

INFINITY PHARMACEUTICALS, INC.

Form 10-Q/A

March 15, 2011

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

**FORM 10-Q/A**

(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, 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 000-31141

**INFINITY PHARMACEUTICALS, INC.**

(Exact Name of Registrant as Specified in its Charter)

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**Delaware**  
(State or Other Jurisdiction of

**33-0655706**  
(I.R.S. Employer

**Incorporation or Organization)**

**Identification No.)**

**780 Memorial Drive, Cambridge, Massachusetts 02139**

(Address of Principal Executive Offices) (Zip Code)

**(617) 453-1000**

(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 smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

Number of shares of the registrant's Common Stock, \$0.001 par value, outstanding on September 30, 2010: 26,368,479

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**EXPLANATORY NOTE:**

This Amendment to our Quarterly Report on Form 10-Q/A is being filed in order to correct:

our consolidated balance sheets as of September 30, 2010 and December 31, 2009 by increasing amounts reported in deferred revenue (current and long-term), total current liabilities and total liabilities; and reducing amounts reported in additional paid-in capital, accumulated deficit and total stockholders' equity; and

our consolidated statements of operations for the three and nine months ended September 30, 2010 and 2009 by increasing amounts reported in collaborative research and development revenue from Purdue entities; and decreasing amounts reported in loss from operations, net loss, and basic and diluted loss per common share.

As a result of these restatements, amounts in our consolidated statements of cash flows for the nine months ended September 30, 2010 and 2009 have also been corrected. Our total cash flows from operations in these periods remain unchanged. This restatement is described in note 2 to our condensed consolidated financial statements and also resulted in changes to notes 6, 9 and 10.

This Amendment amends Part I, Items 1, 2 and 4 and Part II, Items 1A and 6 of the Quarterly Report on Form 10-Q for the quarter ended September 30, 2010. This Amendment continues to reflect circumstances as of the date of the original filing of the Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 and we have not updated the disclosures contained herein to reflect events that occurred at a later date, except for items related to the restatement or where otherwise indicated.

The restatement relates to our accounting for the initial recognition of a loan commitment representing the future availability to us, on below-market terms, of the \$50 million line of credit extended to us by Purdue Pharmaceutical Products L.P., or Purdue, and its independent associated company, Purdue Pharma L.P., or PPLP, in November 2008 upon entry into a strategic alliance with Purdue and its independent associated company, Mundipharma International Corporation Limited, or Mundipharma. This written loan commitment, or loan commitment asset, meets the definition of a financial instrument and we therefore recorded it as an asset. We determined that the fair value of the loan commitment asset was \$17.3 million. We recorded the fair value of this asset in 2008 and began amortizing this balance to interest expense over the life of the loan arrangement, or ten years, on April 1, 2009, the date at which we could first draw upon the line of credit.

Once we concluded that the loan commitment asset should be recorded at fair value, we were required to record an offsetting credit. Based on our evaluation of the relevant accounting guidance, we initially recorded the offset to the loan commitment asset to additional paid-in capital, or APIC, in part because Purdue and its associated companies would be principal stockholders at the time we could benefit from favorable terms of the line of credit.

Following discussions with the SEC staff, we have determined the offset to the loan commitment asset should have been recorded as deferred revenue rather than APIC. We plan to amortize the deferred revenue to revenue over the 14 year period beginning in November 2008 (approximately \$300,000 per quarter), which is our estimated period of performance under the strategic alliance.

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**INFINITY PHARMACEUTICALS, INC.**

**FORM 10-Q/A**

**FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

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**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Unaudited Condensed Consolidated Financial Statements  
INFINITY PHARMACEUTICALS, INC.****Condensed Consolidated Balance Sheets****(unaudited)**

	September 30, 2010 (Restated)	December 31, 2009 (Restated)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 18,180,304	\$ 16,287,229
Available-for-sale securities	91,263,107	113,758,778
Unbilled accounts receivable from Purdue entities	5,579,244	
Notes receivable from employees	41,936	55,059
Prepaid expenses and other current assets	2,806,961	3,511,968
Total current assets	117,871,552	133,613,034
Property and equipment, net	5,261,112	5,694,150
Loan commitment asset from Purdue entities, net	14,721,150	16,020,075
Long-term available-for-sale securities	740,621	690,506
Notes receivable from employees	26,085	38,036
Restricted cash	1,121,786	1,146,788
Other assets	150,373	115,244
Total assets	\$ 139,892,679	\$ 157,317,833
<b>Liabilities and stockholders equity</b>		
Current liabilities:		
Accounts payable	\$ 2,149,996	\$ 1,441,231
Accrued expenses	23,721,309	8,549,382
Deferred revenue from Purdue entities	4,214,260	4,214,260
Total current liabilities	30,085,565	14,204,873
Deferred revenue from Purdue entities, less current portion	47,415,420	50,576,445
Other liabilities	1,212,389	2,224,713
Total liabilities	78,713,374	67,006,031
Commitments and contingencies		
Stockholders equity:		
Preferred Stock, \$.001 par value; 1,000,000 shares authorized; no shares issued and outstanding at September 30, 2010 and December 31, 2009		
Common Stock, \$.001 par value; 100,000,000 shares authorized; 26,368,479 and 26,238,954 shares issued and outstanding at September 30, 2010 and December 31, 2009, respectively	26,369	26,239
Additional paid-in capital	276,039,803	270,274,176
Accumulated deficit	(214,971,834)	(180,025,904)
Accumulated other comprehensive income	84,967	37,291
Total stockholders equity	61,179,305	90,311,802

