

CALMARE THERAPEUTICS Inc
Form 10-Q
December 29, 2016

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 September 30, 2016

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 001-08696

CALMARE THERAPEUTICS INCORPORATED

(Exact name of registrant as specified in its charter)

www.calmaretherapeutics.com

Delaware 36-2664428
(State or other jurisdiction of incorporation or organization) (I. R. S. Employer Identification No.)

1375 Kings Highway East, Suite 400 Fairfield, 06824
Connecticut
(Address of principal executive offices) (Zip Code)

(203) 368-6044
(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 x 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.

Yes x 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 definition of "accelerated filer, large accelerated filer and smaller reporting company" as defined in Rule 12b-2 of the Exchange Act.

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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

The number of shares of the registrant's common stock outstanding as of December 29, 2016 was 28,787,831 shares.

CALMARE THERAPEUTICS INCORPORATED

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PART I. FINANCIAL INFORMATION**Item 1. Condensed Consolidated Interim Financial Statements****CALMARE THERAPEUTICS INCORPORATED AND SUBSIDIARY**

Condensed Consolidated Balance Sheets

	September 30, 2016 (Unaudited)	December 31, 2015
Assets		
Current Assets:		
Cash	\$6,872	\$49,801
Receivables, net of allowance of \$317,659 at both September 30, 2016 and December 31, 2015	2,751	33,081
Inventory	3,948,220	4,028,220
Prepaid expenses and other current assets	5,510	58,034
Total current assets	3,963,353	4,169,136
Property and equipment, net	11,331	23,726
Security deposits	15,000	15,000
TOTAL ASSETS	\$3,989,684	\$4,207,862
Liabilities and Shareholders' Deficit		
Current Liabilities:		
Accounts payable	\$1,690,860	\$1,895,382
Liabilities under claims purchase agreement	1,995,320	1,995,320
Accounts payable, GEOMC	4,182,380	4,182,380
Accrued expenses and other liabilities	2,889,400	2,248,024
Notes payable	5,422,458	3,785,063
Deferred revenue	6,400	6,400
Series C convertible preferred stock derivative liability	83,591	66,177
Series C convertible preferred stock liability	375,000	375,000
Total current liabilities	16,645,409	14,553,746
Note payable – long-term	-	67,919
Commitments and Contingencies		
Shareholders' deficit:		
	60,675	60,675

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5% preferred stock, \$25 par value, 35,920 shares authorized, 2,427 shares issued and outstanding		
Series B preferred stock, \$0.001 par value, 20,000 shares authorized, no shares issued and outstanding	-	-
Series C convertible preferred stock, \$1,000 par value, 750 shares authorized, 375 shares issued and outstanding	-	-
Common stock, \$.01 par value, 100,000,000 shares authorized, 28,787,831 shares issued and outstanding at September 30, 2016 and 28,515,888 shares issued and outstanding at December 31, 2015	287,877	285,158
Capital in excess of par value	49,004,905	48,611,413
Accumulated deficit	(62,009,182)	(59,371,049)
Total shareholders' deficit	(12,655,725)	(10,413,803)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	\$3,989,684	\$4,207,862

See accompanying notes

PART I. FINANCIAL INFORMATION (Continued)**CALMARE THERAPEUTICS INCORPORATED AND SUBSIDIARY**

Condensed Consolidated Statements of Operations

(Unaudited)

	Three months ended September 30, 2016		Three months ended September 30, 2015
Revenue			
Product sales	\$ 465,000		\$ 197,204
Cost of product sales	125,719		59,830
Gross profit from product sales	339,281		137,374
Other Revenue			
Retained royalties	4,647		2,389
Other income	30,954		13,673
Total other revenue	35,601		16,062
Operating expenses			
Selling expenses	22,718		67,791
Personnel and consulting expenses	444,082		455,087
General and administrative expenses	167,996		362,208
Total operating expenses	634,796		885,086
Operating loss	(259,914)		(731,650)
Other expense			
Interest expense	393,867		300,361
Unrealized (gain) loss on derivative instruments	(5,388)		30,791
Total other expense	388,479		331,152
	(648,393)		(1,062,802)

Loss before income taxes				
Provision (benefit) for income taxes		-		-
Net loss	\$	(648,393)	\$ (1,062,802)
Basic and diluted loss per share	\$	(0.02)	\$ (0.04)
Basic and diluted weighted average number of common shares outstanding:		28,787,831		28,370,953

