

IDERA PHARMACEUTICALS, INC.

Form 10-Q

November 14, 2013

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2013

or

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For transition period from _____ to _____.

Commission File Number: 001-31918

IDERA PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of	04-3072298 (I.R.S. Employer
incorporation or organization)	Identification No.)
167 Sidney Street	
Cambridge, Massachusetts (Address of principal executive offices)	02139 (zip code)
(617) 679-5500	
(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 ☐

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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 ☒ (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 ☒

Common Stock, par value \$.001 per share
Class

63,690,084
Outstanding as of October 31, 2013

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IDERA PHARMACEUTICALS, INC.

FORM 10-Q

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical fact, included or incorporated in this report regarding our strategy, future operations, collaborations, intellectual property, cash resources, financial position, future revenues, projected costs, prospects, plans, and objectives of management are forward-looking statements. The words believes, anticipates, estimates, plans, expects, intends, may, could, should, potential, likely, projects, and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We cannot guarantee that we actually will achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. There are a number of important factors that could cause our actual results to differ materially from those indicated or implied by forward-looking statements. These important factors include those set forth below under Part II, Item 1A Risk Factors. These factors and the other cautionary statements made in this Quarterly Report on Form 10-Q should be read as being applicable to all related forward-looking statements whenever they appear in this Quarterly Report on Form 10-Q. In addition, any forward-looking statements represent our estimates only as of the date that this Quarterly Report on Form 10-Q is filed with the Securities and Exchange Commission and should not be relied upon as representing our estimates as of any subsequent date. We do not assume any obligation to update any forward-looking statements. We disclaim any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS.****IDERA PHARMACEUTICALS, INC.****CONDENSED BALANCE SHEETS****(UNAUDITED)**

(In thousands, except per share amounts)	September 30, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 38,749	\$ 10,096
Restricted cash	311	
Prepaid expenses and other current assets	397	198
Total current assets	39,457	10,294
Property and equipment, net	116	218
Restricted cash		311
Total assets	\$ 39,573	\$ 10,823
LIABILITIES, REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 254	\$ 1,129
Accrued expenses	2,204	3,002
Total current liabilities	2,458	4,131
Other liabilities	6	65
Total liabilities	2,464	4,196
Commitments and contingencies		
Series D Redeemable Convertible Preferred Stock, \$0.01 par value, Designated, issued and outstanding - 1,124 shares at December 31, 2012		5,921
Non-redeemable preferred stock, common stock, and other stockholders equity:		
Preferred stock, \$0.01 par value, Authorized 5,000 shares		
Series E convertible preferred stock, Designated, issued and outstanding 424 shares	5,528	3,701
Series D convertible preferred stock, Designated, issued and outstanding 1,124 shares at September 30, 2013	5,464	
Series A convertible preferred stock, Designated 1,500 shares, issued and outstanding 1 share		

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Common stock, \$0.001 par value, Authorized 280,000 and 140,000 shares at September 30, 2013 and December 31, 2012, respectively; Issued and outstanding 62,682 and 27,643 shares at September 30, 2013 and December 31, 2012, respectively

	63	28
Additional paid-in capital	432,848	391,635
Accumulated deficit	(406,794)	(394,658)
Total stockholders' equity	37,109	706
Total liabilities, redeemable preferred stock and stockholders' equity	\$ 39,573	\$ 10,823

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

Table of Contents**IDERA PHARMACEUTICALS, INC.****CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS****(UNAUDITED)**

(In thousands, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Alliance revenue	\$ 7	\$ 3	\$ 43	\$ 40
Operating expenses:				
Research and development	2,510	3,278	6,835	10,595
General and administrative	2,179	1,477	5,305	5,014
Total operating expenses	4,689	4,755	12,140	15,609
Loss from operations	(4,682)	(4,752)	(12,097)	(15,569)
Other income (expense):				
Decrease in fair value of warrant liability		109		106
Investment income, net	2	2	6	8
Foreign currency exchange (loss) gain	(58)	(28)	(45)	13
Net loss	(4,738)	(4,669)	(12,136)	(15,442)
Loss on extinguishment of convertible preferred stock and preferred stock dividends	278	160	2,587	480
Net loss applicable to common stockholders	\$ (5,016)	\$ (4,829)	\$ (14,723)	\$ (15,922)
Basic and diluted net loss per common share applicable to common stockholders (Note 11)	\$ (0.11)	\$ (0.17)	\$ (0.40)	\$ (0.58)
Shares used in computing basic and diluted net loss per common share applicable to common stockholders	45,720	27,640	37,203	27,639
Comprehensive loss	\$ (4,738)	\$ (4,669)	\$ (12,136)	\$ (15,442)

