

MANHATTAN PHARMACEUTICALS INC  
Form 10QSB/A  
August 11, 2003

MANHATTAN PHARMACEUTICALS, INC. and SUBSIDIARIES  
(A Development Stage Company)

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

AMENDMENT NO. 1  
TO  
QUARTERLY REPORT  
ON

FORM 10-QSB/A

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934

For the quarterly period ended March 31, 2003

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 0-27282

Manhattan Pharmaceuticals, Inc.  
(Exact Name of Registrant as Specified in Its Charter)

Delaware 36-3898269  
(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)

787 Seventh Avenue, 48th Floor, New York, New York 10019  
(Address of principal executive offices)

(212) 554-4525  
(Issuer's telephone number)

(Former Name, Former Address and Former Fiscal Year, if  
Changed Since Last Report)

Check whether the issuer: (1) 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 issuer was required to file such  
reports), and (2) has been subject to such filing requirements for the past 90  
days. Yes  No

As of August 8, 2003, there were 116,811,980 shares of the issuer's common  
stock, \$.001 par value, outstanding.

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FORWARD-LOOKING STATEMENTS

This Amendment No. 1 on Form 10-QSB/A amends the Company's quarterly report on Form 10-QSB for the quarterly period ended March 31, 2003, which was filed with the Securities and Exchange Commission on May 15, 2003. In the Company's original report, it reported outstanding equity so as to give effect to a proposed 2-for-3 stock combination that had been authorized by the Company's stockholders in May 2003, but which had not yet been effected. The Company never completed the proposed 2-for-3 combination and subsequently determined to abandon it. This Amendment No. 1 on Form 10-QSB/A amends the interim financial statements and other information contained in the original quarterly report in order to reflect actual outstanding equity balances as of March 31, 2003, without regard to any plans or proposals to complete a combination of the Company's outstanding shares of common stock.

In addition, certain expenses recorded in 2002 should have been recorded in 2001. Accordingly, the Company reduced 2002 expenses by \$56,796 and reduced its net loss by the same amount.

The statements contained in this Quarterly Report on Form 10-QSB/A that are not historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements

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regarding the expectations, beliefs, intentions or strategies regarding the future. We intend that all forward-looking statements be subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. In particular, the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section in Part I, Item 2 of this quarterly report include forward-looking statements that reflect our current views with respect to future events and financial performance. We use words such as we "expect," "anticipate," "believe," and "intend" and similar expressions to identify forward-looking statements. A number of important factors could, individually or in the aggregate, cause actual results to differ materially from those expressed or implied in any forward-looking statements. Such factors include, but are not limited to, the following: our lack of significant revenues and profitability; our need for additional capital; our ability to successfully commercialize our technologies; our ability to obtain various regulatory approvals; the illiquidity and volatility of our common stock, and the other "Risk Factors" identified in our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2002.

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### PART I - FINANCIAL INFORMATION

#### ITEM 1. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

##### MANHATTAN PHARMACEUTICALS, INC. AND SUBSIDIARIES (A Development Stage Company)

##### Condensed Consolidated Balance Sheets (Unaudited)

		MARCH 31,
ASSETS		2003
		-----
Current assets:		
Cash and cash equivalents	\$	1,146,600
Prepaid expenses		54,745
		-----
Total current assets		1,201,345
Property and equipment, net		12,274
Deposits		19,938
Intangible assets, net		3,140,785
		-----
Total assets	\$	4,374,342
		=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$	473,705
Accrued expenses		519,579
Note payable to bank		--

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Notes payable to stockholder	70,000
Due affiliate	--
	-----
TOTAL LIABILITIES	1,063,284
	-----
Commitments and Contingencies:	
Stockholders' equity:	
Common stock, \$.001 par value. Authorized 150,000,000 shares; 116,811,980 and 78,765,040 shares issued and outstanding at March 31, 2003 and December 31, 2002, respectively	116,812
Additional paid-in capital	4,733,028
Unearned consulting costs	(22,721)
Deficit accumulated during development stage	(1,516,061)
	-----
Total stockholders' equity	3,311,058
	-----
Total liabilities and stockholders' equity	\$ 4,374,342
	=====

See accompanying notes to unaudited condensed consolidated financial statements.

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MANHATTAN PHARMACEUTICALS, INC. AND SUBSIDIARIES  
(A Development Stage Company)

Condensed Consolidated Statements of Operations  
(Unaudited)

	THREE MONTHS ENDED MARCH 31,	
	2003	2002
	-----	-----
Revenue	\$ --	\$
	-----	-----
Costs and expenses:		
Research and development	43,355	
General and administrative	378,872	
	-----	-----
Total operating expenses	422,227	
	-----	-----
Operating loss	(422,227)	
	-----	-----
Other (income) expense:		
Interest and other income	(2,515)	
Interest expense	2,233	

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Total other (income) expense	(282)	
Net loss	\$ (421,945)	\$ (
Net loss per common share:		
Basic and diluted	\$ (0.00)	\$
Weighted average shares of common stock outstanding:		
Basic and diluted	97,088,978	57,

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See accompanying notes to unaudited condensed consolidated financial statements.