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Total liabilities and stockholders' equity	\$ 139,892,679	\$ 157,317,833
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*The accompanying notes are an integral part of these unaudited, condensed consolidated financial statements.*

**Table of Contents****INFINITY PHARMACEUTICALS, INC.****Condensed Consolidated Statements of Operations****(unaudited)**

	<b>Three Months Ended September 30, 2010</b>	<b>2009</b>	<b>Nine Months Ended September 30, 2010</b>	<b>2009</b>
	(Restated)	(Restated)	(Restated)	(Restated)
Collaborative research and development revenue from Purdue entities	\$ 22,495,802	\$ 14,082,432	\$ 57,490,269	\$ 37,290,061
Operating expenses:				
Research and development	38,731,902	18,499,060	77,120,670	60,453,361
General and administrative	5,014,987	4,570,282	14,980,274	15,581,871
<b>Total operating expenses</b>	<b>43,746,889</b>	<b>23,069,342</b>	<b>92,100,944</b>	<b>76,035,232</b>
Loss from operations	(21,251,087)	(8,986,910)	(34,610,675)	(38,745,171)
Other income (expense):				
Interest expense	(521,742)	(433,272)	(1,387,983)	(866,943)
Income from residual funding after reacquisition of Hsp90 program				12,450,000
Income from NIH reimbursement				1,745,386
Interest and investment income	122,474	401,264	352,407	1,735,742
Net other income (expense)	(399,268)	(32,008)	(1,035,576)	15,064,185
Loss before income taxes	(21,650,355)	(9,018,918)	(35,646,251)	(23,680,986)
Income tax benefit	700,321		700,321	
<b>Net loss</b>	<b>\$ (20,950,034)</b>	<b>\$ (9,018,918)</b>	<b>\$ (34,945,930)</b>	<b>\$ (23,680,986)</b>
Basic and diluted loss per common share	\$ (0.80)	\$ (0.34)	\$ (1.33)	\$ (0.91)
Basic and diluted weighted average number of common shares outstanding	26,333,012	26,154,557	26,287,775	26,062,217

*The accompanying notes are an integral part of these unaudited, condensed consolidated financial statements.*

**Table of Contents****INFINITY PHARMACEUTICALS, INC.****Condensed Consolidated Statements of Cash Flows****(unaudited)**

	<b>Nine Months Ended September 30, 2010 (Restated)</b>	<b>Nine Months Ended September 30, 2009 (Restated)</b>
<b>Operating activities</b>		
Net loss	\$ (34,945,930)	\$ (23,680,986)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	1,634,238	1,591,335
Stock-based compensation, including 401(k) match	5,579,700	5,444,847
Impairment of property and equipment	311,200	
Gain on sales of property and equipment		(62,171)
Amortization of loan commitment asset from Purdue entities	1,298,925	865,950
Net amortization (accretion) of available-for-sale securities	1,142,790	(242,801)
Other, net	56,513	24,381
Changes in operating assets and liabilities:		
Accounts receivable and unbilled accounts receivable	(5,579,244)	7,414,570
Prepaid expenses and other assets	646,674	(860,930)
Accounts payable, accrued expenses and other liabilities	14,898,489	(1,968,844)
Deferred revenue from Purdue entities	(3,161,025)	15,267,309
Net cash provided by (used in) operating activities	(18,117,670)	3,792,660
<b>Investing activities</b>		
Purchases of property and equipment	(1,512,400)	(1,854,995)
Proceeds from sales of property and equipment		62,171
Purchases of available-for-sale securities	(168,676,720)	(134,813,291)
Proceeds from sales of available-for-sale securities	7,239,262	36,141,736
Proceeds from maturities of available-for-sale securities	182,788,023	102,117,084
Net cash provided by investing activities	19,838,165	1,652,705
<b>Financing activities</b>		
Proceeds from issuances of common stock	160,732	168,924
Proceeds from issuance of common stock and warrants to Purdue entities		11,830,000
Release of restricted cash	26,642	
Capital lease payments	(4,794)	(4,419)
New employee loans	(10,000)	(40,000)
Net cash provided by financing activities	172,580	11,954,505
Net increase in cash and cash equivalents	1,893,075	17,399,870
Cash and cash equivalents at beginning of period	16,287,229	16,574,549