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

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IDERA PHARMACEUTICALS, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(In thousands)	Nine Months Ended September 30,	
	2013	2012
Cash Flows from Operating Activities:		
Net loss	\$ (12,136)	\$ (15,442)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	994	1,628
Decrease in fair value of warrant liability		(106)
Non-employee stock option expense	41	2
Depreciation expense	106	201
Other	18	5
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(199)	111
Accounts payable, accrued expenses, and other liabilities	(1,499)	(2,194)
Net cash used in operating activities	(12,675)	(15,795)
Cash Flows from Investing Activities:		
Purchases of property and equipment	(4)	
Net cash used in investing activities	(4)	
Cash Flows from Financing Activities:		
Proceeds from equity financings	40,538	
Dividends paid	(1,067)	(423)
Proceeds from exercise of common stock options and warrants and employee stock purchases	1,864	3
Payments on capital lease	(3)	(4)
Net cash provided by (used in) financing activities	41,332	(424)
Net increase (decrease) in cash and cash equivalents	28,653	(16,219)
Cash and cash equivalents, beginning of period	10,096	24,571
Cash and cash equivalents, end of period	\$ 38,749	\$ 8,352

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

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IDERA PHARMACEUTICALS, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS

September 30, 2013

(UNAUDITED)

(1) Organization

Idera Pharmaceuticals, Inc. (Idera or the Company) is a clinical stage biotechnology company using its proprietary technology to create novel nucleic acid therapeutics designed to inhibit over-activation of Toll-like Receptors, or TLRs. The Company plans to develop and commercialize these therapeutics for the treatment of genetically defined forms of B-cell lymphoma and for orphan autoimmune diseases with serious unmet medical needs. The Company believes that clinical proof of concept of its approach of targeting specific TLRs for the treatment of psoriasis and potentially other autoimmune and inflammatory diseases has been established in a Phase 2 trial of one of its drug candidates.

The Company's lead drug candidate is IMO-8400, an antagonist for TLR7, TLR8, and TLR9 that is designed to block over-activation of the targeted TLRs. In a completed Phase 1 clinical trial of IMO-8400 in 42 healthy subjects, IMO-8400 was well tolerated and showed inhibition of TLR7, TLR8, and TLR9. The Company is conducting a randomized, double-blinded, placebo-controlled Phase 2 clinical trial of IMO-8400 in patients with moderate to severe plaque psoriasis.

The Company has initiated plans for clinical development of IMO-8400 for the treatment of genetically defined forms of B-cell lymphoma. The Company has submitted an Investigational New Drug application, or IND, to the United States Food and Drug Administration, or FDA, to conduct a Phase 1/2 clinical trial of IMO-8400 in patients with Waldenström's macroglobulinemia. The Company anticipates initiating this trial in the first quarter of 2014. The Company also plans to submit to the FDA in the first quarter of 2014 a protocol for a Phase 1/2 clinical trial of IMO-8400 in patients with diffuse large B-cell lymphoma, or DLBCL, that it expects to initiate in the first quarter of 2014.

The Company has also selected IMO-9200, a second novel antagonist of TLR7, TLR8, and TLR9, for development as a drug candidate for potential use in selected autoimmune disease indications. The Company has initiated IND-enabling studies of IMO-9200 and expects to submit an IND for IMO-9200 in the third quarter of 2014.

The Company had cash and cash equivalents of approximately \$38,749,000 at September 30, 2013. The Company believes that its existing cash and cash equivalents will be sufficient to fund its operations at least through the second quarter of 2015.

At September 30, 2013, the Company had an accumulated deficit of \$406,794,000. The Company expects to incur substantial operating losses in future periods. The Company does not expect to generate product revenue or sales-based milestones or royalties until it successfully completes development and obtains marketing approval for drug candidates, either alone or in collaborations with third parties, which it expects will take a number of years. In order to commercialize its drug candidates, the Company needs to complete clinical development and to comply with comprehensive regulatory requirements.

The Company is subject to a number of risks and uncertainties similar to those of other companies of the same size within the biotechnology industry, such as uncertainty of clinical trial outcomes, uncertainty of additional funding, and history of operating losses.

(2) Unaudited Interim Financial Statements

The accompanying unaudited financial statements included herein have been prepared by the Company in accordance with United States Generally Accepted Accounting Principles (U.S. GAAP) for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, all adjustments, consisting of normal recurring adjustments, and disclosures considered necessary for a fair presentation of interim period results have been included. Interim results for the nine months ended

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September 30, 2013 are not necessarily indicative of results that may be expected for the year ended December 31, 2013. For further information, refer to the financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2012, which was filed with the SEC on March 11, 2013.

