LIGAND PHARMACEUTICALS INC
Form 10-Q
August 05, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Mark One

x Quarterly Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2010

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: 001-33093

LIGAND PHARMACEUTICALS INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware	**77-0160744**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
11085 North Torrey Pines Road La Jolla, CA	**92037**
(Address of principal executive offices)	**(Zip Code)**

Registrant s Telephone Number, Including Area Code: (858) 550-7500

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 x 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 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 x Non-Accelerated Filer ¨ Smaller Reporting Company ¨

(Do not check if a 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 x

As of July 26, 2010, the registrant had 124,383,914 shares of common stock outstanding.

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LIGAND PHARMACEUTICALS INCORPORATED

QUARTERLY REPORT

FORM 10-Q

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* No information provided due to inapplicability of item.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LIGAND PHARMACEUTICALS INCORPORATED

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in thousands, except share data)

	June 30, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,235	$ 16,032
Short-term investments	28,960	37,200
Accounts receivable, net		618
Assets held for sale		3,170
Other current assets	1,430	1,364
Current portion of co-promote termination payments receivable	9,777	9,782
Total current assets	43,402	68,166
Restricted cash and investments	1,341	1,462
Property and equipment, net	7,073	8,522
Goodwill and other identifiable intangible assets	15,833	2,515
Long-term portion of co-promote termination payments receivable	29,386	30,993
Deferred income taxes	25,068	25,068
Other assets	5,494	5,081
Total assets	$ 127,597	$ 141,807
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 13,445	$ 16,945
Accrued liabilities	5,172	9,375
Payable to Neurogen stockholders		3,770
Allowances for loss on returns, rebates and chargebacks related to discontinued operations	14	31
Accrued litigation settlement costs	1,000	1,000
Current portion of deferred gain	1,702	1,702
Current portion of co-promote termination liability	9,777	9,782
Current portion of lease termination payments	9,786	4,487
Current portion of equipment financing obligations	39	91
Current portion of deferred revenue	2,663	4,989
Total current liabilities	43,598	52,172
Long-term portion of co-promote termination liability	29,386	30,993
Long-term portion of deferred revenue, net	2,546	3,495
Long-term portion of deferred gain	851	1,702
Long-term portion of lease termination payments		5,281
Income tax payable	29,003	28,108

Other long-term liabilities	11,213	7,968
Total liabilities	116,597	129,719
Commitments and contingencies		
Common stock subject to conditional redemption; 674,230 shares issued and outstanding at June 30, 2010 and December 31, 2009	8,344	8,344
Stockholders equity :		
Convertible preferred stock, $0.001 par value; 5,000,000 shares authorized; none issued		
Common stock, $0.001 par value; 200,000,000 shares authorized; 123,709,684 and 123,269,008 shares issued at June 30, 2010 and December 31, 2009, respectively	124	123
Additional paid-in capital	728,389	726,816
Accumulated other comprehensive income	885	513
Accumulated deficit	(684,608)	(681,574)
Treasury stock, at cost; 6,607,905 shares at June 30, 2010 and December 31, 2009	(42,134)	(42,134)
Total stockholders equity	2,656	3,744
	$ 127,597	$ 141,807

See accompanying notes.

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LIGAND PHARMACEUTICALS INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(in thousands, except share data)

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Revenues:				
Royalties	$ 1,601	$ 2,006	$ 3,563	$ 4,736
Collaborative research and development and other revenues	4,237	5,588	8,233	12,328
Total revenues	5,838	7,594	11,796	17,064
Operating costs and expenses:				
Research and development	6,602	9,470	13,963	19,824
General and administrative	3,290	2,831	6,338	9,755
Write-off of acquired in-process research and development.		441		441
Total operating costs and expenses	9,892	12,742	20,301	30,020
Accretion of deferred gain on sale leaseback	426	491	851	982
Loss from operations	(3,628)	(4,657)	(7,654)	(11,974)
Other income (expense):				
Interest income	118	120	328	260
Interest expense	(13)	(42)	(31)	(236)
Decrease in liability for contingent value rights	3,690		4,242	
Other, net	168	103	734	(7)
Total other income (expense), net	3,963	181	5,273	17
Income (loss) before income taxes	335	(4,476)	(2,381)	(11,957)
Income tax expense	(625)		(899)	
Loss from continuing operations	(290)	(4,476)	(3,280)	(11,957)
Discontinued operations:				
Gain (loss) on sale of AVINZA Product Line before income taxes	3	2,592	13	4,722
Gain (loss) on sale of Oncology Product Line before income taxes	4	216	233	451
Income tax benefit (expense) on discontinued operations				
Discontinued operations	7	2,808	246	5,173

Net loss:	$	(283)	$	(1,668)	$	(3,034)	$	(6,784)
Basic and diluted per share amounts:								
Income (loss) from continuing operations	$	0.00	$	(0.04)	$	(0.03)	$	(0.11)
Discontinued operations		0.00		0.03		0.00		0.05
Net income (loss)	$	0.00	$	(0.01)	$	(0.03)	$	(0.06)
Weighted average number of common shares-basic		117,652,112		113,147,714		117,574,704		113,132,893

See accompanying notes.