See accompanying notes

PART I. FINANCIAL INFORMATION (Continued)**CALMARE THERAPEUTICS INCORPORATED AND SUBSIDIARY**

Condensed Consolidated Statements of Operations

(Unaudited)

	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Revenue		
Product sales	\$ 716,250	\$ 405,154
Cost of product sales	199,704	108,070
Gross profit from product sales	516,546	297,084
Other Revenue		
Retained royalties	13,973	7,037
Other income	55,175	39,206
Total other revenue	69,148	46,243
Operating expenses		
Selling expenses	85,537	112,131
Personnel and consulting expenses	1,310,139	1,329,466
General and administrative expenses	653,940	1,012,369
Total operating expenses	2,049,616	2,453,966
Operating loss	(1,463,922)	(2,110,639)
Other expense		
Interest expense	1,156,797	690,892
Loss on conversion of notes	-	2,588
Unrealized loss on derivative instruments	17,414	41,694
Total other expense	1,174,211	735,174

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Loss before income taxes	(2,638,133)	(2,845,813)
Provision (benefit) for income taxes	-	-
Net loss	\$ (2,638,133)	\$ (2,845,813)
Basic and diluted loss per share	\$ (0.09)	\$ (0.10)
Basic and diluted weighted average number of common shares outstanding:	28,689,254	27,673,151

See accompanying notes

PART I. FINANCIAL INFORMATION (Continued)**CALMARE THERAPEUTICS INCORPORATED AND SUBSIDIARY**

Condensed Consolidated Statement of Changes in Shareholders' Deficit

For the Nine Months Ended September 30, 2016

(Unaudited)

	Preferred Stock		Common Stock		Capital	Accumulated	Total
	Shares	Amount	Shares	Amount	In excess	deficit	shareholders'
	outstanding		outstanding		of par value		deficit
Balance January 1, 2016	2,427	\$60,675	28,515,888	\$285,158	\$48,611,413	\$(59,371,049)	\$(10,413,803)
Net loss	-	-	-	-	-	(2,638,133)	(2,638,133)
Common stock issued to directors	-	-	10,000	100	1,800	-	1,900
Stock option compensation expense	-	-	-	-	8,260	-	8,260
Stock grant to employee	-	-	261,943	2,619	47,150	-	49,769
Warrant and beneficial conversion feature on notes payable	-	-	-	-	336,282	-	336,282
Balance September 30, 2016	2,427	\$60,675	28,787,831	\$287,877	\$49,004,905	\$(62,009,182)	\$(12,655,725)

See accompanying notes

PART I. FINANCIAL INFORMATION (Continued)**CALMARE THERAPEUTICS INCORPORATED AND SUBSIDIARY**

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Cash flows from operating activities:		
Net loss	\$ (2,638,133)	\$ (2,845,813)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	12,395	12,267
Stock option compensation expense	8,260	49,181
Share-based compensation – common stock	1,900	2,125
Common stock and warrants issued to consultants	-	182,600
Debt discount amortization	705,758	265,358
Unrealized loss on derivative instruments	17,414	41,694
Loss on conversion of notes	-	2,588
Changes in assets and liabilities:		
Receivables	30,330	(183)
Prepaid expenses and other current assets	52,524	191,249
Inventory	80,000	40,000
Accounts payable, accrued expenses and other liabilities	486,623	936,494
Deferred revenue	-	(13,286)
Net cash used in operating activities	(1,242,929)	(1,135,726)
Cash flows from investing activities:		
Purchase of property and equipment	-	(4,700)
Net cash used in investing activities	-	(4,700)
Cash flows from financing activities:		
Proceeds from notes payable	1,200,000	857,000
Repayment of note and warrant settlement	-	(42,500)
Proceeds from common stock and warrants	-	365,000
Net cash provided by financing activities	1,200,000	1,179,500
Net increase (decrease) in cash	(42,929)	39,074

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Cash at beginning of period	49,801	5,745
Cash at end of period	\$ 6,872	\$ 44.819

Supplemental disclosure of non-cash transactions:

During the quarter ended March 31, 2015, the Company issued 500,000 shares with a fair value of \$80,000 to an advisory firm