(3) April 2013 Pillar Agreements

In April 2013, the Company entered into two agreements (the "Pillar Agreements") with Pillar Pharmaceuticals I, L.P. ("Pillar I"), Pillar Pharmaceuticals II, L.P. ("Pillar II") and an entity affiliated with Pillar I and Pillar II (together with Pillar I and Pillar II, the "Pillar Entities"). The agreements, including the Company's obligations to issue the warrants under the Pillar Agreements, became effective upon the consummation of the follow-on underwritten public offering of the Company's securities on May 7, 2013. Mr. El Zein, a member of the Company's board of directors, is a director and controlling stockholder of Pillar Invest Corporation ("Pillar Invest"), which is the general partner of Pillar I and Pillar II, and is a limited partner of Pillar I and Pillar II. Mr. El Zein has voting and investment control over the securities beneficially owned by the Pillar Entities. In addition, Abdul-Wahab Umari, also a member of the Company's board of directors, is a managing partner of Pillar Invest.

Under the first agreement entered into with Pillar I and Pillar II (the "April 22, 2013 Pillar Agreement"), Pillar I, as the sole holder of the Company's Series D preferred stock, irrevocably waived and agreed to not exercise the rights, powers, preferences and other terms of the Series D preferred stock under Section 6 of the Certificate of Designations, Preferences and Rights of Series D Preferred Stock (the "Series D Certificate of Designations"), including without limitation the right to require the Company to purchase all or any portion of the shares of its Series D preferred stock at a price equal to the original Series D preferred stock purchase price per share plus all accrued or declared but unpaid dividends thereon upon the occurrence of specified fundamental changes such as mergers, consolidations, business combinations, stock purchases or similar transactions resulting in a person or group unaffiliated with any holder of Series D preferred stock owning 66.67% or more of the outstanding voting securities of the Company or successor entity, the "Series D Redemption Rights".

Under the April 22, 2013 Pillar Agreement, the Company agreed to seek approval and each of Pillar I and Pillar II agreed to vote in favor, of the following proposals at the Company's 2013 annual meeting of stockholders (the "Annual Meeting"):

amendments to the Series D Certificate of Designations for the Series D preferred stock to:

modify the dividend provisions of the Series D Certificate of Designations to change the date after which the Company may elect to pay dividends in shares of its common stock from December 31, 2014 to October 1, 2013, and to allow for the payment of such dividends in shares of a to-be-created new series of non-voting preferred stock in the event that payment of such dividends may not be made in shares of its common stock as a result of the application of the beneficial ownership and voting power limitations set forth the Series D Certificate of Designations; and

modify the Series D Certificate of Designations to provide, in the event of a sale of the Company, for the distribution of any assets that remain available for distribution to its stockholders, after payment to the holders of its Series A convertible preferred stock and any other class of its capital stock that ranks

senior to its Series D preferred stock, to the holders of our Series D preferred stock on a pro rata basis with the holders of its common stock, Series E preferred stock and such new series of non-voting preferred stock; and

amendments to the Certificate of Designations, Preferences and Rights of Series E Preferred Stock (the Series E Certificate of Designations) to:

modify the dividend provisions of the Series E Certificate of Designations to allow for the payment of dividends in shares of its common stock commencing October 1, 2013; and

allow for the payment of dividends in shares of a to-be-created new series of non-voting preferred stock in the event that payment of such dividends may not be made in shares of its common stock as a result of the application of the beneficial ownership and voting power limitations set forth in the Series E Certificate of Designations.

Under the second agreement with the Pillar Entities (the April 30, 2013 Pillar Agreement), Pillar I irrevocably waived the right of the holders of the Series D preferred stock under Section 2.1 of the Series D Certificate of Designations to receive, in the event of a voluntary or involuntary liquidation, dissolution or winding up of the Company (a

Liquidation), an amount per share of Series D preferred stock equal to the original issue price of such share of Series D preferred stock plus any dividends accrued or declared but unpaid thereon to the extent such amount is greater than the amount that would have been payable with respect to such share had all shares of Series D preferred stock been converted into shares of the Company's common stock immediately prior to such Liquidation, and that upon a Liquidation the holders of the Series D preferred stock will receive an amount per share of Series D preferred stock equal to the amount that would be payable with respect to such share had all shares of Series D preferred stock been converted into shares of common stock immediately prior to such Liquidation.

