

Neuralstem, Inc.  
Form 10-Q  
November 16, 2009

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U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

(Mark one)

Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act  
of 1934

For the Quarterly Period Ended September 30, 2009

Or

Transition Report Under Section 13 or 15(d) of the Securities Exchange Act  
of 1934

Commission File Number 000-1357459

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

Delaware  
State or other jurisdiction of  
incorporation or organization

52-2007292  
(I.R.S. Employer  
Identification No.)

9700 Great Seneca Highway  
Rockville, MD  
(Address of principal executive offices)

20850  
(Zip Code)

Registrant's telephone number, including area code (301)-366-4841

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,

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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 small 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 5, 2009 there were 34,829,234 shares of common stock, \$.01 par value, issued and outstanding.

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## Neuralstem, Inc.

## Table of Contents

	Page
PART FINANCIAL INFORMATION	4
I -	
Item 1. Financial Statements	4
Balance Sheets as of September 30, 2009 (Unaudited) and December 31, 2008	4
Statements of Operations (Unaudited) Three months ended September 30, 2009 and 2008 and nine months ended September 30, 2009 and 2008	5
Statements of Cash Flows (Unaudited) nine months ended September 30, 2009 and 2008	6
Statements of Changes in Stockholders' Equity (Deficit) (Unaudited) For the period from January 1, 2009 through September 30, 2009	7
Notes to Unaudited Financial Statements	8
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	14
Item 3. Quantitative and Qualitative Disclosures about Market Risk	21
Item 4. Controls and Procedures	21
PART OTHER INFORMATION	22
II	
Item 1. Legal Proceedings	22
Item 1A. Risk Factors	22
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	31
Item 3. Defaults Upon Senior Securities	31
Item 4. Submission of Matters to a Vote of Security Holders.	31
Item 5. Other Information	31



## ADVISEMENT

We urge you to read this entire Quarterly Report on Form 10-Q, including the "Risk Factors" section, the financial statements, and related notes. As used in this Quarterly Report, unless the context otherwise requires, the words "we," "us," "our," "the Company," "Neuralstem" and "Registrant" refer to Neuralstem, Inc. Also, any reference to "common shares" or "common stock" refers to our \$.01 par value common stock. The information contained herein is current as of the date of this Quarterly Report (September 30, 2009), unless another date is specified.

We prepare our interim financial statements in accordance with United States generally accepted accounting principles ("GAAP"). Our financials and results of operation for the three and nine month period ended September 30, 2009 are not necessarily indicative of our prospective financial condition and results of operations for the pending full fiscal year ending December 31, 2009. The interim financial statements presented in this Quarterly Report as well as other information relating to our company contained in this Quarterly Report should be read in conjunction and together with the reports, statements and information filed by us with the United States Securities and Exchange Commission ("SEC").

## FORWARD LOOKING STATEMENTS

In this Quarterly Report we make a number of statements, referred to as "forward-looking statements," within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"), which are intended to convey our expectations or predictions regarding the occurrence of possible future events or the existence of trends and factors that may impact our future plans and operating results. These forward-looking statements are derived, in part, from various assumptions and analyses we have made in the context of our current business plan and information currently available to use and in light of our experience and perceptions of historical trends, current conditions and expected future developments and other factors we believe are appropriate in the circumstances. You can generally identify forward looking statements through words and phrases such as "believe," "expect," "seek," "estimate," "anticipate," "intend," "plan," "budget," "project," "may likely result," "may be," "may" or other similar expressions.

When reading any forward-looking statement you should remain mindful that actual results or developments may vary substantially from those expected as expressed in or implied by such statement for a number of reasons or factors, including but not limited to:

- the success of our research and development activities, the development of a viable commercial production, and the speed with which regulatory authorizations and product launches may be achieved;
- whether or not a market for our proposed product develops and, if a market develops, the rate at which it develops;
- our ability to successfully sell our products once developed;
- our ability to attract and retain qualified personnel to implement our business plan and corporate strategies;
- our ability to develop sales, marketing, and distribution capabilities;
- our ability to obtain reimbursement from third party payers for the products that we intend to sell;
- our ability to fund our short-term and long-term financing needs;
- changes in our business plan and corporate strategies; and

- other risks and uncertainties discussed in greater detail in the section of this report captioned “Risk Factors”

Each forward-looking statement should be read in context with, and in understanding of, the various other disclosures concerning our company and our business made elsewhere in this report as well as our public filings with the SEC. You should not place undue reliance on any forward-looking statement as a prediction of actual results or developments. We are not obligated to update or revise any forward-looking statements contained in this report or any other filing to reflect new events or circumstances unless and to the extent required by applicable law.