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LIGAND PHARMACEUTICALS INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)

	For the six months ended June 30, 2010	2009
Operating activities		
Net loss	$ (3,034)	$ (6,784)
Less: gain from discontinued operations	246	5,173
Loss from continuing operations	(3,280)	(11,957)
Adjustments to reconcile net loss to net cash used in operating activities:		
Accretion of deferred gain on sale leaseback	(851)	(982)
Change in estimated fair value of contingent value rights	(4,242)	
Impairment and amortization of acquired intangible assets		324
Depreciation and amortization of property and equipment	1,448	1,589
Non-cash lease costs	(64)	501
Non-cash development milestone revenue		(915)
Write-off of acquired in-process research and development		441
Gain on asset write-offs	(64)	(3)
Realized loss (gain) on investment	(564)	43
Stock-based compensation	1,457	1,700
Other	27	(4)
Changes in operating assets and liabilities, net of acquisition:		
Accounts receivable, net	618	(1,050)
Other current assets	(66)	908
Other long term assets	(413)	10,063
Accounts payable and accrued liabilities	(8,032)	(13,020)
Other liabilities	(1,055)	(1,569)
Deferred revenue	(3,275)	(4,106)
Net cash used in operating activities of continuing operations	(18,356)	(18,037)
Net cash provided by (used in) operating activities of discontinued operations	263	(3,134)
Net cash used in operating activities	(18,093)	(21,171)
Investing activities		
Purchases of property and equipment	(65)	(320)
Proceeds from sale of property and equipment and building	205	15
Acquisition of Metabasis, net of cash acquired	(2,834)	
Acquisition of intellectual property	(1,375)	
Purchases of short-term investments	(31,861)	(32,806)
Proceeds from sale of short-term investments	40,667	32,716
Other, net	499	37
Net cash provide by (used in) investing activities of continuing operations	5,236	(358)
Net cash provided by investing activities of discontinued operations		
Net cash provided by (used in) investing activities	5,236	(358)
Financing activities		
Principal payments on equipment financing obligations	(52)	(298)

Repayment of debt				(3,443)
Net proceeds from issuance of common stock		112		66
Net cash provided by (used in) financing activities		60		(3,675)
Net decrease in cash and cash equivalents		(12,797)		(25,204)
Cash and cash equivalents at beginning of period		16,032		28,753
Cash and cash equivalents at end of period	$	3,235	$	3,549

See accompanying notes.

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LIGAND PHARMACEUTICALS INCORPORATED

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Basis of Presentation

The accompanying condensed consolidated financial statements of Ligand Pharmaceuticals Incorporated (the Company or Ligand) were prepared in accordance with instructions for this Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 and, therefore, do not include all information necessary for a complete presentation of financial condition, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. However, all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for a fair presentation of the condensed consolidated financial statements, have been included. The results of operations and cash flows for the three and six months ended June 30, 2010 and 2009 are not necessarily indicative of the results that may be expected for the entire fiscal year or any other future period. These statements should be read in conjunction with the consolidated financial statements and related notes, which are included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

The Company's and its partners products are in various stages of development. Potential products that are at early stages of development may not reach the market for a number of reasons. Prior to generating revenues from these products, the Company or its collaborative partners must complete the development of the products in the human health care market. No assurance can be given that: (1) product development efforts will be successful, (2) required regulatory approvals for any indication will be obtained, (3) any products, if introduced, will be capable of being produced in commercial quantities at reasonable costs, or (4) patient and physician acceptance of these products will be achieved. The Company faces risks common to companies whose products are in various stages of development. These risks include, among others, the Company's need for additional financing to complete its research and development programs and commercialize its technologies. The Company has incurred significant losses since its inception. At June 30, 2010, the Company s accumulated deficit was $684.6 million. Management expects that the Company will continue to incur substantial research and development expenses. As further discussed in Note 2, the Company sold its oncology product line (Oncology) on October 25, 2006 and its AVINZA product line (AVINZA) on February 26, 2007. The operating results for Oncology and AVINZA have been presented in the accompanying condensed consolidated financial statements as Discontinued Operations.

