

ZIOPHARM ONCOLOGY INC
Form 10-Q
July 30, 2008

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 10-Q

- QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2008

OR

- TRANSITION REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number 0-32353

ZIOPHARM Oncology, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or
Organization)

84-1475642

(IRS Employer Identification No.)

**1180 Avenue of the Americas, 19th Floor, New York,
NY**

(Address of Principal Executive Offices)

10036

(Zip Code)

(646) 214-0700

(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 No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerate 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 Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a 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

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As of July 30, 2008, there were 21,373,964 shares of the issuer's common stock, \$.001 par value per share, outstanding.

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PART I - FINANCIAL INFORMATION**ZIOPHARM Oncology, Inc.**
(A Development Stage Enterprise)

Balance Sheets

	June 30, 2008 (Unaudited)	December 31, 2007 (Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 21,087,264	\$ 35,028,798
Prepaid expenses and other current assets	237,908	498,864
Total current assets	21,325,172	35,527,662
Property and equipment, net	674,714	746,421
Deposits	98,897	95,497
Other non-current assets	359,651	356,881
Total assets	\$ 22,458,434	\$ 36,726,461
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,900,291	\$ 2,909,170
Accrued expenses	4,281,177	3,396,480
Total current liabilities	6,181,468	6,305,650
Deferred rent	60,430	50,988
Total liabilities	6,241,898	6,356,638
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$.001 par value; 280,000,000 shares authorized; 21,398,964 and 21,298,964 shares issued and outstanding at June 30, 2008 and December 31, 2007, respectively	21,399	21,299
Preferred stock, \$0.01 par value; 30,000,000 shares authorized and no shares issued and outstanding	-	-
Additional paid-in capital	70,644,632	69,674,151
Warrants issued	20,503,894	20,503,894
Deficit accumulated during the development stage	(74,953,389)	(59,829,521)
Total stockholders' equity	16,216,536	30,369,823
Total liabilities and stockholders' equity	\$ 22,458,434	\$ 36,726,461

ZIOPHARM Oncology, Inc.**(A Development Stage Enterprise)**

Statements of Operations

For the three and six months ended June 30, 2008 and 2007 (unaudited) and for the period from inception (September 9, 2003) through June 30, 2008 (unaudited)

	For the three months ended June 30, 2008 (unaudited)	For the three months ended June 30, 2007 (unaudited)	For the six months ended June 30, 2008 (unaudited)	For the six months ended June 30, 2007 (unaudited)	For the Period from Inception (September 9, 2003) through June 30, 2008 (unaudited)
Research contract revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Operating expenses and other income:					
Research and development, including costs of research contracts	4,266,059	4,347,610	10,340,636	7,774,123	47,445,030
General and administrative	2,349,529	2,847,973	5,094,230	4,837,991	31,328,524
Total operating expenses	6,615,588	7,195,583	15,434,866	12,612,114	78,773,554
Loss from operations	(6,615,588)	(7,195,583)	(15,434,866)	(12,612,114)	(78,773,554)
Interest income	114,814	650,382	310,998	1,026,227	3,820,165
Net loss	\$ (6,500,774)	\$ (6,545,201)	\$ (15,123,868)	\$ (11,585,887)	\$ (74,953,389)
Basic and diluted net loss per share	\$ (0.31)	\$ (0.31)	\$ (0.71)	\$ (0.60)	
Weighted average common shares outstanding used to compute basic and diluted net loss per share	21,228,964	21,182,948	21,228,964	19,419,729	

ZIOPHARM Oncology, Inc.
(A Development Stage Enterprise)

Statements of Cash Flows

For the six months ended June 30, 2008 and 2007 and for the period from inception (September 9, 2003) through June 30, 2008 (unaudited)

