

MAP Pharmaceuticals, Inc.
Form 10-Q
November 19, 2007
Table of Contents

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 September 30, 2007

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 001-33719

MAP PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

2834
(Primary Standard Industrial
Classification Code Number)
2400 Bayshore Parkway, Suite 200

20-0507047
(I.R.S. Employer
Identification No.)

Mountain View, CA 94043

(650) 386-3100

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Edgar Filing: MAP Pharmaceuticals, Inc. - Form 10-Q

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

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date.

As of November 15, 2007, there were 20,228,361 shares of the registrant's common stock, \$0.01 par value, outstanding.

Table of Contents

MAP PHARMACEUTICALS, INC.

TABLE OF CONTENTS

	PAGE NUMBER
PART I	FINANCIAL INFORMATION
Item 1	Financial Statements
	<u>Condensed Consolidated Balance Sheets (Unaudited) as of September 30, 2007 and as of December 31, 2006</u>
	3
	<u>Condensed Consolidated Statements of Operations (Unaudited) for the Three and Nine Months ended September 30, 2007 and 2006</u>
	4
	<u>Condensed Consolidated Statements of Cash Flows (Unaudited) for the Nine Months ended September 30, 2007 and 2006</u>
	5
	<u>Notes to the Condensed Consolidated Financial Statements (Unaudited)</u>
	6
Item 2	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>
	13
Item 3	<u>Quantitative and Qualitative Disclosures about Market Risk</u>
	19
Item 4	<u>Controls and Procedures</u>
	20
PART II	<u>OTHER INFORMATION</u>
	20
Item 1	<u>Legal Proceedings</u>
	20
Item 1A	<u>Risk Factors</u>
	21
Item 2	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>
	36
Item 4	<u>Submission of Matters to a Vote of Security Holders</u>
	37
Item 6	<u>Exhibits</u>
	37

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****MAP PHARMACEUTICALS, INC.****(a development stage enterprise)****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited)**

	September 30, 2007	December 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 31,902,612	\$ 11,090,800
Short-term investments	13,612,360	6,655,370
Prepaid expenses and other current assets	562,536	443,149
Total current assets	46,077,508	18,189,319
Property and equipment, net	3,392,439	2,852,008
Other assets	1,984,568	383,019
Restricted investment	320,926	200,370
Total assets	\$ 51,775,441	\$ 21,624,716
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS DEFICIT		
Current liabilities:		
Accounts payable	\$ 542,966	\$ 1,762,348
Accrued liabilities	7,285,857	2,328,568
Current portion of long-term debt	3,349,192	840,369
Total current liabilities	11,178,015	4,931,285
Long-term debt, net of current	7,059,598	10,061,034
Redeemable convertible preferred stock warrant liability	947,775	410,988
Total liabilities	19,185,388	15,403,307
Commitments and contingencies (Note 3)		
Redeemable convertible preferred stock	120,652,596	64,898,089
Stockholders' deficit:		
Common stock	3,539	3,307
Accumulated other comprehensive income	24,579	6,063
Deficit accumulated during the development stage	(88,090,661)	(58,686,050)
Total stockholders' deficit	(88,062,543)	(58,676,680)
Total liabilities, redeemable convertible preferred stock and stockholders' deficit	\$ 51,775,441	\$ 21,624,716

Edgar Filing: MAP Pharmaceuticals, Inc. - Form 10-Q

See Notes to the Condensed Consolidated Financial Statements.