MANHATTAN PHARMACEUTICALS, INC. AND SUBSIDIARIES  
(A Development Stage Company)

Condensed Consolidated Statement of Stockholders' Equity  
(Unaudited)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL
	SHARES	AMOUNT	
Balance at January 1, 2003	78,765,040	\$ 78,765	\$ 1,691,14
Common Stock Issued, net of expenses	6,609,032	6,609	737,08
Effect of reverse acquisition	31,437,908	31,438	2,304,80
Amortization of unearned consulting costs	--	--	--
Net loss	--	--	--
Balance at March 31, 2003	116,811,980	\$ 116,812	\$ 4,733,02

UNEARNED  
CONSULTING

TOTAL  
STOCK-  
HOLDERS'

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	COSTS	EQUITY
	-----	-----
Balance at January 1, 2003	\$ (37,868)	\$ 637,923
Common Stock Issued, net of expenses	--	743,691
Effect of reverse acquisition	--	2,336,242
Amortization of unearned consulting costs	15,147	15,147
Net loss	--	(421,945)
	-----	-----
Balance at March 31, 2003	\$ (22,721)	\$ 3,311,058
	=====	=====

See accompanying notes to condensed consolidated financial statements.

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MANHATTAN PHARMACEUTICALS, INC. AND SUBSIDIARIES  
(A Development Stage Company)

Consolidated Statements of Cash Flows  
(Unaudited)

	THREE MONTHS ENDED MARCH 31,	
	-----	-----
	2003	2002
	-----	-----
Cash flows from operating activities:		
Net loss	\$ (421,945)	\$ (255,840)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Common stock issued for license rights	--	--
Amortization of unearned consulting services	15,147	--
Amortization of intangible assets	26,393	--
Depreciation	478	--
Changes in operating assets and liabilities, net of acquisition:		
Increase in prepaid expenses	(16,438)	--
Increase (decrease) in accounts payable	(14,929)	--
Increase (decrease) in accrued expenses	(36,715)	(1,796)
Due affiliate	(96,328)	--
	-----	-----
Net cash used in operating activities	(544,337)	(257,636)
	-----	-----
Cash flows from investing activities:		
Purchase of furniture and equipment	(5,066)	--
Cash paid in connection with acquisition	(32,811)	--
	-----	-----
Net cash used in investing activities	(37,877)	--

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Cash flows from financing activities:		
Proceeds from issuances of notes payable to stockholders	--	--
Repayments of notes payable to stockholders	(136,000)	--
Proceeds from issuance of note payable to bank	--	400,000
Repayment of note payable to bank	(600,000)	--
Proceeds from subscriptions receivable	--	--
Proceeds from sale of common stock, net	743,691	--
	-----	-----
Net cash provided by financing activities	7,691	400,000
	-----	-----
Net increase (decrease) in cash and cash equivalents	(574,523)	142,364
Cash and cash equivalents at beginning of period	1,721,123	--
	-----	-----
Cash and cash equivalents at end of period	\$ 1,146,600	\$ 142,364
	=====	=====
Supplemental disclosure of noncash financing activities:		
Interest paid	\$ 502	\$ --
	=====	=====
Supplemental disclosure of noncash investing and financing activities:		
Stock options issued for consulting services	--	--
Issuance of common stock for acquisition	\$ 2,336,242	--
	=====	=====

See accompanying notes to unaudited condensed consolidated financial statements.

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MANHATTAN PHARMACEUTICALS, INC. and SUBSIDIARIES  
(A Development Stage Company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
March 31, 2003

(1) BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, the financial statements do not include all information and footnotes required by accounting principles generally accepted in the United States of America for complete annual financial statements. In the opinion of management, the accompanying condensed consolidated financial statements reflect all adjustments, consisting of only normal recurring adjustments, considered necessary for fair presentation. Interim operating results are not necessarily indicative of results that may be expected for the year ending December 31, 2003 or for any subsequent period. These consolidated financial statements should be read in conjunction with the Annual Report on Form 10-KSB of Manhattan Pharmaceuticals, Inc. and its subsidiaries ("Manhattan" or the "Company") as of and for the year ended December 31, 2002 and the Form 8-K/A of Manhattan Pharmaceuticals, Inc. filed on May 9, 2003 containing the financial statements

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of Manhattan Research Development, Inc.

This Amendment No. 1 on Form 10-QSB/A amends the Company's quarterly report on Form 10-QSB for the quarterly period ended March 31, 2003, which was filed with the Securities and Exchange Commission on May 15, 2003. In the Company's original report, it reported outstanding equity so as to give effect to a proposed 2-for-3 stock combination that had been authorized by the Company's stockholders in May 2003, but which had not yet been effected. The Company never completed the proposed 2-for-3 combination and subsequently determined to abandon it. This Amendment No. 1 on Form 10-QSB/A amends the interim financial statements and other information contained in the original quarterly report in order to reflect actual outstanding equity balances as of March 31, 2003, without regard to any plans or proposals to complete a combination of the Company's outstanding shares of common stock.

In addition, certain expenses recorded in 2002 should have been recorded in 2001. Accordingly, the Company reduced 2002 expenses by \$56,796 and reduced its net loss by the same amount.

