible Preferred Stock		Common Stock		Preferred Stock A		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Deficit Accumulated Development Stage
	Shares	Amount	Shares	Par value	Shares	Par Value			
Balance at December 31, 2013	79,336.54	\$15,246,350	251,319,547	\$251,320	1,759,666	\$1,760	\$91,343,135	\$(55,987)	\$(105,800)
Stock based compensation - employees, consultants and directors							104,858		
Issuance of common stock for services rendered			750,000	750			89,350		
Issuance of Series A Preferred Stock as dividends					89,087	89	17,184		(17,273)
Issuance of Series B Preferred Stock as dividends	4,016.46	\$2,471,488							(2,471,488)
		&nb							