Principles of Consolidation

The condensed consolidated financial statements include the Company s wholly owned subsidiaries, Seragen, Inc. (Seragen), Nexus Equity VI LLC (Nexus), Pharmacopeia, LLC, Neurogen Corporation and Metabasis Therapeutics, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, including disclosure of contingent assets and liabilities, at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. The Company s critical accounting policies are those that are both most important to the Company s financial condition and results of operations and require the most difficult, subjective or complex judgments on the part of management in their application, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Because of the uncertainty of factors surrounding the estimates or judgments used in the preparation of the consolidated financial statements, actual results may materially vary from these estimates.

Income (Loss) Per Share

Basic earnings per share is calculated by dividing net income or loss by the weighted average number of common shares and vested restricted stock units outstanding. Diluted earnings per share is computed by dividing net

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income or loss by the weighted average number of common shares and vested restricted stock units outstanding and the weighted average number of dilutive common stock equivalents, including stock options and non-vested restricted stock units. Common stock equivalents are only included in the diluted earnings per share calculation when their effect is dilutive. For the three and six months ended June 30, 2010 and 2009, no potential common shares are included in the computation of any diluted per share amounts, including income (loss) per share from discontinued operations and net loss per share, as the Company reported a loss from continuing operations. Potential common shares, the shares that would be issued upon the exercise of outstanding stock options and warrants and the vesting of restricted shares that would be excluded from the computation of diluted loss per share, were 7.0 million and 5.8 million at June 30, 2010 and 2009, respectively.

Guarantees and Indemnifications

Under its amended and restated bylaws, the Company has agreed to indemnify its officers and directors for certain events or occurrences arising as a result of the officer s or director s serving in such capacity. The term of the indemnification period is for the officer's or director's lifetime. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited. The Company has a directors and officers liability insurance policy that limits its exposure and enables it to recover a portion of any future amounts paid. As a result of its insurance policy coverage, management believes the estimated fair value of these indemnification agreements is minimal and has no liabilities recorded for these agreements as of June 30, 2010 and December 31, 2009.

Revenue Recognition

Royalties on sales of AVINZA and PROMACTA are recognized in the quarter reported by the respective partner.

Revenue from research funding under the Company s collaboration agreements is earned and recognized on a percentage of completion basis as research hours are incurred in accordance with the provisions of each agreement.

Nonrefundable, up-front license fees and milestone payments with standalone value that are not dependent on any future performance by the Company under the Company s collaboration agreements are recognized as revenue upon the earlier of when payments are received or collection is assured, but are deferred if the Company has continuing performance obligations. Amounts received under multiple-element arrangements requiring ongoing services or performance by the Company are recognized over the period of such services or performance.

Revenue from milestones is recognized when earned, as evidenced by written acknowledgement from the collaborator, provided that (i) the milestone event is substantive, its achievability was not reasonably assured at the inception of the agreement, and the Company has no further performance obligations relating to that event, and (ii) collectability is reasonably assured. If these criteria are not met, the milestone payment is recognized over the remaining period of the Company s performance obligations under the arrangement.

Income Taxes

The Company recognizes liabilities or assets for the deferred tax consequences of temporary differences between the tax bases of assets or liabilities and their reported amounts in the financial statements. These temporary differences will result in taxable or deductible amounts in future years when the reported amounts of the assets or liabilities are recovered or settled. A valuation allowance is established when management determines that it is more likely than not that all or a portion of a deferred tax asset will not be realized. Management evaluates the realizability of its net deferred tax assets on a quarterly basis and valuation allowances are provided, as necessary. During this evaluation, management reviews its forecasts of income in conjunction with other positive and negative evidence surrounding the realizability of its deferred tax assets to determine if a valuation allowance is required. Adjustments to the valuation allowance will increase or decrease the Company s income tax provision or benefit. Management also applies the relevant guidance to determine the amount of income tax expense or benefit to be allocated among continuing operations, discontinued operations, and items charged or credited directly to stockholders equity. The Company recorded income tax expense of $0.6 million and $0.9 million for the three and six months ended June 30, 2010.

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A tax position must meet a minimum probability threshold before a financial statement benefit is recognized. The minimum threshold is a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense.