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In addition, under the April 30, 2013 Pillar Agreement, Pillar II and the entity affiliated with Pillar I and Pillar II, as the holders of 100% of the Company's Series E preferred stock, irrevocably waived the right of the holders of the Series E preferred stock under Section 2.1.1 of the Series E Certificate of Designations to receive, in the event of a Liquidation, an amount per share of Series E preferred stock equal to the original issue price of such share of Series E preferred stock plus any dividends accrued or declared but unpaid thereon to the extent such amount is greater than the amount that would have been payable with respect to such share had all shares of Series E preferred stock been converted into shares of common stock immediately prior to such Liquidation, and that upon a Liquidation the holders of the Series E preferred stock will receive under Section 2.1 of the Series E Certificate of Designations an amount per share of Series E preferred stock equal to the amount that would be payable with respect to such share had all shares of Series E preferred stock been converted into shares of common stock immediately prior to such Liquidation.

In accordance with the terms of the Pillar Agreements, the Company sought approval from its stockholders of amendments to the Series D Certificate of Designations and Series E Certificate of Designations to effect the changes described above to the dividend and liquidation provisions of the Company's Series D preferred stock and Series E preferred stock, the redemption rights of the holders of its Series D preferred stock and the rights of the holders of its Series D preferred stock to distributions in the event of a sale of the Company. These matters were approved at the Annual Meeting that took place on July 26, 2013. Additional information on the amendments to the Series D Certificate of Designations and Series E Certificate of Designations that were approved by the Company's stockholders at the Annual Meeting is included in Note 14.

Under the April 22, 2013 Pillar Agreement, in consideration of the agreements of Pillar I and II under the April 22, 2013 Pillar Agreement and the delivery of the waiver by Pillar I, and for no additional cash consideration, the Company issued to Pillar I warrants, the Pillar I Warrants, to purchase up to 1,000,000 shares of the Company's common stock at an exercise price of \$0.61 per share.

In addition, under the April 30, 2013 Pillar Agreement, in consideration of the agreements of the Pillar Entities under the April 30, 2013 Pillar Agreement and the delivery of the waivers by the Pillar Entities, and for no additional cash consideration, the Company issued to the Pillar Entities warrants (the Additional Pillar Warrants, and together with the Pillar I Warrants, the Pillar Warrants), to purchase up to an aggregate of 1,000,000 shares of the Company's common stock at an exercise price of \$0.79 per share.

The Pillar Warrants became exercisable immediately upon issuance. The Pillar I Warrants will expire if not exercised on or prior to the fifth anniversary from the date of issuance and the Additional Pillar Warrants will expire if not exercised on or prior to June 1, 2014. The Pillar I Warrants provide that, after the second anniversary of the date of issuance, the Company may redeem such Pillar I Warrants for \$0.01 per share of common stock issuable on exercise of such Pillar I Warrants following notice to the holder thereof if the closing price of its common stock for 20 or more trading days in a period of 30 consecutive trading days is greater than or equal to \$2.80 per share.

In connection with the Pillar Agreements, the Company filed a registration statement that became effective on July 10, 2013, registering the resale of the shares of common stock issuable upon exercise of the Pillar Warrants.

The amendments to the Series D Certificate of Designations and Series E Certificate of Designations did not become effective until the amendments were approved by our stockholders at the Annual Meeting, which occurred during the Company's fiscal quarter that began on July 1, 2013.

Since Pillar I irrevocably waived and agreed to not exercise the Series D Redemption Rights, the Company reassessed its accounting in May 2013 for the Series D preferred stock, which had been classified as temporary equity in the Company's condensed balance sheet because the Series D Redemption Rights represented a contingent put feature that

was outside the Company's control. Since Pillar I irrevocably waived the Series D Redemption Rights, the contingent put feature ceased to exist at the time that Pillar I's waiver of the Series D Redemption Rights became effective. In addition, the Pillar Entities irrevocably waived the liquidation preferences of both the Series D preferred stock and the Series E preferred stock. The Company concluded that these irrevocable waivers of the Series D Redemption Rights and the Series D and Series E liquidation preferences, which became effective when the Company consummated a follow-on underwritten public offering of its common stock on May 7, 2013, represented changes to the fundamental terms of both the Series D preferred stock and the Series E preferred stock. As a result, the Company has accounted for these irrevocable waivers as an extinguishment of the Series D preferred stock and the Series E preferred stock and changed the classification of the Series D preferred stock from temporary equity to permanent equity. The Company compared (1) the sum of the fair values of the Series D preferred stock, the Series E preferred stock and the Pillar Warrants immediately after the effectiveness of

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the waivers to (2) the sum of the carrying values of the Series D preferred stock and Series E preferred stock immediately prior to the effectiveness of the waivers on May 7, 2013. The Company recorded the excess of the aggregate fair value of the preferred stock plus the Pillar Warrants immediately after the effectiveness of the waivers over the aggregate carrying value of the preferred stock immediately prior to May 7, 2013 as a loss on extinguishment and classified the fair values, immediately after the effectiveness of the waivers, of the Series D preferred stock, the Series E preferred stock and the Pillar Warrants within permanent equity on its condensed balance sheet.