### (2) LIQUIDITY

The Company has reported a net loss of \$1,037,320 for the year ended December 31, 2002. The Company has reported a net loss of \$421,945 for the three months ended March 31, 2003. The net loss from date of inception, August 6, 2001, to March 31, 2003 amounts to \$1,516,061. As discussed in Note 6, on February 21, 2003 the Company completed a reverse acquisition of privately held Manhattan Research Development, Inc. Based on the resources available at March 31, 2003 of the combined Company, management believes that the combined Company will continue to incur net losses through at least March 31, 2004 and will need additional equity or debt financing or will need to generate revenues through licensing its products or entering into strategic alliances to be able to sustain its operations until it can achieve profitability, if ever. These matters raise substantial doubt about the Company's ability to continue as a going concern.

The combined Company's continued operations will depend on its ability to raise additional funds through various potential sources such as equity and debt financing, collaborative agreements, strategic alliances and its ability to realize the full potential of its technology in development. Additional funds are currently not available on acceptable terms and may not become available, and there can be no assurance that any additional funding that the combined Company does obtain will be sufficient to meet

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MANHATTAN PHARMACEUTICALS, INC. and SUBSIDIARIES  
(A Development Stage Company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
March 31, 2003

the combined Company's needs in the short and long term. Through March 31, 2003, a significant portion of the Company's financing has been through private placements of common stock and warrants and debt financing. Until and unless the



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combined Company's operations generate significant revenues, the combined Company will attempt to continue to fund operations from cash on hand and through the sources of capital previously described.

The Company's common stock was delisted from the NASDAQ SmallCap Market effective at the close of business August 23, 2001 for failing to meet the minimum bid price requirements set forth in the NASD Marketplace Rules. Since August 23, 2001, the Company's common stock trades on the Over-the-Counter Bulletin Board (the "OTCBB"). The Company's ticker symbol is currently "MHTP.OB." The de-listing of the Company's common stock from the NASDAQ SmallCap Market could have a material adverse effect on the Company's ability to raise additional capital.

### (3) COMPUTATION OF NET LOSS PER COMMON SHARE

Basic net loss per common share is calculated by dividing net loss applicable to common shares by the weighted-average number of common shares outstanding for the period. Diluted net loss per common share equals basic net loss per common share, since common stock equivalents from stock options, stock warrants, stock subscriptions and convertible preferred stock would have an anti dilutive effect because the Company incurred a net loss during each period presented. The common stock equivalents from stock options, stock warrants, stock subscriptions, and convertible preferred stock, which have not been included in the diluted calculations since their effect is antidilutive, was 20,757,674 as of March 31, 2003.

### (4) ISSUANCE OF STOCK, STOCK OPTIONS AND WARRANTS

On February 24, 2003, the Company granted employees an aggregate of 4,380,450 options outside of the Company's 1995 Stock Option Plan. 2,920,300 of these options vest on the first anniversary of the grant date and 1,460,150 of these options vest in two equal installments on each of the first and second anniversaries of the grant date, provided the optionee continues in service. The options were granted at the stock price on the day of issuance and are exercisable for a period of ten years regardless of whether the grantee continues to be employed by the Company.

Had compensation costs been determined in accordance with the fair value method prescribed by SFAS No. 123 for all options issued to employees, the Company's net loss applicable to common shares and net loss per common share (basic and diluted) for plan options would have been increased to the pro forma amounts indicated below. There were no options granted from January 1 to February 21, 2003.

MANHATTAN PHARMACEUTICALS, INC. and SUBSIDIARIES  
(A Development Stage Company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
March 31, 2003

Three months ended March 31,  
2003  
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Net loss applicable to common shares:		
As reported	\$	421,945
Pro forma		479,548
Net loss per common share -- basic		
As reported	\$	0.00
Pro forma		0.00

### (5) PRIVATE PLACEMENT OF COMMON SHARES

During 2002, the Company's subsidiary, Manhattan Research Development, Inc. (Manhattan Research) commenced a private placement and sold 1,197,250 shares of common stock at \$1.60 per share and received proceeds of \$1,704,318, net of expenses of \$211,281. These shares converted into 15,216,660 shares of the Company's common stock when the Company completed a reverse acquisition of Manhattan Research as described below. In addition, each investor received warrants equal to 10% of the number of shares of common stock purchased and, accordingly, Manhattan Research issued warrants to purchase 119,725 shares of common stock in 2002 in connection with the private placement. Upon the merger, these converted into warrants to purchase 1,521,666 shares of the Company's common stock. Each warrant had an exercise price of \$1.60 per share, which post merger converted to approximately \$0.13. These warrants expire in 2007.

During January and February 2003, Manhattan Research sold an additional 520,000 shares of common stock at \$1.60 (\$0.13, post merger) per share and warrants to purchase 52,000 shares of common stock exercisable at \$1.60 (\$0.13 post merger) through the private placement and received net proceeds of \$743,691. These shares converted into 6,609,032 shares of the Company's common stock when the Company completed its reverse acquisition of Manhattan Research. The warrants to purchase 52,000 shares of common stock converted into warrants to purchase 660,903 common shares of the combined Company.