Accounting for Stock-Based Compensation

Stock-based compensation expense for awards to employees and non-employee directors is recognized on a straight-line basis over the vesting period until the last tranche vests. Compensation cost for consultant awards is recognized over each separate tranche s vesting period. The Company recognized compensation expense of $0.8 million and $0.9 million for the three months ended June 30, 2010 and 2009, respectively. The compensation expense related to share-based compensation arrangements is recorded as components of research and development expenses ($0.5 million and $0.6 million) and general and administrative expenses ($0.3 million and $0.3 million) for the three months ended June 30, 2010 and 2009, respectively. The Company recognized compensation expense of $1.5 million and $1.7 million for the six months ended June 30, 2010 and 2009, respectively. The compensation expense related to share-based compensation arrangements is recorded as components of research and development expenses ($0.9 million and $1.0 million) and general and administrative expenses ($0.6 million and $0.7 million) for the six months ended June 30, 2010 and 2009, respectively.

The fair-value for options that were awarded to employees and directors was estimated at the date of grant using the Black-Scholes option valuation model with the following weighted-average assumptions:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Risk-free interest rate	2.6%	2.6%	2.7%	2.1%
Dividend yield				
Expected volatility	72%	73%	73%	74%
Expected term	3.5 years	1.4 years	5.8 years	6.0 years

The expected term of the employee and non-employee director options is the estimated weighted-average period until exercise or cancellation of vested options (forfeited unvested options are not considered) based on historical experience. The expected term for consultant awards is the remaining period to contractual expiration.

Volatility is a measure of the expected amount of variability in the stock price over the expected life of an option expressed as a standard deviation. In selecting this assumption, management used the historical volatility of the Company's stock price over a period approximating the expected term.

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Stock Option Activity

The following is a summary of the Company s stock option plan activity and related information:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term in Years	Aggregate Intrinsic Value (in thousands)
Balance at December 31, 2009	4,011,477	$ 5.02		
Granted	1,431,750	1.65		
Exercised				
Forfeited	(199,448)	2.10		
Cancelled	(497,467)	9.92		
Balance at June 30, 2010	4,746,312	$ 3.61	7.92	$ 6
Exercisable at June 30, 2010	2,037,347	$ 5.11	6.92	$ 3
Options expected to vest as of June 30, 2010	4,366,994	$ 3.69	7.86	$ 5

The weighted-average grant-date fair value of all stock options granted during the six months ended June 30, 2010 was $1.06 per share. There were no options exercised during the six months ended June 30, 2010. As of June 30, 2010, there was $4.6 million of total unrecognized compensation cost related to nonvested stock options. That cost is expected to be recognized over a weighted-average period of 2.8 years.

As of June 30, 2010, 7.3 million shares were available for future option grants or direct issuance under the Company s 2002 Stock Incentive Plan, as amended.

Restricted Stock Activity

Restricted stock activity for the six months ended June 30, 2010 is as follows:

	Shares	Weighted-Average Grant Date Stock Price
Nonvested at December 31, 2009	574,287	$ 3.29
Granted	346,237	1.60
Vested	(366,752)	3.10
Forfeited	(41,005)	2.24
Nonvested at June 30, 2010	512,767	$ 2.37

The weighted-average grant-date fair value of restricted stock granted during the six months ended June 30, 2010 was $1.60 per share. As of June 30, 2010, there was $0.9 million of total unrecognized compensation cost related to nonvested restricted stock. That cost is expected to be recognized over a weighted-average period of 1.9 years.

Employee Stock Purchase Plan

On May 29, 2009, the Company s stockholders approved the amendment and restatement of the Company s Employee Stock Purchase Plan (the Amended ESPP). The Amended ESPP was amended to (a) increase the number of shares authorized for issuance under the Employee Stock Purchase Plan by 800,000, (b) extend the term of the Employee Stock Purchase Plan until June 2019, (c) reduce the length of offering periods from twenty-four months to six months and reduce the number of purchase intervals during each offering period from eight to one,

(d) eliminate the requirement that an employee have at least three months of employment as a condition to his or her eligibility to participate in the Amended ESPP, (e) provide that a participant will be eligible to purchase up to 7,500 shares of Ligand common stock during each offering period, but in no event may a participant purchase more than 7,500 shares of common stock during any calendar year, and (f) update the plan to conform it to recently issued Treasury Regulations applicable to employee stock purchase plans.

The Amended ESPP allows employees to purchase a limited amount of common stock at the end of each six month period at a price equal to 85% of the lesser of fair market value on either the start date of the period or the last trading day of the period (the Lookback Provision). The 15% discount and the Lookback Provision make the Amended ESPP compensatory. There were 81,844 shares of common stock issued and $0.1 million of proceeds received under the Amended ESPP during the six months ended June 30, 2010, and the Company recorded compensation expense of $44,000. There were 35,802 shares of common stock issued under the Amended ESPP during the six months ended June 30, 2009, resulting in a compensation expense of $23,000. As of June 30, 2010, 630,887 shares were available for future purchases under the Amended ESPP.

