

Coates Norman V  
Form 4  
January 24, 2012

# FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL

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## STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
Coates Norman V

2. Issuer Name and Ticker or Trading Symbol  
NANOMETRICS INC [NANO]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)

3. Date of Earliest Transaction (Month/Day/Year)

Director  10% Owner  
 Officer (give title below)  Other (specify below)

C/O NANOMETRICS, INC., 1550 BUCKEYE DRIVE

01/20/2012

(Street)

4. If Amendment, Date Original Filed (Month/Day/Year)

6. Individual or Joint/Group Filing (Check Applicable Line)

Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

MILPITAS, CA 95035

(City) (State) (Zip)

### Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price
Common Stock	01/20/2012		S		25,000 (1)	D	\$ 18.2861 (2)
Common Stock					1,032,460	I	
					1,985	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474  
(9-02)

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**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**  
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Owned Following Reporting Transaction (Instr. 5)
				Code V (A) (D)		Date Exercisable Expiration Date	Title Amount or Number of Shares		

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Coates Norman V C/O NANOMETRICS, INC. 1550 BUCKEYE DRIVE MILPITAS, CA 95035		X		

## Signatures

/s/ Ronald W. Kisling,  
Attorney-in-Fact

01/20/2012

\_\_Signature of Reporting Person Date

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) The sales reported in this Form 4 were effected pursuant to a Rule 10b5-1 trading plan adopted by the Vincent J. Coates Separate Property Trust on February 23, 2011.  
The price in Column 4 is a weighted average sale price. The prices actually received ranged from \$17.75 to \$18.63. The reporting person
- (2) will provide to the issuer, any security holder of the issuer, or the SEC staff, upon request, information regarding the number of shares sold at each price within the range.
- (3) Shares held of record by the Vincent J. Coates Separate Property Trust, U/D/T dated August 7, 1981, for which Norman Coates and Stella Coates act as co-trustees.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. m">% 65.0% 86.10%

Dividend yield

0.0% 0.0% 0.0% 0.0%

Expected term (in years)

5.2 5.4 1.8 5.5

**ESPP assumptions:**

Risk-free interest rate

0.06% 0.18%

Expected volatility of common stock

67.6% 91.55%

Dividend yield

0.0% 0.0%

Expected term (in years)

0.5 0.5

As of September 30, 2014, there was \$1.0 million of unamortized compensation cost related to unvested stock option awards which is expected to be recognized over a remaining weighted-average vesting period of 0.81 years, on a straight-line basis.

**6. Stockholders Equity**

***Kissei Stock Purchase***

In October 2011, pursuant to a stock purchase agreement by and between the Company and Kissei, Kissei purchased (i) an aggregate of 800,000 shares of the Company's common stock, par value \$0.001 per share, at a price of \$2.50 per share, and (ii) 220,000 shares of the Company's Series B Convertible Preferred Stock, par value \$0.01 per share, at a price of \$25.00 per share. In October 2011 the Company received gross proceeds of \$7.5 million related to this purchase agreement. The purchase agreement contains a standstill agreement from Kissei that terminates if Kissei beneficially owns less than three percent of the Company's outstanding voting stock. Each share of the Series B Preferred Stock is convertible into 10 shares of common stock. The Series B Preferred ranks *pari passu* (on an as-if-converted-to-common-stock basis) with the common stock in liquidation and dividend rights. The holders of the Series B Preferred do not have voting rights, however, the consent of holders of a majority of the outstanding Series B Preferred is required for certain actions.

***Common Stock Purchase Agreement***

On August 20, 2012, the Company entered into a common stock purchase agreement with Aspire pursuant to which the Company could elect to sell Aspire, and Aspire would be obligated to purchase, up to an aggregate of \$20 million of common stock over the two-year term of the agreement including \$1.0 million in common stock purchased by Aspire in connection with execution of the agreement. The common stock purchase agreement with Aspire was terminated on October 17, 2013, and as of such date, the Company had completed sales to Aspire totaling 2,504,532 shares of common stock at prices ranging from \$1.60 to \$3.82 per share, generating gross proceeds of \$5.4 million.

Explanation of Responses:

*At-The-Market Issuance Sales Agreements*

On April 17, 2013, the Company entered into an at-the-market equity distribution agreement with Macquarie Capital (USA) Inc., or MCUSA, pursuant to which the Company could sell common stock through MCUSA from time to time up to an aggregate offering price of \$6.0 million. As of July 25, 2013, the Company had completed all available sales to MCUSA under this agreement, generating gross and net proceeds of \$6.0 million and \$5.3 million, respectively, on sales of 1,936,237 shares of common stock at prices ranging from \$2.44 to \$4.10 per share.