PART I  
FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

Neuralstem, Inc.  
Balance Sheets

	September 30, 2009 (Unaudited)	December 31, 2008
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,420,715	\$ 4,903,279
Prepaid expenses	160,204	136,287
<b>Total current assets</b>	<b>2,580,919</b>	<b>5,039,566</b>
Property and equipment, net	136,086	163,930
Intangible assets, net	264,342	212,265
Other assets	70,525	52,972
<b>Total assets</b>	<b>\$ 3,051,872</b>	<b>\$ 5,468,733</b>
<b>LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable, accrued expenses and salaries	\$ 2,353,257	\$ 1,265,488
<b>LONG-TERM LIABILITIES</b>		
Fair value of warrant obligations	5,622,339	-
<b>Total liabilities</b>	<b>7,975,596</b>	<b>1,265,488</b>
<b>STOCKHOLDERS' (DEFICIT) EQUITY</b>		
Preferred stock, 7,000,000 shares authorized, zero shares issued and outstanding	-	-
Common stock, \$0.01 par value; 150 million shares authorized, 34,829,234 and 33,751,300 shares outstanding in 2009 and 2008 respectively	348,292	337,513
Additional paid-in capital	59,311,203	61,352,527
Accumulated deficit	(64,583,219)	(57,486,795)
<b>Total stockholders' (deficit) equity</b>	<b>(4,923,724)</b>	<b>4,203,245</b>
<b>Total liabilities and stockholders' (deficit) equity</b>	<b>\$ 3,051,872</b>	<b>\$ 5,468,733</b>





Neuralstem, Inc.  
Statements of Operations  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Revenues	\$ -	\$ -	\$ -	\$ -
Operating expenses:				
Research and development costs	1,308,565	1,766,040	4,195,366	4,598,611
General, selling and administrative expenses	1,191,480	1,400,795	3,898,666	3,802,673
Depreciation and amortization	22,537	17,223	64,757	46,760
	2,522,582	3,184,058	8,158,789	8,448,044
Operating loss	(2,522,582)	(3,184,058)	(8,158,789)	(8,448,044)
Nonoperating (expense) income:				
Interest income	6,274	6,101	17,054	37,963
Interest expense	(194)	-	(194)	-
(Loss) gain from change in fair value of warrant obligations	(2,580,481)	-	761,178	-
	(2,574,401)	6,101	778,038	37,963
Net loss attributable to common shareholders	\$ (5,096,983)	\$ (3,177,957)	\$ (7,380,751)	\$ (8,410,081)
Net loss per share, basic and diluted	\$ (0.15)	\$ (0.10)	\$ (0.22)	\$ (0.26)
Weighted average common shares outstanding, basic and diluted	34,562,322	32,151,300	34,027,542	32,008,533

Neuralstem, Inc.  
Statements of Cash Flows  
(Unaudited)

Nine Months  
Ended September 30,  
2009                      2008

<b>Cash flows from operating activities:</b>		
Net loss	\$ (7,380,751)	\$ (8,410,081)
<b>Adjustments to reconcile net loss to cash used in operating activities:</b>		
Depreciation and amortization	64,757	46,760
Share based compensation expenses	3,417,790	3,469,992
Gain from change in fair value of warrant obligations	(761,178)	0
<b>Changes in operating assets and liabilities:</b>		
Prepaid expenses	(23,917)	(81,047)
Other assets	(17,553)	(11,175)
Accounts payable and accrued expenses	1,087,768	254,109
Net cash used in operating activities	(3,613,084)	(4,731,442)
<b>Cash flows from investing activities:</b>		
Acquisition of intangible assets	(75,576)	(62,247)
Purchase of property and equipment	(13,413)	(71,454)
Net cash used in investing activities	(88,989)	(133,701)
<b>Cash flows From financing activities:</b>		
Issuance of common stock	1,219,509	2,711,211
Net cash provided by financing activities	1,219,509	2,711,211
Net decrease in cash	(2,482,564)	(2,153,932)
Cash and cash equivalents, beginning of period	4,903,279	7,403,737
Cash and cash equivalents, end of period	\$ 2,420,715	\$ 5,249,805
Cash paid for interest	\$ 194	\$ 0

Neuralstem, Inc.  
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)  
For the period from January 1, 2009 through September 30, 2009  
(Unaudited)

Common	Total
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