Warrants

As of June 30, 2010, warrants to purchase 867,637 shares of the Company s common stock were outstanding with an exercise price of $8.59 per share and an expiration date of April 2012, and warrants to purchase 105,554 shares of the Company s common stock were outstanding with an exercise price of $9.47 per share and an expiration date of March 2011. The two series of warrants were assumed in the acquisition of Pharmacopeia, Inc.

As of June 30, 2010, 981,411 warrants with an exercise price of $29.90 per warrant and an expiration date of April 2013 were outstanding to purchase an aggregate of 776,160 shares of the Company s common stock. If exercised, these warrants are also entitled to receive $0.1 million in cash and 981,411 of each of the Company's four contingent value rights issued to Neurogen shareholders in December 2009. The series of warrants was assumed in the acquisition of Neurogen Corporation.

Share Repurchases

On June 15, 2010, the Company announced that its Board of Directors has authorized the Company to repurchase up to $10.0 million of its common stock from time to time in privately negotiated and open market transactions for a period of up to two years, subject to the Company s evaluation of market conditions, applicable legal requirements and other factors. The Company is not obligated to acquire common stock under this program and the program may be suspended at any time. As of June 30, 2010, the Company had not made any repurchases of its common stock under this program.

Cash, Cash Equivalents and Short-term Investments

Cash and cash equivalents consist of cash and highly liquid securities with maturities at the date of acquisition of three months or less. The following table summarizes the various investment categories at June 30, 2010 and December 31, 2009 (in thousands):

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	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
June 30, 2010				
U.S. government securities	$ 5,267	$ 52	$ (26)	$ 5,293
Certificates of deposit	8,309	58		8,367
Corporate obligations	14,502	1,162	(364)	15,300
	28,078	1,272	(390)	28,960
Certificates of deposit restricted	1,341			1,341
	$ 29,419	$ 1,272	$ (390)	$ 30,301
December 31, 2009				
U.S. government securities	$ 19,118	$ 51	$ (95)	$ 19,074
Certificates of deposit	5,784	2	(2)	5,784
Corporate obligations	11,866	486	(10)	12,342
	36,768	539	(107)	37,200
Certificates of deposit restricted	1,341			1,341
	$ 38,109	$ 539	$ (107)	$ 38,541

In July 2007, the Company purchased $5.0 million of commercial paper issued by Golden Key Ltd. The investment was highly-rated and within the Company s investment policy at the time of purchase, but during the third quarter of 2007, large credit rating agencies downgraded the quality of this security. In addition, as a result of not meeting certain liquidity covenants, the assets of Golden Key Ltd. were assigned to a trustee who established a committee of the largest senior credit holders to determine the next steps. Subsequently, Golden Key Ltd. defaulted on its obligation to settle the security on the stated maturity date of October 10, 2007. Based on available information, management estimated that it would be able to recover approximately $2.4 million and $1.9 million of this investment as of June 30, 2010 and December 31, 2009, respectively. As a result of ongoing volatility in the liquidity of the capital markets, the Company may be exposed to additional impairment for this investment until it is fully recovered or disposed of.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash equivalents and investments.

The Company invests its excess cash principally in United States government debt securities, investment grade corporate debt securities and certificates of deposit. The Company has established guidelines relative to diversification and maturities that maintain safety and liquidity. These guidelines are periodically reviewed and modified to take advantage of trends in yields and interest rates. Except as described above, the Company has not experienced any significant losses on its cash equivalents, short-term investments or restricted investments.

As of June 30, 2010 and December 31, 2009, cash deposits held at financial institutions in excess of FDIC insured amounts of $250,000 were approximately $6.2 million and $5.3 million, respectively.

Other Current Assets

Other current assets consist of the following (in thousands):

	June 30, 2010	December 31, 2009
Prepaid expenses	$ 797	$ 848

Other receivables	633	516
	$ 1,430	$ 1,364

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Property and Equipment

Property and equipment is stated at cost and consists of the following (in thousands):

	June 30, 2010	December 31, 2009
Lab and office equipment	$ 23,877	$ 24,646
Leasehold improvements	11,779	11,728
Computer equipment and software	6,628	6,562
	42,284	42,936
Less accumulated depreciation and amortization	(35,211)	(34,414)
	$ 7,073	$