On October 16, 2013, the Company entered into a second at-the-market equity distribution agreement with MCUSA pursuant to which the Company may sell common stock through MCUSA from time to time up to an aggregate offering price of \$10.0 million. Under the terms of this agreement, unless otherwise mutually agreed, no daily sale of an amount of shares of the Company's common stock is to exceed the lower of \$50,000 or 10% of the lower of the 5-day or 3-month average daily traded value of the Company's common stock on NASDAQ (unless 10% of the lower of the 5-day or 3-month average daily traded value of the Company's common

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stock on the JASDAQ Market of the Tokyo Stock Exchange ( TSE ) is greater, in which case the value from the TSE will be used) as of the date of the applicable issuance notice. The price per share is not to be less than the greater of \$1.29 or the last available closing price of a share of the Company's common stock on NASDAQ. MCUSA agreed to use its commercially reasonable efforts consistent with its customary trading and sales practices and applicable laws, rules and regulations to sell shares of the Company's common stock and is to sell such shares by any method permitted by law deemed to be at the market. The Company agreed to pay MCUSA an aggregate commission rate of 7.0% of the gross proceeds of any common stock sold under this agreement. MCUSA is under no obligation to purchase shares pursuant to this agreement and there are no assurances that MCUSA will be successful in selling shares. Proceeds from sales of common stock will depend on the number of shares of common stock sold to MCUSA and the per share purchase price of each transaction. The agreement with MCUSA provides both MCUSA and the Company the right to terminate the agreement in their discretion upon giving five business days written notice. For the nine months ended September 30, 2014, the Company has generated gross and net proceeds of \$3.4 million and \$3.0 million, respectively, under this agreement on sales of 1,548,000 shares of the Company's common stock at prices ranging from \$2.01 to \$2.40 per share.

***Securities Purchase Agreement***

On May 9, 2013, the Company entered into a Securities Purchase Agreement with certain accredited investors (the Purchase Agreement ) pursuant to which the Company agreed to sell to the investors 1,158,730 shares of the Company's common stock at a price of \$3.15 per share and warrants to purchase an aggregate of 869,047 shares of the Company's common stock with an exercise price of \$3.15 per share (the Private Placement ). The Private Placement closed on May 14, 2013. The warrants will expire on May 9, 2018 and may be exercised for cash or, if the current market price of common stock of the Company is greater than the per share exercise price, by surrender of a portion of the warrant in a cashless exercise. The aggregate purchase price for the shares and the warrants sold in the Private Placement was \$3.7 million and associated expenses incurred were \$0.3 million.

In connection with the purchase by one investor of 158,730 shares of common stock and a warrant to purchase 119,047 shares of common stock, on May 29, 2013 the investor provided \$51,389 additional consideration for the shares and the warrant, and the Company entered into an amendment to the warrant with the investor to reflect an exercise price of \$3.38 per share.

The net proceeds for the shares and the warrants sold in the Private Placement of \$3.4 million were allocated based on the relative fair value of each instrument. The fair value of the shares was based on the closing price of the Company's common stock on May 9, 2013, and the fair value of the warrants based on a Black-Scholes valuation model.

***Common Stock Warrant***

In 2011, the Company consummated a firm-commitment underwritten public offering of 2,800,666 units at a price to the public of \$3.00 per unit for gross proceeds of \$8.25 million. Each unit consists of one share of common stock and a warrant to purchase one share of common stock. The shares of common stock and warrants are immediately separable and were issued separately. The warrants are exercisable immediately upon issuance, have a five-year term and an exercise price of \$3.56 per share. During the nine months ended September 30, 2014, 85,500 of these warrants were exercised for gross proceeds of \$0.3 million. As of September 30, 2014, 2,593,500 of these warrants remain outstanding and exercisable.

In August 2012, the Company issued a warrant in exchange for investor relations services to purchase up to 130,000 of common stock of the Company at a price of \$1.88 per share, the closing price of the Company's common stock on that date. As of September 30, 2014, the warrant was exercisable for 15,000 shares, and no further shares will vest.

The warrant expires five years from the date of issuance.

## **7. Net Loss Per Share**

The Company computes basic net loss per share using the weighted average number of common shares outstanding during the period. Diluted net income per share is based upon the weighted average number of common shares and potentially dilutive securities (common share equivalents) outstanding during the period. Common share equivalents outstanding, determined using the treasury stock method, are comprised of shares that may be issued under the Company's stock option agreements and warrants. Common share equivalents are excluded from the diluted net loss per share calculation because of their anti-dilutive effect.

