

CURIS INC
Form 10-Q/A
March 31, 2006
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A
Amendment No. 1

(Mark one)

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2005

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 000-30347

CURIS, INC.

(Exact Name of Registrant as Specified in Its Charter)

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Delaware
(State or Other Jurisdiction)

of Incorporation or Organization)

61 Moulton Street

Cambridge, Massachusetts
(Address of Principal Executive Offices)

04-3505116
(I.R.S. Employer
Identification No.)

02138
(Zip Code)

Registrant's Telephone Number, Including Area Code: (617) 503-6500

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, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

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

As of April 27, 2005, there were 47,900,726 shares of the Registrant's common stock outstanding.

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EXPLANATORY NOTE:

This Amendment No. 1 on Form 10-Q/A is being filed to restate the March 31, 2005 and December 31, 2004 consolidated balance sheets contained herein to correct amounts reported in prepaid expenses and other current assets, deposits and other assets, accrued liabilities, short-term and long-term deferred revenues, additional paid-in capital, and accumulated deficit; and to restate the consolidated statements of operations for the three-month periods ended March 31, 2005 and March 31, 2004, to correct amounts reported in gross revenues and research and development expenses. As a result of these restatements, amounts in the consolidated statements of cash flows for the three-month periods ended March 31, 2005 and 2004 have also been corrected.

A summary of the effects of this restatement to our financial statements included within this Amendment No. 1 on Form 10-Q/A is presented at Note 3, Restatement of Financial Statements.

This Amendment No. 1 amends Part I, Items 1 and 2 and Part II, Item 6 of the Quarterly Report on Form 10-Q for the quarter ended March 31, 2005. This Amendment No. 1 continues to reflect circumstances as of the date of the original filing of the Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 and we have not updated the disclosures contained herein to reflect events that occurred at a later date, except for items related to the restatement or where otherwise indicated.

We do not anticipate filing amended Annual Reports on Form 10-K or Quarterly Reports on Form 10-Q for any periods prior to the first quarter of 2005. Our Annual Reports on Form 10-K and our Quarterly Reports on Form 10-Q from the second quarter of 2003 through fiscal 2004 have not been revised to reflect the restatement and the financial statements contained in those reports should not be relied upon. Instead, the consolidated financial statements for fiscal 2004 and 2003 included in our Annual Report on Form 10-K for the fiscal period ended December 31, 2005 should be relied upon.

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CURIS, INC. AND SUBSIDIARY
QUARTERLY REPORT ON FORM 10-Q

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS****CURIS, INC. AND SUBSIDIARY****CONDENSED CONSOLIDATED BALANCE SHEETS****(unaudited)**

	March 31,	December 31,
	2005	2004
	<u>(as restated)</u>	<u>(as restated)</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 17,530,187	\$ 22,679,924
Marketable securities	28,365,465	26,834,038
Accounts receivable	2,089,904	1,226,460
Prepaid expenses and other current assets	753,794	796,618
	<u>48,739,350</u>	<u>51,537,040</u>
Total current assets		
Property and Equipment, net	<u>4,165,719</u>	<u>3,416,620</u>
Other Assets:		
Long-term investments	1,048,348	2,606,681
Long-term investments restricted	193,166	193,166
Goodwill, net	8,982,000	8,982,000
Other intangible assets, net	83,353	102,122
Deposits and other assets	488,164	494,413
	<u>10,795,031</u>	<u>12,378,382</u>
Total other assets		
	<u>\$ 63,700,100</u>	<u>\$ 67,332,042</u>
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Debt obligations, current portion	\$ 751,595	\$ 1,141,294
Accounts payable	1,234,627	1,643,219
Accrued liabilities	2,147,867	1,078,687
Deferred revenue, current portion	694,308	819,640
	<u>4,828,397</u>	<u>4,682,840</u>
Total current liabilities		
Long-term debt obligations, net of current portion	1,500,000	
Convertible notes payable	2,460,325	5,710,007
Deferred revenue, net of current portion	8,288,033	8,356,134

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Other long-term liabilities	380,993	271,058
Total liabilities	17,457,748	19,020,039
Commitments		
Stockholders' Equity:		
Common stock, \$0.01 par value		
125,000,000 shares authorized at March 31, 2005 and December 31, 2004; 48,930,583 and 47,882,876 shares issued and outstanding, respectively, at March 31, 2005 and 48,565,120 and 47,517,413 shares issued and outstanding, respectively, at December 31, 2004		
	489,306	485,652
Additional paid-in capital	717,753,121	714,831,427
Treasury stock (at cost, 1,047,707 shares at March 31, 2005 and December 31, 2004)	(891,274)	(891,274)
Deferred compensation	(433,841)	(834,157)
Accumulated deficit	(670,580,315)	(665,199,001)
Accumulated other comprehensive income	(94,645)	(80,644)
Total stockholders' equity	46,242,352	48,312,003
	\$ 63,700,100	\$ 67,332,042