In addition, in connection with the private placement, Manhattan Research issued to Joseph Stevens & Co., Inc., a NASD-member broker-dealer, warrants to purchase 652,555 shares of its common stock that are exercisable at \$1.60 (\$0.13 post merger) per share and expire in 2008. Upon the merger, these warrants converted into warrants to purchase 8,293,763 shares of common stock of the combined Company.

### (6) MERGER

On February 21, 2003, the Company (formerly known as "Atlantic Technology Ventures, Inc.") completed a reverse acquisition of privately held Manhattan Research Development, Inc. (formerly Manhattan Pharmaceuticals, Inc.), a Delaware corporation. The merger was effected pursuant to an Agreement and Plan of Merger dated December 17, 2002 (the "Merger Agreement") by and among the Company, Manhattan Research and Manhattan Pharmaceuticals Acquisition Corp, the Company's

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Agreement, MPAC merged with and into Manhattan Research, with Manhattan Research remaining as the surviving corporation and a wholly owned subsidiary of the Company. Pursuant to the Merger Agreement, upon the effective time of the merger, the outstanding shares of common stock of Manhattan Research automatically converted into an aggregate of 93,449,584 shares of the Company's common stock, which represented 80 percent of the Company's outstanding voting stock after giving effect to the merger. In addition, immediately prior to the merger Manhattan Research had outstanding options and warrants to purchase an aggregate of 864,280 shares of its common stock, which, in accordance with the terms of the merger, automatically converted into options and warrants to purchase an aggregate of 10,984,719 shares of the Company's common stock. Since the stockholders of Manhattan Research received the majority of the voting shares of the Company, the merger is being accounted for as a reverse acquisition whereby Manhattan Research is the accounting acquirer (legal acquiree) and the Company is the accounting acquiree (legal acquirer). Based on the five-day average price of the Company's common stock of \$0.10 per share, the purchase price approximates \$2,336,000, plus approximately \$33,000 of acquisition costs, which represents 20 percent of the market value of the combined Company's post-merger total outstanding shares of 116,811,980. In connection with the merger, the Company changed its name from "Atlantic Technology Ventures, Inc." to "Manhattan Pharmaceuticals, Inc." Based on the preliminary information currently available, Manhattan Research expects to recognize patents and licenses for substantially all of the purchase price. Upon completion of a formal purchase price allocation there may be a decrease in the amount assigned to intangible assets and a corresponding increase in in-process research and development. As a result of acquiring Manhattan Research, the Company receives new technologies.

A summary of the preliminary purchase price allocation is as follows:

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### MANHATTAN PHARMACEUTICALS, INC. and SUBSIDIARIES (A Development Stage Company)

#### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) March 31, 2003

Common stock issued	\$ 2,336,242	
Acquisition costs paid	32,808	-----
 Total purchase price	 2,369,050	
 Net liabilities assumed in acquisition	 798,128	 -----
 Excess purchase price (preliminarily allocated to intangible assets)	 \$ 3,167,178	 =====
 Assets purchased:		
Prepaid expenses	\$ 38,307	
Property and equipment	7,683	
Deposits	19,938	-----

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	65,928
	-----
Liabilities assumed:	
Accounts payable	323,735
Accrued expenses	540,321
	-----
	864,056
	-----
Net liabilities assumed	\$ (798,128)
	=====

The following pro forma financial information presents the combined results of operations of Manhattan Pharmaceuticals and Manhattan Research as if the acquisition had occurred as of January 1, 2003 and 2002, after giving effect to certain adjustments, including the issuance of Manhattan Pharmaceuticals common stock as part of the purchase price. For the purpose of this pro forma presentation, both Manhattan Pharmaceuticals' and Manhattan Research's financial information is presented for the three months ended March 31, 2003 and 2002. The pro forma condensed consolidated financial information does not necessarily reflect the results of operations that would have occurred had Manhattan Pharmaceuticals and Manhattan Research been a single entity during such periods.

	Three months ended March 31,	
	2003	2002
	-----	-----
Revenues	\$ --	\$
Net loss	\$ (463,135)	\$ (3
Weighted-average shares of common stock outstanding		
outstanding: Basic	115,253,103	110,2
Loss per share	\$ (0.00)	\$

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MANHATTAN PHARMACEUTICALS, INC. and SUBSIDIARIES  
(A Development Stage Company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
March 31, 2003

(7) SUBSEQUENT EVENTS

On April 4, 2003, the Company entered into a license and development agreement with NovaDel Pharma, Inc. in which the Company licensed from NovaDel the exclusive worldwide rights to NovaDel's proprietary lingual spray technology to deliver propofol for pre-procedural sedation. The Company will be responsible for all costs and expenses in connection with all development and

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commercialization activities including the development activities performed by NovaDel on behalf of the Company. In consideration for this license, the Company is required to pay an up front fee in installments contingent on the Company's receiving certain amounts through equity financing or otherwise, including the receipt of any milestone payments or other revenues. These amounts will be expensed as incurred. In addition, the Company is required to pay NovaDel milestone payments upon the occurrence of certain events specified in the license agreement, including filing a New Drug Application or "NDA" which is accepted for review by the FDA for a licensed product, filing a European Marketing Application for a licensed product, having a filed NDA approved by the FDA, having a European Marketing Application accepted for review within the European Union, receiving commercial approval in Japan, Canada, Australia and South Africa, and upon receiving regulatory approval in certain other countries.