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Potentially dilutive outstanding securities excluded from diluted net loss per common share because of their anti-dilutive effect:

	<b>September 30,</b>	
	<b>2014</b>	<b>2013</b>
Convertible preferred stock, as converted	2,200,000	2,200,000
Stock options	3,257,969	2,904,137
Warrants	3,675,567	3,876,067
Total	9,133,536	8,980,204

**8. Related Party Transactions**

On October 13, 2011, the Company entered into a services agreement with Kissei to perform two separate studies relating to MN-221 in exchange for \$2.5 million paid to the Company in October 2011. The Company is responsible for all costs to be incurred in the performance of these studies. The amount received from Kissei, net of the amount recorded as revenue through September 30, 2014, is included on the balance sheet at September 30, 2014 as deferred revenue and will be recognized as revenue in future periods as the Company performs the remaining services.

On May 9, 2013, the Company entered into a securities purchase agreement with certain accredited investors pursuant to which the Company agreed to sell to the investors 1,158,730 shares of common stock and warrants to purchase an aggregate of 869,047 shares of common stock (the Private Placement). The Private Placement closed on May 14, 2013. The Private Placement included issuance of shares of common stock and a warrant to purchase shares of common stock to Fountain Erika LLC (Fountain Erika), an entity of which Tatsuo Izumi, a member of the Company's board of directors at that time, is a principal. The warrant was subsequently amended on May 29, 2013. Fountain Erika's acquisition of the shares of common stock and a warrant to purchase shares of the Company's common stock was at an at the market price.

**9. Subsequent Events**

The Company has evaluated all subsequent events that have occurred after the date of the accompanying financial statements and determined that there were no events or transactions occurring during the subsequent event reporting period which require recognition or disclosure in the Company's consolidated financial statements with the exception that the Company has generated gross and net proceeds of \$0.1 million under the second at-the-market equity distribution agreement with MCUSA on the sale of 45,000 shares of the Company's common stock subsequent to September 30, 2014.

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**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited consolidated financial statements and notes thereto included in this Quarterly Report on Form 10-Q and the audited financial statements and notes thereto as of and for the year ended December 31, 2013 included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission, or SEC, on March 27, 2014. Past operating results are not necessarily indicative of results that may occur in future periods.*

*This Quarterly Report on Form 10-Q contains forward-looking statements that are subject to risks and uncertainties, many of which are beyond our control. Our actual results may differ from those anticipated in these forward-looking statements as a result of various factors, including those set forth in Part II of this Quarterly Report on Form 10-Q under the caption *Item 1A. Risk Factors* and under the caption *Item 1A. Risk Factors* in our Annual Report on Form 10-K. The differences may be material. Forward-looking statements discuss matters that are not historical facts. Forward-looking statements include, but are not limited to, statements regarding our plans, strategies, objectives, product development programs, clinical trials, industry, financial condition, liquidity and capital resources, future performance and other statements that are not historical facts. Such forward-looking statements include statements preceded by, followed by or that otherwise include the words *may, might, will, intend, should, could, can, expect, believe, estimate, anticipate, predict, potential, plan* or similar words. For such statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You should not rely unduly on these forward-looking statements, which speak only as of the date hereof. We undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.*

**Overview**

We are a biopharmaceutical company focused on acquiring and developing novel therapeutics for the treatment of serious diseases with unmet medical needs and a commercial focus on the U.S. market. Our current strategy is to focus our development activities on MN-166 (ibudilast) for neurological disorders such as progressive multiple sclerosis (MS), amyotrophic lateral sclerosis (ALS) and substance dependence (e.g., methamphetamine dependence and opioid dependence), and MN-001 (tipelukast) for nonalcoholic steatohepatitis (NASH), idiopathic pulmonary fibrosis (IPF) and other fibrotic diseases. Our pipeline also includes MN-221 (bedoradrine) for the treatment of acute exacerbation of asthma and MN-029 (denibulin) for solid tumor cancers. We were incorporated in Delaware in September 2000.

We have incurred significant net losses since our inception. As of September 30, 2014, we had an accumulated deficit of \$308.2 million and expect to incur substantial net losses for the next several years as we continue to develop certain of our existing product development programs, and over the long-term if we expand our research and development programs and acquire or in-license products, technologies or businesses.

Our goal is to build a sustainable biopharmaceutical business through the successful development of differentiated products for the treatment of serious diseases with unmet medical needs in high-value therapeutic areas. Key elements of our strategy are as follows:

*Pursue the development of MN-166 for multiple potential indications primarily through non-dilutive financings.*



We intend to advance our diverse MN-166 (ibudilast) program through a combination of investigator sponsored trials and trials funded through government grants or other grants. In addition to providing drug supply and regulatory support, we are funding portions of the consortium sponsored trials. For example, we have contributed financially to the Secondary and Primary Progressive Ibudilast NeuroNEXT Trial in Multiple Sclerosis (SPRINT-MS) Phase 2 clinical trial of MN-166 for the treatment of progressive MS, which is primarily funded by the National Institutes of Health (NIH), and intend to contribute financially to the Carolinas Neuromuscular ALS-MDA Center clinical trial of MN-166 for the treatment of ALS. We intend to enter into additional strategic alliances to support further clinical development of MN-166.

