

CURIS INC  
Form 10-Q  
August 08, 2013  
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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 June 30, 2013**

**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)

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

**4 Maguire Road**

**Lexington, Massachusetts**  
(Address of Principal Executive Offices)

**02421**  
(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 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. (Check one):

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 August 1, 2013, there were 81,694,938 shares of the registrant's common stock outstanding.

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

	<b>June 30, 2013</b>	<b>December 31, 2012</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 9,742,938	\$ 12,747,709
Investments	47,391,009	42,791,689
Short-term investment restricted	13,877	13,877
Accounts receivable	863,187	908,064
Prepaid expenses and other current assets	413,530	390,564
Total current assets	58,424,541	56,851,903
Property and equipment, net	500,891	434,168
Long-term investments		3,162,025
Long-term investment restricted	166,487	180,405
Goodwill	8,982,000	8,982,000
Other assets	129,777	157,848
Total assets	\$ 68,203,696	\$ 69,768,349
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 2,578,308	\$ 2,504,270
Accrued liabilities	1,419,167	1,474,556
Current portion of long-term debt, net	1,367,618	
Total current liabilities	5,365,093	3,978,826
Long-term debt, net	29,029,095	29,838,925
Warrants	853,778	1,488,179
Other long-term liabilities	199,090	194,921
Total liabilities	35,447,056	35,500,851
Commitments		
Stockholders Equity:		
Common stock, \$0.01 par value 225,000,000 and 125,000,000 shares authorized at June 30, 2013 and December 31, 2013, respectively; 82,906,784 shares issued and 81,683,938 shares outstanding at June 30, 2013; 81,065,488 shares issued and 80,017,781 shares outstanding at December 31, 2012	829,068	810,655
Additional paid-in capital	788,203,373	782,837,507
Treasury stock (at cost, 1,222,846 shares and 1,047,707 shares at June 30, 2013 and December 31, 2012, respectively)	(1,524,029)	(891,274)
Accumulated deficit	(754,760,691)	(748,504,549)
Accumulated other comprehensive income	8,919	15,159
Total stockholders equity	32,756,640	34,267,498

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Total liabilities and stockholders' equity	\$ 68,203,696	\$ 69,768,349
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See accompanying notes to unaudited condensed consolidated financial statements.

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

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>REVENUES:</b>				
Research and development	\$ 599,065	\$ 98,824	\$ 806,100	\$ 184,454
Royalties	805,312	252,750	1,469,712	523,372
License fees	4,000,000	4,000,000	4,000,000	14,000,000
<b>Total revenues</b>	<b>5,404,377</b>	<b>4,351,574</b>	<b>6,275,812</b>	<b>14,707,826</b>
<b>COSTS AND EXPENSES:</b>				
Cost of royalty revenues	40,265	12,637	73,485	126,168
Research and development	3,166,639	4,500,456	5,795,096	9,742,405
General and administrative	2,903,669	2,264,586	5,470,791	5,065,663
<b>Total costs and expenses</b>	<b>6,110,573</b>	<b>6,777,679</b>	<b>11,339,372</b>	<b>14,934,236</b>
<b>Loss from operations</b>	<b>(706,196)</b>	<b>(2,426,105)</b>	<b>(5,063,560)</b>	<b>(226,410)</b>
<b>OTHER INCOME/(EXPENSE):</b>				
Interest income	36,949	34,994	78,561	53,095
Interest expense	(957,742)		(1,905,544)	
Change in fair value of warrant liability	333,141	(495,341)	634,401	(487,400)
<b>Total other expense</b>	<b>(587,652)</b>	<b>(460,347)</b>	<b>(1,192,582)</b>	<b>(434,305)</b>
<b>Net loss</b>	<b>\$ (1,293,848)</b>	<b>\$ (2,886,452)</b>	<b>\$ (6,256,142)</b>	<b>\$ (660,715)</b>
<b>Net loss per common share (basic and diluted)</b>	<b>\$ (0.02)</b>	<b>\$ (0.04)</b>	<b>\$ (0.08)</b>	<b>\$ (0.01)</b>
<b>Weighted average common shares (basic and diluted)</b>	<b>81,128,475</b>	<b>79,052,517</b>	<b>80,615,412</b>	<b>78,304,441</b>
<b>Total comprehensive loss</b>	<b>\$ (1,299,031)</b>	<b>\$ (2,899,231)</b>	<b>\$ (6,262,382)</b>	<b>\$ (654,957)</b>

See accompanying notes to unaudited condensed consolidated financial statements.

**Table of Contents****CURIS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(unaudited)**

	<b>Six Months Ended June 30,</b>	
	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (6,256,142)	\$ (660,715)
Adjustments to reconcile net loss to net cash provided by/(used in) operating activities:		
Depreciation and amortization	67,734	60,432
Stock-based compensation expense	1,576,537	2,030,418
Issuance of common stock to licensees		964,000
Change in fair value of warrant liability	(634,401)	487,400
Non-cash interest (income)/expense	163,826	(99,171)
Amortization of debt issuance costs	52,389	
Payment in-kind interest on debt	582,062	
Changes in operating assets and liabilities:		
Accounts receivable	44,877	(276,239)
Prepaid expenses and other assets	(34,941)	92,825
Accounts payable and accrued liabilities	133,810	(273,295)
<b>Total adjustments</b>	<b>1,951,893</b>	<b>2,986,370</b>
Net cash provided by/(used in) operating activities	(4,304,249)	2,325,655
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(27,704,396)	(30,163,823)
Sales of investments	26,097,035	20,250,450
Purchases of property and equipment	(34,957)	(33,652)
Decrease in restricted cash	13,918	41,632
Net cash used in investing activities	(1,628,400)	(9,905,393)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issuance of common stock under the Company's share-based compensation plans and warrant exercises	3,189,353	4,549,663
Payment of debt issuance costs	(261,475)	
Net cash provided by financing activities	2,927,878	4,549,663
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,004,771)</b>	<b>(3,030,075)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>12,747,709</b>	<b>15,119,730</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 9,742,938</b>	<b>\$</b>