Table of Contents**MAP PHARMACEUTICALS, INC.**

(a development stage enterprise)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,		Cumulative Period from July 3, 2003 (Date of Inception) to September 30,
	2007	2006	2007	2006	2007
Operating expenses:					
Research and development	\$ 7,510,102	\$ 5,908,490	\$ 18,342,904	\$ 15,097,494	\$ 59,401,989
Sales and marketing	507,987	45,773	1,308,891	136,164	1,993,101
General and administrative	1,857,647	1,019,177	5,513,982	2,730,833	15,907,323
Total operating expenses	9,875,736	6,973,440	25,165,777	17,964,491	77,302,413
Loss from operations	(9,875,736)	(6,973,440)	(25,165,777)	(17,964,491)	(77,302,413)
Interest income	621,181	202,252	1,611,986	699,665	2,983,377
Interest expense	(335,595)	(11,241)	(1,017,427)	(11,241)	(1,252,452)
Other expense, net	(251,761)	(3,254)	(618,505)	(7,719)	(506,739)
Net loss	(9,841,911)	(6,785,683)	(25,189,723)	(17,283,786)	(76,078,226)
Cumulative stock dividend attributed to preferred stockholders	(1,902,346)	(1,215,065)	(5,575,402)	(3,488,265)	
Net loss attributed to common stockholders	\$ (11,744,257)	\$ (8,000,748)	\$ (30,765,125)	\$ (20,772,051)	
Net loss per share basic and diluted	\$ (14.07)	\$ (11.20)	\$ (39.27)	\$ (29.61)	
Weighted average shares outstanding used in calculating net loss per share basic and diluted	834,433	714,581	783,379	701,505	

See Notes to the Condensed Consolidated Financial Statements.

Table of Contents**MAP PHARMACEUTICALS, INC.**

(a development stage enterprise)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine Months Ended		Cumulative Period from July 3, 2003 (Date of Inception) to September 30 2007
	2007	September 30, 2006	
Cash flows from operating activities:			
Net loss	\$ (25,189,723)	\$ (17,283,786)	\$ (76,078,226)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	585,320	410,247	1,609,152
Amortization of debt issuance costs	70,497	5,952	84,435
Change in carrying value of warrant liability	536,787		620,578
Issuance of common stock in exchange for services			51,200
Share-based compensation	1,297,740	306,363	1,799,121
Loss on disposal and other non-cash items	156,422	11,683	370,387
Changes in operating assets and liabilities:			
Prepaid expenses and other current assets	(600,035)	(339,835)	(1,268,073)
Other assets	(156,660)	(102,522)	(166,876)
Accounts payable	(1,267,439)	(520,130)	494,909
Accrued liabilities	3,168,223	(294,838)	5,496,791
Net cash used in operating activities	(21,398,868)	(17,806,866)	(66,986,602)
Cash flows from investing activities:			
Purchase of intangible assets and in-process research and development			(412,000)
Purchase of property and equipment	(1,080,590)	(962,658)	(4,911,935)
Proceeds from sale of property and equipment	5,600	3,114	5,600
Purchase of short-term investments	(44,032,826)	(22,036,416)	(71,217,522)
Sales and maturities of short-term investments	37,575,000	18,700,000	58,429,274
Purchase of restricted investment	(120,556)		(320,926)
Net cash used in investing activities	(7,653,372)	(4,295,960)	(18,427,509)
Cash flows from financing activities:			
Proceeds from issuance of convertible notes payable			4,300,000
Proceeds from issuance of long-term debt		7,006,025	11,006,025
Proceeds from issuance of common stock	63,005	181	65,745
Repayment of long-term debt	(378,058)		(482,680)
Proceeds from issuance of convertible preferred stock, net of issuance costs	50,179,105	25,099,988	102,427,633
Net cash provided by financing activities	49,864,052	32,106,194	117,316,723
Net increase in cash and cash equivalents	20,811,812	10,003,368	31,902,612
Cash and cash equivalents at beginning of period	11,090,800	7,158,101	
Cash and cash equivalents at end of period	\$ 31,902,612	\$ 17,161,469	\$ 31,902,612

Edgar Filing: MAP Pharmaceuticals, Inc. - Form 10-Q

Supplemental disclosures of cash flow information

Cash paid for interest	\$ 923,301	\$ 5,289	\$ 1,065,742
------------------------	------------	----------	--------------

Supplemental non-cash information

Conversion of notes payable to convertible preferred stock	\$	\$	\$ 4,300,000
Issuance of convertible preferred stock warrants	\$	\$ 327,197	\$ 327,197
Accretion of cumulative dividends on redeemable convertible preferred stock	\$ 5,575,402	\$ 3,488,265	\$ 13,924,963

See Notes to the Condensed Consolidated Financial Statements.

Table of Contents

MAP PHARMACEUTICALS, INC.

(a development stage enterprise)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1. THE COMPANY