

LEXICON PHARMACEUTICALS, INC./DE
Form 10-Q
May 03, 2012
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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 March 31, 2012

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: 000-30111

Lexicon Pharmaceuticals, Inc.
(Exact Name of Registrant as Specified in its Charter)
Delaware 76-0474169
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification Number)

8800 Technology Forest Place
The Woodlands, Texas 77381
(Address of Principal Executive Offices and Zip Code)

(281) 863-3000
(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 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, 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.

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Large accelerated filer Accelerated filer Non-accelerated filer 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 May 1, 2012, 480,656,570 shares of the registrant's common stock, par value \$0.001 per share, were outstanding.

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Lexicon Pharmaceuticals, Inc.

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The Lexicon name and logo, OmniBank® and LexVision® are registered trademarks and Genome5000™ is a trademark of Lexicon Pharmaceuticals, Inc.

Factors Affecting Forward Looking Statements

This quarterly report on Form 10-Q contains forward-looking statements. These statements relate to future events or our future financial performance. We have attempted to identify forward-looking statements by terminology including “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “show” or “will,” or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks outlined under “Part II, Item 1A. - Risk Factors,” that may cause our or our industry’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels or activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We are not under any duty to update any of the forward-looking statements after the date of this quarterly report on Form 10-Q to conform these statements to actual results, unless required by law.

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Part I – Financial Information

Item 1. Financial Statements

Lexicon Pharmaceuticals, Inc.

Consolidated Balance Sheets
(In thousands, except par value)

	As of March 31, 2012 (unaudited)	As of December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$29,010	\$186,309
Short-term investments, including restricted investments of \$430	224,646	95,383
Accounts receivable, net of allowances of \$35	186	350
Prepaid expenses and other current assets	5,143	3,748
Total current assets	258,985	285,790
Property and equipment, net of accumulated depreciation and amortization of \$81,654 and \$80,535, respectively	45,526	46,417
Goodwill	44,543	44,543
Other intangible assets	53,557	53,557
Other assets	181	205
Total assets	\$402,792	\$430,512
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$5,324	\$6,042
Accrued liabilities	13,710	13,786
Current portion of deferred revenue	421	119
Current portion of long-term debt	1,478	1,443
Total current liabilities	20,933	21,390
Deferred revenue, net of current portion	13,910	14,212
Long-term debt	23,063	23,451
Deferred tax liabilities	18,745	18,745
Other long-term liabilities	57,170	55,146
Total liabilities	133,821	132,944
Commitments and contingencies		
Equity:		
Preferred stock, \$.01 par value; 5,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$.001 par value; 900,000 shares authorized; 480,942 and 480,389 shares issued, respectively	481	480
Additional paid-in capital	1,088,666	1,087,033
Accumulated deficit	(819,489)	(789,621)
Accumulated other comprehensive gain (loss)	(57)	21
Treasury stock, at cost, 380 and 218 shares, respectively	(630)	(345)
Total equity	268,971	297,568
Total liabilities and equity	\$402,792	\$430,512

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

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Lexicon Pharmaceuticals, Inc.

Consolidated Statements of Comprehensive Loss
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended March 31,	
	2012	2011
Revenues:		
Collaborative research	\$ 152	\$
Subscription and license fees	148	80
Total revenues	300	596
Operating expenses:		
Research and development, including stock-based compensation of \$1,037 and \$839, respectively	23,037	23,921
Increase in fair value of Symphony Icon, Inc. purchase liability	2,081	1,058
General and administrative, including stock-based compensation of \$681 and \$633, respectively	4,565	4,753
Total operating expenses	29,683	29,732
Loss from operations	(29,383)	(29,136)
Interest income	56	87
Interest expense	(537)	(607)
Other income (expense), net	(4)	27

Consolidated net loss	\$(29,868) \$
Consolidated net loss per common share, basic and diluted	\$(0.06) -19-

YOUR CONSENT IS IMPORTANT. PLEASE SIGN AND DATE THE ENCLOSED WHITE CARD. THIS WILL HAVE THE SAME EFFECT AS VOTING AGAINST THE PROPOSALS.

If your shares are held in the name of a brokerage firm, bank nominee or other institution, only it can execute the instructions. You should confirm in writing your instructions to the person responsible for your account and provide a copy to the undersigned.

If you have any questions or require any assistance in executing your consent, please contact _____

Information Concerning Cross Border

See Schedule II for information regarding persons who beneficially own more than 5% of the shares.

Conclusion

We urge you to carefully consider the information contained in the attached Consent Statement and to execute the enclosed white card.

Thank you for your support,

RED MOUNTAIN RESOURCES, INC.

BLACK ROCK CAPITAL, INC.

ALAN W. BARKSDALE

PAUL N. VASSILAKOS

RICHARD Y. ROBERTS

LYNDEN B. ROSE

RANDELL K. FORD

WILLIAM F. MILLER, III

[_____], 2012

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SCHEDULE I

PURCHASES AND SALES IN THE SECURITIES OF CROSS BORDER RESOURCES, INC.
DURING THE PAST TWO YEARS

Transaction Date **Shares of Cross Border Common Stock** red mountain resources, inc. Buy 08

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SCHEDULE II

The following table is re-printed from the Company's Amendment No. 1 to its Registration Statement.

