

EDEN BIOSCIENCE CORP
Form 10-Q
August 04, 2006

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 June 30, 2006**

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 0-31499

Eden Bioscience Corporation
(Exact name of registrant as specified in its charter)

Washington
(State or other jurisdiction of incorporation
or organization)

91-1649604
(IRS Employer Identification No.)

**11816 North Creek Parkway N.
Bothell, Washington 98011-8201**
(Address of principal executive offices, including zip code)

(425) 806-7300
(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 past 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, or non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one): Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

State the number of shares outstanding of each of the registrant's classes of common equity, as of the latest practicable date:

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Class
Common Stock, \$.0025 Par Value

Outstanding as of August 4, 2006
8,149,554

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PART I FINANCIAL INFORMATION

Item 1. Unaudited Financial Statements

EDEN BIOSCIENCE CORPORATION AND SUBSIDIARIES

**CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)**

ASSETS

	<u>June 30, 2006</u>	<u>December 31, 2005</u>
Current assets:		

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	June 30, 2006	December 31, 2005
Cash and cash equivalents	\$ 5,442,423	\$ 6,825,652
Accounts receivable, net of sales allowances	1,213,145	212,213
Inventory, current	785,708	1,713,274
Prepaid expenses and other current assets	381,101	580,938
Total current assets	7,822,377	9,332,077
Inventory, non-current	1,955,050	1,910,280
Property and equipment, net	752,239	5,967,122
Other assets	288,516	287,704
Total assets	\$ 10,818,182	\$ 17,497,183
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 117,482	\$ 229,667
Accrued liabilities	1,061,025	1,260,405
Total current liabilities	1,178,507	1,490,072
Other long-term liabilities	344,590	250,428
Total liabilities	1,523,097	1,740,500
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, \$.01 par value, 10,000,000 shares authorized; no shares issued and outstanding at June 30, 2006 and December 31, 2005		
Common stock, \$.0025 par value, 33,333,333 shares authorized; 8,149,554 issued and outstanding shares at June 30, 2006 and 8,135,554 at December 31, 2005		
	20,374	20,339
Additional paid-in capital	132,811,522	132,586,598
Accumulated other comprehensive loss	(35,268)	(42,502)
Accumulated deficit	(123,501,543)	(116,807,752)
Total shareholders' equity	9,295,085	15,756,683
Total liabilities and shareholders' equity	\$ 10,818,182	\$ 17,497,183

The accompanying notes are an integral part of these statements.

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EDEN BIOSCIENCE CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Product sales, net of sales allowances	\$ 1,760,040	\$ 1,677,463	\$ 3,408,427	\$ 2,831,949
Operating expenses:				
Cost of goods sold	839,572	646,042	1,855,052	1,174,359

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	Three Months Ended June 30,		Six Months Ended June 30,	
Research and development	372,937	986,345	689,475	1,929,072
Selling, general and administrative	1,379,502	1,514,786	2,938,288	2,969,490
Loss on impairment of equipment and leasehold improvements	4,880,516		4,880,516	
Gain on sale of equipment	(26,979)	(6,814)	(44,557)	(23,224)
Total operating expenses	7,445,548	3,140,359	10,318,774	6,049,697
Loss from operations	(5,685,508)	(1,462,896)	(6,910,347)	(3,217,748)
Other income (expense):				
Gain on sale of investment			99,884	
Interest income	55,558	71,421	116,672	139,726
Interest expense		(185)		(466)
Total other income	55,558	71,236	216,556	139,260
Loss before income taxes	(5,629,950)	(1,391,660)	(6,693,791)	(3,078,488)
Income taxes				
Net loss	\$ (5,629,950)	\$ (1,391,660)	\$ (6,693,791)	\$ (3,078,488)
Basic and diluted net loss per share	\$ (0.69)	\$ (0.17)	\$ (0.82)	\$ (0.38)
Weighted average shares outstanding used to compute net loss per share	8,143,950	8,130,418	8,139,752	8,128,854

The accompanying notes are an integral part of these statements.

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EDEN BIOSCIENCE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2006	2005
Cash flows from operating activities:		
Net loss	\$(6,693,791)	\$ (3,078,488)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	350,744	1,185,629
Loss on impairment of equipment and leasehold improvements	4,880,516	
Stock compensation expense	203,959	
Gain on sale of fixed assets	(44,557)	(23,224)
Gain on sale of investment	(99,884)	
Accretion expense	15,406	13,672
Deferred rent payable	78,756	25,278
Changes in assets and liabilities:		
Accounts receivable	(990,527)	(522,617)
Inventory	835,914	(3,321)
Prepaid expenses and other assets	78,909	98,951
Accounts payable	(112,185)	84,194

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	Six Months Ended June 30,	
Accrued liabilities	(210,183)	(144,007)
Accrued loss on facility subleases		(252,106)
Net cash from operating activities	(1,706,923)	(2,616,039)
Cash flows from investing activities:		
Purchase of equipment	(16,377)	
Proceeds from sale of investment	100,000	
Proceeds from sale of equipment	164,557	57,803
Net cash from investing activities	248,180	57,803
Cash flows from financing activities:		
Reduction in capital lease obligations		(8,548)
Proceeds from issuance of common stock	21,000	5,600
Net cash from financing activities	21,000	(2,948)
Effect of foreign currency exchange rates on cash and cash equivalents	54,514	(23,107)
Net decrease in cash and cash equivalents	(1,383,229)	(2,584,291)
Cash and cash equivalents at beginning of period	6,825,652	11,860,385
Cash and cash equivalents at end of period	\$ 5,442,423	\$ 9,276,094