	For the six months ended June 30, 2008 (unaudited)	For the six months ended June 30, 2007 (unaudited)	For the period from inception (September 9, 2003) through June 30, 2008 (unaudited)
Cash flows from operating activities:			
Net loss	\$ (15,123,868)	\$ (11,585,887)	\$ (74,953,389)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	189,425	182,310	931,883
Non-cash stock-based compensation	970,581	735,751	6,093,698
Loss on disposal of fixed assets	302	-	8,725
Change in operating assets and liabilities:			
(Increase) decrease in:			
Prepaid expenses and other current assets	260,956	(355,025)	(237,908)
Other noncurrent assets	(2,770)	(123,398)	(359,651)
Deposits	(3,400)	(41,412)	(98,897)
Increase (decrease) in:			
Accounts payable	(1,008,879)	712,687	1,900,291
Accrued expenses	884,697	172,893	4,281,177
Deferred rent	9,442	2,547	60,430
Net cash used in operating activities	(13,823,514)	(10,299,534)	(62,373,641)
Cash flows from investing activities:			
Purchases of property and equipment	(118,720)	(392,159)	(1,616,022)
Proceeds from sale of property and equipment	700	-	700
Decrease in short-term investments	-	1,555,164	-
Net cash provided by (used in) investing activities	(118,020)	1,163,005	(1,615,322)
Cash flows from financing activities:			
Proceeds from the exercise of stock options	-	-	65,596
Stockholders' capital contribution	-	-	500,000
Proceeds from issuance of common stock and warrants, net	-	28,970,915	67,751,035
Proceeds from issuance of preferred stock, net	-	-	16,759,596
Net cash provided by financing activities	-	28,970,915	85,076,227
Net increase (decrease) in cash and cash equivalents	(13,941,534)	19,834,386	21,087,264
Cash and cash equivalents, beginning of period	35,028,798	26,855,450	-
Cash and cash equivalents, end of period	\$ 21,087,264	\$ 46,689,836	\$ 21,087,264

Supplementary disclosure of cash flow information:

Cash paid for interest	\$	-	\$	-	\$	-
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Cash paid for income taxes	\$	-	\$	-	\$	-
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Supplementary disclosure of noncash investing and financing activities:

Warrants issued to placement agents and investors, in connection with with private placement	\$	-	\$	5,432,793	\$	20,208,217
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Preferred stock conversion to common stock	\$	-	\$	-	\$	16,759,596
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Warrants converted to common shares	\$	-	\$	-	\$	17,844
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ZIOPHARM Oncology, Inc.**(A Development Stage Enterprise)**Statement of Changes in Convertible Preferred Stock and Stockholders' Equity (Deficit)
for the period from inception (September 9, 2003) through June 30, 2008 (unaudited)

	Convertible Preferred Stock and Warrants to Purchase							Stockholder's Equity (Deficit)	
	Series A		Series A Convertible		Common Stock		Additional Paid- in Capital	Warrants	Deficit Accumulated During Development
	Convertible Preferred Stock	Convertible Preferred Stock	Warrants	Shares	Amount	Shares			
Shares	Amount	Warrants	Shares	Amount	Shares	Amount	Warrants	Amount	
Stockholders' contribution, September 9, 2003	-	\$ -	-	250,487	\$ 250	\$ 499,750	-	\$ -	
Net loss	-	-	-	-	-	-	-	-	(160,100)
Balance at December 31, 2003	-	-	-	250,487	250	499,750	-	-	(160,100)
Issuance of common stock	-	-	-	2,254,389	2,254	4,497,746	-	-	
Issuance of common stock for services	-	-	-	256,749	257	438,582	-	-	
Fair value of options/warrants issued for nonemployee services	-	-	-	-	-	13,240	251,037	-	
Net loss	-	-	-	-	-	-	-	-	(5,687,200)
Balance at December 31, 2004	-	-	-	2,761,625	2,761	5,449,318	251,037	-	(5,847,400)
Issuance of Series A convertible preferred stock (net of expenses of \$1,340,263 and warrant cost of \$1,682,863)	4,197,946	15,076,733	-	-	-	-	-	-	
Fair value of warrants to purchase Series A convertible preferred stock	-	-	1,682,863	-	-	-	-	-	
Issuance of Common stock to EasyWeb Shareholders	-	-	-	189,922	190	(190)	-	-	
Conversion of Series A convertible preferred stock @ \$0.001 into \$0.001 common stock on September 13, 2005 at an exchange ratio of	(4,197,946)	(15,076,733)	(1,682,863)	4,197,823	4,198	15,072,535	1,682,863	-	

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Issuance of common stock for options	-	-	-	98,622	99	4,716		
Fair value of options/warrants issued for nonemployee services	-	-	-	-	-	54,115	44,640	
Net loss	-	-	-	-	-	-	-	(9,516,9
Balance at December 31, 2005	-	-	-	7,247,992	7,248	20,580,494	1,978,540	(15,364,3
Issuance of common stock in private placement, net of expenses \$2,719,395	-	-	-	7,991,256	7,991	21,179,568	-	
Issuance of warrants	-	-	-	-	-	-	13,092,561	
Issuance of common stock for services rendered	-	-	-	25,000	25	106,225	-	
Stock based compensation for employees	-	-	-	-	-	2,776,408	-	
Issuance of common stock due to exercise of stock options	-	-	-	5,845	6	25,186	-	
Issuance of common stock due to exercise of stock warrants	-	-	-	2,806	3	(3)	-	
Net loss	-	-	-	-	-	-	-	(17,856,9