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### MANHATTAN PHARMACEUTICALS, INC. and SUBSIDIARIES (A Development Stage Company)

#### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) March 31, 2003

#### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

YOU SHOULD READ THE FOLLOWING DISCUSSION OF OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION IN CONJUNCTION WITH OUR ANNUAL REPORT ON FORM 10-KSB FOR THE YEAR ENDED DECEMBER 31, 2002 AND THE FORM 8-K/A OF MANHATTAN PHARMACEUTICALS, INC. FILED ON MAY 9, 2003 CONTAINING THE FINANCIAL STATEMENTS OF MANHATTAN RESEARCH DEVELOPMENT, INC. THIS DISCUSSION INCLUDES "FORWARD-LOOKING" STATEMENTS THAT REFLECT OUR CURRENT VIEWS WITH RESPECT TO FUTURE EVENTS AND FINANCIAL PERFORMANCE. WE USE WORDS SUCH AS WE "EXPECT," "ANTICIPATE," "BELIEVE," AND "INTEND" AND SIMILAR EXPRESSIONS TO IDENTIFY FORWARD-LOOKING STATEMENTS. INVESTORS SHOULD BE AWARE THAT ACTUAL RESULTS MAY DIFFER MATERIALLY FROM OUR EXPRESSED EXPECTATIONS BECAUSE OF RISKS AND UNCERTAINTIES INHERENT IN FUTURE EVENTS, PARTICULARLY THOSE RISKS IDENTIFIED IN THE "RISK FACTORS" SECTION OF OUR MOST RECENT ANNUAL REPORT ON FORM 10-KSB, AND SHOULD NOT UNDULY RELY ON THESE FORWARD LOOKING STATEMENTS.

#### RESULTS OF OPERATIONS - THREE-MONTH PERIOD ENDED MARCH 31, 2003 VS. 2002

During the quarters ended March 31, 2003 and 2002, we had no revenue.

For the quarter ended March 31, 2003, research and development expense was \$43,355 as compared to \$253,397 for the first quarter of 2002. The decrease is primarily a result of a reduction in license fees paid to Oleoyl-estrone Developments, Inc (OED).

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For the quarter ended March 31, 2003, general and administrative expense was \$378,872 as compared to \$397 for the quarter ended March 31, 2002. The increase is due primarily to expenses associated with hiring full time employees and consultants of approximately \$81,000 and \$100,000, respectively. In addition, as a result of becoming a publicly traded company, we had increases in legal and accounting fees of approximately \$67,000. Outside services (including transfer agent and employee finders fees) increased by approximately \$27,000. Rent, directors fees, insurance and other expenses increased by approximately \$27,000, \$24,000, \$12,000 and \$12,000, respectively. Finally, in 2003, we had amortization of intangible assets of approximately \$26,000.

For the first quarter of 2003, interest and other income was \$2,515, compared to zero for the first quarter of 2002. The increase in interest income is due to an increase in our cash balances.

For the first quarter of 2003, interest expense was \$2,233, compared to \$2,046 for the first quarter of 2002 as a result of marginally higher average balances of notes payable outstanding.

Net loss for the quarter ended March 31, 2003, was \$421,945 as compared to \$255,840 for the quarter ended March 31, 2002. This increase in net loss is attributable primarily to an increase in general and administrative expenses of \$378,475. This increase is partially offset by a decrease in research and development expenses of \$210,042.

### LIQUIDITY AND CAPITAL RESOURCES

From inception to March 31, 2003, we incurred an accumulated deficit of \$1,516,061, and we expect to continue to incur additional losses through the year ending March 31, 2004 and for the foreseeable future. This loss has been incurred through a combination research and development activities related to the various technologies under our control and expenses supporting those activities.

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### MANHATTAN PHARMACEUTICALS, INC. and SUBSIDIARIES (A Development Stage Company)

#### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) March 31, 2003

During 2002, our subsidiary, Manhattan Research Development, Inc. (Manhattan Research) commenced a private placement and sold 1,197,250 shares of common stock at \$1.60 per share and received proceeds of \$1,704,318, net of expenses of \$211,181. These shares converted into 15,216,660 shares of our common stock when we completed a reverse acquisition of Manhattan Research as described below. In addition, each investor received warrants equal to 10% of the number of shares of common stock purchased and, accordingly, Manhattan Research issued warrants to purchase 119,725 shares of common stock in 2002 in connection with the private placement. Upon the merger, these converted into warrants to purchase 1,521,666 shares of our common stock. Each warrant had an exercise price of \$1.60 per share, which post merger converted to \$0.13. These warrants expire in 2007.

During January and February 2003, the Manhattan Research sold an

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additional 520,000 shares of common stock at \$1.60 (\$0.13, post merger) per share and warrants to purchase 52,000 shares of common stock exercisable at \$1.60 (\$0.13 post merger) through the private placement and received net proceeds of \$743,691. These shares converted into 6,609,032 shares of our common stock when we completed our reverse acquisition of Manhattan Research. The warrants to purchase 52,000 shares of common stock converted into warrants to purchase 660,903 common shares of the combined Company.

