

MEDICINOVA INC
Form 10-Q
May 16, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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, 2011

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: 001-33185

MEDICINOVA, INC.

(Exact name of registrant as specified in its charter)

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Delaware
(State or Other Jurisdiction of

33-0927979
(I.R.S. Employer

Incorporation or Organization)

Identification No.)

4350 La Jolla Village Drive, Suite 950

San Diego, CA
(Address of Principal Executive Offices)

92122
(Zip Code)

(858) 373-1500

(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 small reporting company. See definition of "accelerated filer", "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer 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

As of May 10, 2011, the registrant had 15,283,582 shares of Common Stock (\$0.001 par value) outstanding.

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MEDICINOVA, INC.

(a development stage company)

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS.
MEDICINOVA, INC.****(a development stage company)****CONSOLIDATED BALANCE SHEETS**

	March 31, 2011 (Unaudited)	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 31,379,857	\$ 28,252,204
Restricted cash (Note 2)	28,652,977	28,688,892
Restricted investment (Note 2)		623,751
Restricted letter of credit (Note 2)		47
Prepaid expenses and other current assets	848,876	779,103
Total current assets	60,881,710	58,343,997
Goodwill (Notes 1 and 2)	9,600,241	9,600,241
In-process research and development (Note 2)	4,800,000	4,800,000
Property and equipment, net	52,665	65,209
Other assets	103,296	124,722
Total assets	\$ 75,437,912	\$ 72,934,169
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 873,886	\$ 1,099,625
Management transition plan liability (Note 2)		623,751
Debt (Notes 3, 4 and 11)	13,751,932	4,951,610
Convertible notes (Notes 2 and 8)	28,621,640	28,626,296
Escrow holdback (Note 2)	47	47
Accrued expenses	2,566,072	1,133,273
Income taxes payable	1,379	6,847
Accrued compensation and related expenses	502,011	348,755
Total current liabilities	46,316,967	36,790,204
Deferred tax liability (Note 2)	1,956,000	1,956,000
Long-term debt, less current portion (Notes 3, 4 and 11)		9,483,605
Total liabilities	48,272,967	48,229,809
Commitments and contingencies (Note 9)		
Stockholders equity:		
Preferred stock, \$0.01 par value; 500,000 shares authorized at March 31, 2011 and December 31, 2010; no shares outstanding at March 31, 2011 and December 31, 2010		
Common stock, \$0.001 par value; 30,000,000 shares authorized at March 31, 2011 and December 31, 2010; 15,290,839 and 12,482,867 shares issued at March 31, 2011 and	15,291	12,484

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December 31, 2010, respectively, and 15,248,930 and 12,439,132 shares outstanding at March 31, 2011 and December 31, 2010, respectively		
Additional paid-in capital	301,601,079	293,483,920
Accumulated other comprehensive loss	(63,359)	(55,702)
Treasury stock, at cost; 41,909 shares at March 31, 2011 and 43,735 shares at December 31, 2010	(1,193,930)	(1,197,935)
Deficit accumulated during the development stage	(273,194,136)	(267,538,407)
Total stockholders' equity	27,164,945	24,704,360
Total liabilities and stockholders' equity	\$ 75,437,912	\$ 72,934,169

See accompanying notes.

Table of Contents**MEDICINOVA, INC.****(a development stage company)****CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)**

	Three months ended March 31,		Period from September 26, 2000 (inception) to March 31, 2011
	2011	2010	
Revenues	\$	\$	\$ 1,558,227
Operating expenses:			
Cost of revenues			1,258,421
Research and development	2,623,898	2,949,456	156,880,742
General and administrative	2,352,476	2,286,952	99,551,285
Total operating expenses	4,976,374	5,236,408	257,690,448
Operating loss	(4,976,374)	(5,236,408)	(256,132,221)
Impairment charge on investment securities		(7,479)	(1,735,212)
Foreign exchange gain/(loss)	358	(3,746)	(97,468)
Other expense	(52,733)	(31,307)	(233,240)
Interest expense	(652,387)	(44,174)	(2,663,112)
Other income	25,406	161,113	19,083,483
Income taxes		751	(53,244)
Net loss	(5,655,730)	(5,161,250)	(241,831,014)
Accretion to redemption value of redeemable convertible preferred stock			(98,445)
Deemed dividend resulting from beneficial conversion feature on Series C redeemable convertible preferred stock			(31,264,677)
Net loss applicable to common stockholders	\$ (5,655,730)	\$ (5,161,250)	\$ (273,194,136)
Basic and diluted net loss per common share	\$ (0.45)	\$ (0.42)	
Shares used to compute basic and diluted net loss per common share	12,547,759	12,269,102	

See accompanying notes.

Table of Contents**MEDICINOVA, INC.****(a development stage company)****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

	Three months ended March 31,		Period from September 26, 2000 (inception) to March 31, 2011
	2011	2010	2011
Operating activities:			
Net loss	\$ (5,655,730)	\$ (5,161,250)	\$ (241,831,015)
Adjustments to reconcile net loss to net cash used in operating activities:			
Non-cash stock-based compensation	175,683	538,485	48,484,215
Depreciation and amortization	12,544	41,027	1,916,099
Amortization of premium/discount on investment securities, convertible notes and debt discount and issuance costs	227,068	31,307	(1,624,416)
Impairment charge/(gain), net on investment securities and ARS put		7,479	1,735,212
(Gain)/loss on disposal of assets		2,026	10,637
Impairment of sublease			35,259
Changes in operating assets and liabilities:			
Prepaid expenses and other assets	(69,773)	(178,610)	(811,927)
Accounts payable, accrued expenses, income taxes payable and deferred rent	1,193,935	136,912	3,171,669
Accrued compensation and related expenses	153,256	(862,137)	405,870
Restricted assets		(143,159)	5,999
Net cash used in operating activities	(3,963,017)	(5,587,920)	(188,502,398)
Investing activities:			
Cash paid for acquired business, net of acquired cash			(2,829,785)
Purchases of investment securities			(377,205,766)
Maturities or sales of investment securities		3,394,193	377,918,240
Acquisition of property and equipment		(7,101)	(2,271,505)
Proceeds from sales of property and equipment			256,845
Net cash provided by (used in) investing activities		3,387,092	(4,131,971)
Financing activities:			
Net proceeds from the sale of common stock	5,025,381	250	126,488,903
Net proceeds from the sale of warrants	2,882,258		2,882,258
Sale of preferred stock, net of issuance costs			80,216,971
(Repayments of) proceeds from ARS loan, net		(3,162,119)	
(Repayments of) proceeds from debt, net	(857,619)		13,812,381
Proceeds from conversion of convertible notes	36,645	1,695,466	1,841,425
Purchase of treasury stock, net of employee stock purchases	4,005	23,107	(1,227,712)