Security Ownership of Five Percent Owners

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership
	David Paul Crews(1)	1,048,221
Common Stock	3200 State Road 13 St. Johns, FL 32259	(indirectly)

(1) As reported on Schedule 13G filed on March 4, 2011. David Crews, as

Security Ownership of Management

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership
Common Stock	Everett Willard Gray II Chairman of the Board and Chief Executive Officer	766,694(1) (direct and
Common Stock	Lawrence J. Risley	339,046(3)
Common Stock	President and Director P. Mark Stark	(direct) 100,727(4)
Common Stock	Chief Financial Officer John W. Hawkins	(direct) 47,500(5)
Common Stock	Director Brad Elliott Heidelberg	(direct) 25,000(6)
Common Stock	Director Richard F. LaRoche	(direct) 738,127(7)

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Director	(direct and
Jim D. Swink, Jr.	
Common Stock	578,104(8)
Former CEO and Director of Pure	
Common Stock Directors and officers as a group (6 individuals excluding BDR, Inc.)	2,017,094(8)

* Less than one percent

Note: Under Rule 13d-3, a beneficial owner of a security includes any person who, directly or indirectly, owns or controls the security. Certain shares may be deemed to be beneficially owned by more than one person (if, for example, the information is provided. In computing the percentage ownership of any person, the amount of shares owned by a person's actual ownership or voting power with respect to the number of shares of common stock a

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(7) Includes vested and exercisable options to purchase 25,000 shares. Shares are held by the Company.
(8) Shares are held indirectly through BDR, Inc.

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ANNEX A

PROPOSED AMENDMENTS TO THE AMENDED AND RESTATED BY-LAWS OF CRO

Article IV, Section 15 the Bylaws of the Company is amended by deleting the section in its entirety

SECTION 15. NUMBER AND QUALIFICATION. The authorized number of directors of the c required by the Articles of Incorporation. If for any cause, the directors shall not have been elected

2. Proposed amendment to Article IV, Section 18 of the Bylaws.

Article IV, Section 18 of the Bylaws of the Company is amended by deleting the section in its entirety

SECTION 18. VACANCIES. Unless otherwise provided in the Articles of Incorporation, any v Directors determines by resolution that any such vacancies shall be filled by stockholder vote, be fi directors may be filled either by the stockholders or the Board of Directors. Any director elected in

3. Proposed amendment to Article XII, Section 45 of the Bylaws.

Article XII, Section 45 of the Bylaws of the Company is amended by deleting the section in its entirety

SECTION 45. AMENDMENTS.

The Board of Directors shall have the power to adopt, amend, or repeal these Bylaws, provided, ho

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PRELIMINARY COPY SUBJECT TO COMPLETION

DATED MARCH 12, 2012

WHITE CONSENT CARD

CONSENT OF STOCKHOLDERS OF CROSS BORDER RESOURCES, INC. TO ACTION

THIS CONSENT SOLICITATION IS BEING MADE BY RED MOUNTAIN RESOURCES,

Unless otherwise indicated below, the undersigned, a stockholder of record of Cross Border Resources, Inc., hereby consents to the following actions without a meeting of the stockholders of the Company:

IF NO BOX IS MARKED FOR A PROPOSAL, THE UNDERSIGNED WILL BE DEEMED TO RECOMMEND THAT YOU CONSENT TO PROPOSALS 1-5.

1. Amend the Company's Bylaws ("the Bylaws") to allow stockholders to fix the number of directors.

2. Amend the Bylaws to allow newly created directorships resulting from an increase in the size of the board of directors.

3. Upon the approval of Proposals 1 and 2, elect each of Alan W. Barksdale, Paul N. Vassilakos, R. Mountain).

INSTRUCTION: TO CONSENT, WITHHOLD CONSENT OR ABSTAIN FROM CONSENT BUT NOT ALL OF THEM, CHECK THE "CONSENT" BOX ABOVE AND WRITE THE N

4. Repeal the amendments to the Bylaws adopted by the Board on November 14, 2011 which add

5. Repeal any provision of the Bylaws adopted by the Board in effect at the time this proposal beco

Proposal 1, Proposal 2, Proposal 4 and Proposal 5 are not subject to, or conditioned upon, the effect

IN THE ABSENCE OF DISSENT OR ABSTENTION BEING INDICATED ABOVE, THE U

IN ORDER FOR YOUR CONSENT TO BE VALID, IT MUST BE DATED.

Please sign exactly as name appears on stock certificates or on label affixed hereto. When Shares are

THIS SOLICITATION IS BEING MADE BY RED MOUNTAIN AND NOT ON BEHALF OF T

PLEASE SIGN, DATE AND MAIL YOUR CONSENT PROMPTLY IN THE POSTAGE-PAID E

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