In addition, in connection with the private placement, Manhattan Research issued to Joseph Stevens & Co., Inc., a NASD-member broker-dealer, warrants to purchase 652,555 shares of its common stock that are exercisable at \$1.60 (\$0.13 post merger) per share and expire in 2008. Upon the merger, these warrants converted into warrants to purchase 8,293,763 shares of common stock of the combined Company.

We have financed our operations since inception primarily through equity and debt financing and our licensing of CT-3 to Indevus. During the quarter ended March 31, 2003, we had a net decrease in cash and cash equivalents of \$574,523. This decrease primarily resulted from net cash used in investing activities for the quarter ended March 31, 2003 of \$544,337. Total cash resources as of March 31, 2003 were \$1,146,600 compared to \$1,721,123 at December 31, 2002.

Our available working capital and capital requirements will depend upon numerous factors, including progress of our research and development programs, our progress in and the cost of ongoing and planned pre-clinical and clinical testing, the timing and cost of obtaining regulatory approvals, the cost of filing, prosecuting, defending, and enforcing patent claims and other intellectual property rights, competing technological and market developments, changes in our existing collaborative and licensing relationships, the resources that we devote to developing manufacturing and commercializing capabilities, technological advances, the status of our competitors, our ability to establish collaborative arrangements with other organizations and our need to purchase additional capital equipment.

Our continued operations will depend on whether we are able to raise additional funds through various potential sources, such as equity and debt financing, other collaborative agreements, strategic alliances, and our ability to realize the full potential of our technology in development. Such additional funds may not become available as we need them or be available on acceptable terms. Through March 31, 2003, a significant portion of our financing has been through private placements of common stock and warrants and debt financing. Unless our operations generate significant revenues, we will continue to fund operations from cash on hand and through the similar sources of capital previously described. We can give no assurances that any additional capital that we are able to obtain will be sufficient to meet our needs.

On February 21, 2003, we completed a reverse acquisition of privately held Manhattan Research Development, Inc., (formerly Manhattan Pharmaceuticals, Inc.) (Manhattan Research) a Delaware

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2003

corporation. The merger was effected pursuant to an Agreement and Plan of Merger dated December 17, 2002 (the "Merger Agreement") by and among the Company, Manhattan Research and Manhattan Pharmaceuticals Acquisition Corp, the Company's wholly owned subsidiary ("MPAC"). In accordance with the terms of the Merger Agreement, MPAC merged with and into Manhattan Research, with Manhattan Research remaining as the surviving corporation and our wholly owned subsidiary. Pursuant to the Merger Agreement, upon the effective time of the merger, the outstanding shares of common stock of Manhattan Research automatically converted into an aggregate of 93,449,584 shares of our common stock, which represented 80 percent of our outstanding voting stock after giving effect to the merger. In addition, immediately prior to the merger Manhattan Research had outstanding options and warrants to purchase an aggregate of 864,280 shares of its common stock, which, in accordance with the terms of the merger, automatically converted into options and warrants to purchase an aggregate of 10,984,719 shares of our common stock. Since the stockholders of Manhattan Research received the majority of our voting shares, the merger is being accounted for as a reverse acquisition whereby Manhattan Research is the accounting acquirer (legal acquiree) and we are the accounting acquiree (legal acquirer). Based on the five-day average price of our common stock of \$0.10 per share, the purchase price approximates \$2,336,000, which represents 20 percent of the market value of the combined Company's post-merger total outstanding shares of 116,811,980. In connection with the merger, we changed our name from "Atlantic Technology Ventures, Inc." to "Manhattan Pharmaceuticals, Inc." Based on the preliminary information currently available, Manhattan Research expects to recognize patents and licenses for substantially all of the purchase price. Upon completion of a formal purchase price allocation there may be a decrease in the amount assigned to intangible assets and a corresponding increase in in-process research and development. As a result of acquiring Manhattan Research, the Company receives new technologies.

Management believes that we will continue to incur net losses through at least March 31, 2004. Based on the current resources of the resulting company, we will need additional equity or debt financing or we will need to generate revenues through licensing our products or entering into strategic alliances to be able to sustain our operations until we can achieve profitability, if ever. These matters raise substantial doubt as to our ability to continue as a going concern.

The report of our independent auditors on our 2002 consolidated financial statements includes an explanatory paragraph, which states that our recurring losses, and limited liquid resources raise substantial doubt about our ability to continue as a going concern. Our condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Subsequent to an oral hearing before a NASDAQ Listing Qualifications Panel, on August 23, 2001, our securities were delisted from the NASDAQ Stock Market for failing to meet the minimum bid price requirements set forth in the NASD Marketplace Rules, as our common stock had traded for less than \$1.00 for more than 30 consecutive business days. Our common stock trades now on the OTC Bulletin Board under the symbol "MHTP.OB". Delisting our common stock from NASDAQ could have a material adverse effect on our ability to raise additional capital, our stockholders' liquidity and the price of our common stock.

