

NovaBay Pharmaceuticals, Inc.
Form 10-Q
November 14, 2008

10-Q NOVABAY PHARMACEUTICALS, INC. 10-Q 3RD QUARTER
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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, 2008

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 office) (Zip Code)

(510) 899-8800
(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 Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was

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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 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 October 31, 2008, 21,468,574 shares of the registrant's common stock, \$0.01 par value, were outstanding.

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NOVABAY PHARMACEUTICALS, INC.

QUARTERLY REPORT ON FORM 10-Q

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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®, Aganocide®, AgaDerm™, AgaNase™ and NeutroPhase™ are our trademarks. All other trademarks and trade names appearing in this report are the property of their respective owners.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOVABAY PHARMACEUTICALS, INC
(formerly NovaCal Pharmaceuticals Inc.)
(a developmental stage company)
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	September 30, 2008	December 31, 2007
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 11,739	\$ 10,941
Short-term investments	3,463	11,412
Prepaid expenses and other current assets	773	419
Total current assets	15,975	22,772
Property and equipment, net	1,449	1,150
TOTAL ASSETS	\$ 17,424	\$ 23,922
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 457	\$ 142
Accrued liabilities	1,350	1,141
Capital lease obligation	40	37
Equipment loan	357	219
Deferred revenue	3,468	3,039
Total current liabilities	5,672	4,578
Capital lease obligation - non-current	18	49
Equipment loan - non-current	565	497
Deferred revenue - non-current	2,539	4,478
Total liabilities	8,794	9,602
Stockholders' Equity:		
Common stock, \$0.01 par value; 65,000 and 65,000 shares authorized at September 30, 2008 and December 31, 2007, respectively, 21,457 and 21,269 shares issued and outstanding at September 30, 2008 and December 31, 2007, respectively		
	214	212
Additional paid-in capital	33,437	32,585
Accumulated other comprehensive income (loss)	31	(3)
Accumulated deficit during development stage	(25,052)	(18,474)
Total stockholders' equity	8,630	14,320
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 17,424	\$ 23,922

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

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NOVABAY PHARMACEUTICALS, INC
(formerly NovaCal Pharmaceuticals Inc.)
(a developmental stage company)
CONSOLIDATED STATEMENT OF OPERATIONS
(in thousands, except per share data
(unaudited))

	Three Months Ended September 30,		Nine Months Ended September 30,		Cumulative Period from July 1, 2002 (date of development stage inception) to September 30, 2008
	2008	2007	2008	2007	2008
REVENUE					
License and collaboration revenue	\$ 1,592	\$ 1,444	\$ 4,526	\$ 4,392	\$ 11,972
Total revenue	1,592	1,444	4,526	4,392	11,972
EXPENSES					