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents**CURIS, INC. AND SUBSIDIARY****CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS****(unaudited)**

	Three Months Ended	
	March 31,	
	2005	2004
	(as restated)	(as restated)
REVENUES:		
Gross Revenues	\$ 2,491,754	\$ 541,593
Contra-revenues	(3,304,502)	
Net Revenues	(812,748)	541,593
COSTS AND EXPENSES:		
Research and development	3,104,544	2,797,147
General and administrative	1,697,864	1,915,149
Stock-based compensation(A)	(49,733)	301,701
Amortization of intangible assets	18,768	18,768
Total costs and expenses	4,771,443	5,032,765
Loss from operations	(5,584,191)	(4,491,172)
OTHER INCOME (EXPENSE):		
Interest income	259,460	107,331
Other income	24,958	153,845
Interest expense	(81,541)	(111,347)
Total other income	202,877	149,829
Net loss	\$ (5,381,314)	\$ (4,341,343)
Net loss per common share (basic and diluted)	\$ (0.11)	\$ (0.11)
Weighted average common shares (basic and diluted)	47,846,903	41,105,756
Net loss	\$ (5,381,314)	\$ (4,341,343)
Unrealized (loss) gain on marketable securities	(14,001)	6,228
Comprehensive loss	\$ (5,395,315)	\$ (4,335,115)
(A) The following summarizes the departmental allocation of the stock-based compensation charge:		
Research and development	\$ (51,521)	\$ 211,114
General and administrative	1,788	90,587

Total stock-based compensation	\$ (49,733)	\$ 301,701
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See accompanying notes to unaudited condensed consolidated financial statements.

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CURIS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Three Months Ended	
	March 31,	
	2005	2004
	(as restated)	(as restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (5,381,314)	\$ (4,341,343)
Adjustments to reconcile net loss to net cash used in operating activities-		
Depreciation and amortization	196,817	301,935
Stock-based compensation expense	(49,733)	301,701
Non-cash interest expense on notes payable	55,844	103,518
Amortization of intangible assets	18,768	18,768
Changes in operating assets and liabilities:		
Accounts receivable	(863,444)	(152,242)
Prepaid expenses and other assets	49,074	180,552
Accounts payable and accrued liabilities	770,523	644,863
Deferred revenue	(193,433)	1,323,835
Total adjustments	(15,584)	2,722,930
Net cash used in operating activities	(5,396,898)	(1,618,413)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of marketable securities	(7,916,071)	(8,580,091)
Sale of marketable securities	6,370,642	2,145,929
Purchase of long-term investments		(3,249,395)
Sale of long-term investments	1,558,333	1,027,208
Purchases of property and equipment	(945,916)	(84,985)
Net cash used in investing activities	(933,012)	(8,741,334)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	69,872	2,654,101
Proceeds from line of credit	1,110,301	
Repayments of obligations under capital leases		(319,967)
Net cash provided by financing activities	1,180,173	2,334,134
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,149,737)	(8,025,613)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	22,679,924	27,734,548
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 17,530,187	\$ 19,708,935

	Three Months Ended March 31,	
	2005	2004
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Issuance of common stock in connection with conversion of note payable to Elan Pharma International, Limited (Note 4)	\$ 3,305,523	\$

See accompanying notes to unaudited condensed consolidated financial statements.

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CURIS, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. Nature of Business

Curis, Inc. (the Company or Curis) is a therapeutic drug development company principally focused on the discovery, development and future commercialization of products that modulate key regulatory signaling pathways controlling the repair and regeneration of human tissues and organs. The Company s product development approach involves using small molecules, proteins or antibodies to modulate these regulatory signaling pathways. The Company s lead product, a topical therapy for the treatment of basal cell carcinoma, is being co-developed with Genentech, Inc., or Genentech, a collaborator. The Company is sharing equally in all U.S. development costs and will share equally in any future U.S. net profits and/or losses, should its basal cell carcinoma product candidate be successfully developed and marketed. The Company operates in a single reportable segment: developmental biology products. The Company expects that any successful products would be used in the health care industry and would be regulated in the United States by the U.S. Food and Drug Administration and in overseas market by similar regulatory agencies.

The Company is subject to risks common to companies in the biotechnology industry including, but not limited to, development by its competitors of new technological innovations, dependence on key personnel, its ability to protect proprietary technology, reliance on corporate collaborators to successfully research, develop and commercialize products based on the Company s technologies, its ability to comply with FDA government regulations and approval requirements as well as its ability to grow its business and obtain adequate financing to fund this growth.

2. Basis of Presentation

The accompanying consolidated financial statements of the Company have been prepa