### CRITICAL ACCOUNTING POLICIES

In December 2001, the SEC requested that all registrants discuss their



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most "critical accounting policies" in management's discussion and analysis of financial condition and results of operations. The SEC indicated that a "critical accounting policy" is one which is both important to the portrayal of the company's financial condition and results and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are

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### MANHATTAN PHARMACEUTICALS, INC. and SUBSIDIARIES (A Development Stage Company)

#### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) March 31, 2003

inherently uncertain. Our significant accounting policies are described in Note 1 to our consolidated financial statements included in this annual report; however, we believe that none of them is considered to be critical.

#### RECENTLY ISSUED ACCOUNTING STANDARDS

In June 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No.146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force ("EITF") issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit and Activity." SFAS No. 146 requires that liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. This statement also established that fair value is the objective for initial measurement of the liability. The provisions of SFAS No. 146 are effective for exit or disposal activities that initiated after December 31, 2002. The Company does not expect that the adoption of SFAS No. 146 will have a material impact on its consolidated financial statements.

In December 2002, FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation- Transition and Disclosure an Amendment of SFAS No. 123." SFAS No. 148 amends SFAS No. 123 to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The Company adopted the disclosure provisions of SFAS No. 148, effective January 1, 2003.

#### ITEM 3. CONTROLS AND PROCEDURES

Within 90 days prior to the date of this Quarterly Report, we carried out an evaluation, under the supervision and with the participation of our chief executive and chief financial officers, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules

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13a-14(c) and 15d-14(c) of the Securities Exchange Act of 1934). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in alerting them on a timely basis to material information required to be disclosed in our periodic reports to the Securities and Exchange Commission. There have been no significant changes in our internal controls or in other factors, which could significantly affect internal controls subsequent to such evaluation.

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### PART II - OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS

We are involved with an arbitration proceeding involving Dr. Sumner Burstein, the inventor from whom we licensed CT-3, concerning a dispute over the payment of royalties. Under our license agreement with Dr. Burstein, he is entitled to a royalty of 3 percent of the net sales of all licensed products sold by us, and a royalty of 8 percent of the royalties that we receive from sublicensees from net sales by any such sublicensee of the licensed products or processes.

In connection with the license of our rights to CT-3 to Indevus Pharmaceuticals, Inc. in June 2002, Indevus paid us an initial licensing fee of \$400,000 and an inventory transfer fee of \$100,000. Indevus is further required to make future payments upon achieving certain development milestones and royalties. On July 23, 2002, we received a letter from attorneys representing Dr. Burstein with their analysis of his rights under the Burstein license. In the letter they concluded that the \$500,000 we received from Indevus, as well as any future milestone payments should trigger our obligation to make royalty payments to Dr. Burstein pursuant to the terms of our agreement with him, therefore subject to the 8 percent sublicensing royalty.

On September 16, 2002, our counsel responded by stating that we recognize our obligation to pay an 8 percent royalty to Dr. Burstein only on those payments that we receive from Indevus based on the "net sales" of products and processes covered by the Burstein license. The Indevus license agreement does not merely include a sublicense to patent rights of CT-3, but also the transfer of our know-how, FDA regulatory filings, and inventory of CT-3 compound and third party contracts. Presently, there have been no "net sales" on any products covered by the Burstein license. It is our position that we have not received any royalty payments pursuant to the Indevus license and, therefore, no payments are due to Dr. Burstein at this time.

On November 20, 2002, we received a letter from Dr. Burstein's attorneys purporting to terminate the Burstein license. We believe that this purported termination is invalid under the terms of the Burstein agreement and that Dr. Burstein's current royalty and termination claims are without merit. We intend to vigorously defend our position that the Burstein license is not terminated. Under the terms of the Burstein license, Dr. Burstein is not permitted to terminate the agreement over a bona fide dispute regarding the payment of royalties. Instead, the Burstein license states that disputes regarding royalty payments are to be settled through binding arbitration.

In accordance with the terms of the Burstein license, we commenced an arbitration proceeding with the American Arbitration Association in January

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2003, which is currently pending. The Arbitration Hearing is scheduled for mid October. Although we believe we will prevail in this proceeding, we believe that even an unfavorable binding arbitration ruling that concludes a breach of the Burstein license by us for failure to pay royalties would be capable of being readily cured, thereby also avoiding termination of the Burstein license.

### Item 2. Changes in Securities

In connection with our merger with Manhattan Research Development, Inc., effective as of February 21, 2003, we issued an aggregate of 93,449,584 shares of our common stock to the former stockholders of Manhattan Research Development in exchange for their shares of Manhattan Research Development common stock. In addition, at the time of the merger, Manhattan Research Development had outstanding warrants to purchase an aggregate of 864,280 shares of common stock, which

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automatically converted into warrants to purchase an aggregate of 10,984,719 shares of our common stock. The form of warrant such warrant is attached hereto as Exhibit 4.1. We relied on the exemption from federal registration under Section 4(2) of the Securities Act of 1933, as amended, based on our belief that the issuance of such securities did not involve a public offering, as there were fewer than 35 "non-accredited" investors, all of whom, either alone or through a purchaser representative, had such knowledge and experience in financial and business matters so that each was capable of evaluating the risks of the investment.