The effect of this extinguishment accounting on the Company's financial statements was to (1) remove the \$5,921,000 carrying value of the Series D preferred stock immediately prior to the extinguishment from temporary equity; (2) record the \$5,464,000 fair value of the Series D preferred stock immediately after the extinguishment in permanent equity (equity); (3) remove the \$3,701,000 carrying value of the Series E preferred stock immediately prior to the extinguishment from equity; (4) record the \$5,528,000 fair value of the Series E preferred stock immediately after the extinguishment in equity; (5) record the \$380,000 fair value of the Pillar Warrants in equity; and (6) record a \$1,750,000 extinguishment loss to net loss applicable to common stockholders. These accounting entries resulted in a \$5,921,000 net increase in stockholders' equity on its condensed balance sheet.

The Company determined the fair value of the Series D preferred stock and the Series E preferred stock as of May 7, 2013, the date the above described waivers became effective, based on the Option Pricing Method (OPM) which is a market based approach to imply the aggregate equity value of the Company by using the closing price of the Company's publicly traded common stock as of the May 7, 2013 valuation date. Under the OPM, the fair value of preferred stock and common stock are determined based on the net value of a series of call options representing the present value of the expected future returns to each shareholder class. Essentially, the rights of the common stock are equivalent to a call option on any value of the Company above any cumulative preferred stock liquidation preference. The analysis involves calculating the equity value breakeven points at which the various equity classes would participate, or convert in the case of preferred stock, or exercise in the case of stock options and warrants.

The Company used the Black-Scholes Model to compute the fair value of the Pillar Warrants as of the May 7, 2013 effective date on which the Pillar Warrants were issued based on the following assumptions and other inputs:

	Pillar I Warrants	Additional Pillar Warrants
Common stock price	\$ 0.57	\$ 0.57
Warrant exercise price	\$ 0.61	\$ 0.79
Term of warrant (years)	5.0	1.1
Expected volatility	62%	67%
Average risk free interest rate	0.8%	0.1%
Expected dividend yield		
Expected percentage of warrants to be exercised	100%	100%

The closing price of the Company's common stock is readily determinable since it is publicly traded. The warrant exercise prices and the warrant terms are readily determinable from the warrant agreements. The expected volatility is based on the actual stock-price volatility over a period equal to the greater of the term of the warrant or three years. The assumed risk-free interest rate is based on the U.S. Treasury security rate with a term equal to the term of the warrant. The assumed dividend yield of zero is based on the fact that the Company has never paid cash dividends to common stockholders and has no present intention to pay cash dividends to common stockholders. The Company assumed that future financings would dilute the warrant holder's ownership in the Company such that the 19.99%

ownership limitation would not prevent the warrant holder from exercising all of the warrants during the term of the warrants.

(4) Financings

September 30, 2013 Follow-on Underwritten Public Offering

On September 30, 2013, the Company closed a follow-on underwritten public offering, in which it sold 13,727,251 shares of common stock at \$1.55 per share and pre-funded warrants to purchase up to 4,175,975 shares of common stock at \$1.54 per share for aggregate gross proceeds of \$27.7 million. The pre-funded warrants have an exercise price of \$0.01 per share and will expire if not exercised by September 30, 2020. The estimated net proceeds to the Company from the offering, after deducting underwriters' discounts and commissions and other offering costs and expenses and excluding the proceeds of the exercise of the warrants, if any, were approximately \$25.6 million.

Table of Contents*May 7, 2013 Follow-on Underwritten Public Offering*

On May 7, 2013, the Company closed a follow-on underwritten public offering, in which it sold 17,500,000 shares of common stock, together with warrants to purchase up to 17,500,000 shares of common stock, and pre-funded warrants to purchase up to 15,816,327 shares of common stock, together with warrants to purchase up to 15,816,327 shares of common stock, for aggregate gross proceeds of \$16.5 million as follows:

	Combined Price (per common share)	Common Stock	Pre-funded Warrants	Matching Warrants
Common stock and matching warrants sold (shares)	\$ 0.50	17,500,000		17,500,000
Pre-funded warrants and matching warrants sold (shares)	\$ 0.49		15,816,327	15,816,327
Total (shares)		17,500,000	15,816,327	33,316,327
Warrant exercise price (per share)	\$			