

ARROWHEAD RESEARCH CORP

Form 10-Q

February 04, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

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 December 31, 2013

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file number 000-21898

ARROWHEAD RESEARCH CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

46-0408024

(State of incorporation) (I.R.S. Employer Identification No.)

225 S. Lake Avenue, Suite 1050

Pasadena, California 91101

(626) 304-3400

(Address and telephone number of principal executive offices)

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

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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, 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 ☐

Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller 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 ☒

The number of shares of the registrant’s common stock outstanding as of January 31, 2014 was 39,687,033.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Arrowhead Research Corporation and Subsidiaries

(A Development Stage Company)

Consolidated Balance Sheets

	(unaudited) December 31, 2013	September 30, 2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$59,713,424	\$19,114,444
Trade receivable	75,000	75,000
Other receivables	20,488	8,663
Prepaid expenses and other current assets	689,954	615,351
Short term investments	15,912,757	9,030,261
TOTAL CURRENT ASSETS	76,411,623	28,843,719
PROPERTY AND EQUIPMENT		
Computers, office equipment and furniture	323,376	323,376
Research equipment	3,319,429	3,452,013
Software	69,623	69,623
Leasehold improvements	2,749,409	2,749,409
	6,461,837	6,594,421
Less: Accumulated depreciation and amortization	(3,275,690)	(3,081,186)
PROPERTY AND EQUIPMENT, NET	3,186,147	3,513,235
OTHER ASSETS		
Patents and other intangible assets, net	3,226,850	3,240,513
Investments	9,867,857	1,732,164
TOTAL OTHER ASSETS	13,094,707	4,972,677
TOTAL ASSETS	\$92,692,477	\$37,329,631
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$589,348	\$1,199,632
Accrued expenses	684,520	638,884
Accrued payroll and benefits	678,035	905,771
Deferred revenue	109,375	103,125
Derivative liabilities	5,097,442	4,096,363
Capital lease obligation	221,345	221,345
Notes payable	1,050,000	971,557
Other current liabilities	588,343	588,343
TOTAL CURRENT LIABILITIES	9,018,408	8,725,020
LONG-TERM LIABILITIES		
Notes payable, net of current portion	-	50,000

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Capital lease obligation, net of current portion	1,006,398	1,061,113
Other non-current liabilities	1,757,384	1,758,709
TOTAL LONG-TERM LIABILITIES	2,763,782	2,869,822
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Arrowhead Research Corporation stockholders' equity:		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized; 51,291 and 9,900 shares issued and outstanding as of December 31, 2013 and September 30, 2013, respectively	51	10
Common stock, \$0.001 par value; 145,000,000 shares authorized; 39,002,152 and 32,489,444 shares issued and outstanding as of December 31, 2013 and September 30, 2013, respectively	131,372	124,859
Additional paid-in capital	259,369,442	193,514,766
Accumulated deficit during the development stage	(176,769,281)	(166,140,969)
Total Arrowhead Research Corporation stockholders' equity	82,731,584	27,498,666
Noncontrolling interest	(1,821,297)	(1,763,877)
TOTAL STOCKHOLDERS' EQUITY	80,910,287	25,734,789
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$92,692,477	\$37,329,631

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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Arrowhead Research Corporation and Subsidiaries

(A Development Stage Company)

Consolidated Statements of Operations

(unaudited)

	Three Months ended December 31, 2013	Three Months ended December 31, 2012	May 7, 2003 (Inception) to December 31, 2013
REVENUE	\$43,750	\$159,016	\$4,472,850
OPERATING EXPENSES			
Salaries and payroll-related costs	2,081,791	1,629,423	35,141,590
General and administrative expenses	913,784	917,676	35,755,863
Research and development	3,133,014	1,576,666	54,457,389
Stock-based compensation	521,138	395,675	15,638,877
Depreciation and amortization	403,405	449,597	9,564,103
Impairment expense	-	-	1,308,047
Contingent consideration - fair value adjustments	-	-	1,421,652
TOTAL OPERATING EXPENSES	7,053,132	4,969,037	153,287,521
OPERATING LOSS	(7,009,382)	(4,810,021)	(148,814,671)
OTHER INCOME (EXPENSE)			