### Item 4. Submission of Matters to a Vote of Security Holders.

Our annual meeting of stockholders was held on February 21, 2003. The stockholders took the following actions:

(a) The stockholders re-elected five directors, all of whom together then comprised the entire board. The stockholders present in person or by proxy cast the following numbers of votes in connection with the election of directors, resulting in the election of all nominees:

	CLASS -----	VOTES FOR -----	VOTES WI -----
Steven H. Kanzer	Common	9,790,993	3
	Series A Preferred	288,718	
Peter O. Kliem	Common	9,793,793	3
	Series A Preferred	288,718	
A. Joseph Rudick	Common	9,784,305	4
	Series A Preferred	288,718	
David M. Tanen	Common	9,793,793	3
	Series A Preferred	288,718	
Frederic P. Zotos	Common	9,658,281	16
	Series A Preferred	275,209	1

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Upon the completion of our merger with Manhattan Research Development, however, each of the newly-elected directors, except Mr. Tanen, resigned on February 21, 2003 in accordance with the terms of the merger.

(b) The stockholders approved an amendment to our certificate of incorporation, increasing the number of authorized shares of common stock from 50 million to 150 million. The following table sets forth a summary of the voting on this proposal:

CLASS -----	VOTES FOR -----	VOTES AGAINST -----	VOTES ABSTAINED -----	BROKER NON-VO -----
Common Stock	12,689,467	55,090	0	0
Series A Preferred	288,718	0	0	0

(c) The stockholders approved an amendment to our certificate of incorporation, changing our name from "Atlantic Technology Ventures, Inc." to "Manhattan Pharmaceuticals, Inc." The following table sets forth a summary of the voting on this proposal:

CLASS -----	VOTES FOR -----	VOTES AGAINST -----	VOTES ABSTAINED -----	BROKER NON-VO -----
Common Stock	12,671,687	72,750	120	
Series A Preferred	288,718	0	0	

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(d) The stockholders approved an amendment to our Series A preferred stock certificate of designations providing for the automatic conversion of all outstanding shares of Series A preferred stock upon completion of our merger with Manhattan Research Development, Inc. The following table sets forth a summary of the voting on this proposal:

CLASS -----	VOTES FOR -----	VOTES AGAINST -----	VOTES ABSTAINED -----	BROKER NON-VO -----
Common Stock	7,823,611	56,880	0	4,86
Series A Preferred	288,718	0	0	

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(e) The stockholders ratified our board of directors' selection of J.H. Cohn, LLP as our independent auditors for fiscal 2002. The following table sets forth a summary of the voting on this proposal:

CLASS	VOTES FOR	VOTES AGAINST	VOTES ABSTAINED	BROKER NON-VO
Common Stock	12,615,981	122,326	6,250	
Series A Preferred	288,718	0	0	

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### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

#### (a) Exhibits

Exhibit No.	Description
3.1	Certificate of incorporation, as amended through February 21, 2003 (incorporated by reference to the same exhibit number to the Registrant's Annual Report on Form 10-KSB for the year ended December 31, 2002).*
4.1	Form of warrant issued by Manhattan Research Development, Inc., which automatically converted into warrants to purchase shares of the Registrant's common stock upon the merger transaction with such company.*
10.1	Third Amendment to Employment Agreement dated February 21, 2003 between the Registrant and Frederic. P. Zotos.*
10.2	Third Amendment to Employment Agreement dated February 21, 2003 between the Registrant and A. Joseph Rudick.*
10.3	Second Amendment to Employment Agreement dated February 21, 2003 between the Registrant and Nicholas J. Rossettos.*
10.4	Employment Agreement dated January 2, 2003, between Manhattan Research Development, Inc. and Leonard Firestone, as assigned to the Registrant effective as of February 21, 2003.*
10.5	Employment Agreement dated February 28, 2003, between the Registrant and Nicholas J. Rossettos.*
10.6	License Agreement dated on or about February 28, 2002 between Manhattan Research Development, Inc. (f/k/a Manhattan Pharmaceuticals, Inc.) and Oleoyl-Estrone Developments SL (portions if this exhibit have been omitted pursuant to a request for confidential treatment and have been filed separately with the Commission pursuant to Rule 24b-2 of the

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Securities Exchange Act of 1934, as amended).\*

- 31.1 Certification of Chief Executive Officer
- 31.2 Certification of Chief Financial Officer
- 32.1 Certifications of Chief Executive and Chief Financial Officer.

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\* As previously filed.

(b) Reports on Form 8-K

On March 5, 2003, we filed a Current Report on Form 8-K dated February 21, 2003 disclosing under Item 2 thereof our merger transaction with Manhattan Research Development, Inc. On May 9, 2003, we amended the current report to include financial statements and pro forma information, as required by Item 7 of Form 8-K.

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SIGNATURES

In accordance with the requirements of the Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MANHATTAN PHARMACEUTICALS, INC.

Date: August 11, 2003

By: /s/ Leonard Firestone  
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Leonard Firestone  
President and Chief Executive Officer

Date: August 11, 2003

By: /s/ Nicholas J. Rossettos  
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Nicholas J. Rossettos  
Chief Financial Officer

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EXHIBIT INDEX

Exhibit No. Description

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- 31.3 Certification of Chief Executive Officer
- 31.4 Certification of Chief Financial Officer
- 32.1 Certifications of Chief Executive and Chief Financial Officer.

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\* As previously filed.