*Pursue the development of MN-001 for fibrotic diseases including NASH and IPF.*

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*Strategically partner with one or more leading pharmaceutical companies to complete late stage product development and successfully commercialize our products.*

We develop and maintain relationships with pharmaceutical therapeutic area leaders. Upon completion of proof-of-concept Phase 2 clinical trials, we intend to enter into strategic alliances with leading pharmaceutical companies who seek late-stage product candidates, such as MN-166, MN-221, MN-001 and MN-029, to support further clinical development and product commercialization.

We entered into an agreement to form a joint venture company with Zhejiang Medicine Co., Ltd. and Beijing Medfron Technologies Co., Ltd. (formerly Beijing Make-Friend Medicine Technology Co., Ltd.) effective September 27, 2011. The joint venture agreement provides for the joint venture company, Zhejiang Sunny Bio-Medical Co., Ltd. ( Zhejiang Sunny ), to develop and commercialize MN-221 in China and search for additional compounds to develop. A sublicense would be required under which Zhejiang Sunny would license MN-221 from us. In accordance with the joint venture agreement, in March 2012 we paid \$680,000 for our 30% interest in Zhejiang Sunny. The other parties to the joint venture agreement provided funding for their combined 70% interest. In December 2013, the Board of Directors of the JV Company agreed to amend the joint venture agreement to allow for the departure of Zhejiang Medicine Co., Ltd. subject to the approval of the government of the People's Republic of China. In August 2014, the Chinese government approved the amendment to the joint venture agreement to allow for the departure of Zhejiang Medicine Co., Ltd. As of September 30, 2014, Beijing Medfron Medical Technologies Co., Ltd. and MediciNova each have a 50% interest in the JV Company. No additional capital was contributed by either remaining party. We have not entered into the sublicense of MN-221 with the joint venture company as of the date of this report. There is no assurance the sublicense will be executed and there is no assurance that Zhejiang Sunny will be able to proceed with the development of MN-221 in China. A. Zhejiang Sunny is a variable interest entity for which we are not the primary beneficiary as we do not have a majority of the board seats and we do not have power to direct or significantly influence the actions of the entity. We therefore account for the activities of Zhejiang Sunny under the equity method whereby we absorb any loss or income generated by Zhejiang Sunny according to our percentage ownership. At September 30, 2014, we reflect a long-term asset on our consolidated balance sheet which represents our investment in Zhejiang Sunny, net of our portion of any generated loss or income.

Depending on decisions we may make as to further clinical development, we may seek to raise additional capital. We may also pursue potential partnerships and potential acquirers of license rights to our programs in markets outside the U.S.

***Revenues and Cost of Revenues***

In October 2011, we entered into an agreement with Kissei to perform research and development services relating to MN-221 in exchange for a non-refundable upfront payment of \$2.5 million. Under the terms of the agreement, we are responsible for all costs incurred and to be incurred in the performance of these services. Certain of the development services were completed in 2013 and 2012, and the remaining services are expected to be delivered and completed at a future date. We assessed the deliverables in accordance with the authoritative guidance and concluded the existence of one deliverable, which was research and development services. The \$2.5 million was initially recorded as deferred revenue. During the nine months ended September 30, 2014 and 2013, we recognized revenues of zero and \$3,257, respectively, as research and development services were delivered. During the three months ended September 30, 2014 and 2013, we did not recognize any revenues.

***Research, Development and Patent Expenses***

Our research, development and patent expenses consist primarily of the license fees related to our product candidates, salaries and related employee benefits, costs associated with the preclinical and clinical development of our product

development programs, costs associated with non-clinical activities, such as regulatory expenses, and pre-commercialization manufacturing development activities. We use external service providers to manufacture our compounds to be used in clinical trials and for the majority of the services performed in connection with the preclinical and clinical development of our product candidates. Research, development and patent expenses include fees paid to consultants, contract research organizations, contract manufacturers and other external service providers, including professional fees and costs associated with legal services, patents and patent applications for our intellectual property. Internal research and development expenses include costs of compensation and other expenses for research and development personnel, supplies, facility costs and depreciation. Research, development and patent costs are expensed as incurred.

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The following table presents our total research, development, and patent expenses by category during the periods presented (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2014	2013	September 30, 2014	2013
External development expense:				
MN-221	\$ 2	\$ 20	\$ 8	\$ 31
MN-166	173	130	850	601
MN-001	232	32	361	46
MN-029	1	6	1	17
Total external development expense	408	188	1,220	695
R&D personnel expense	309	382	843	1,124
R&D facility and depreciation expense	14	12	34	42
Patent expenses	130	153	296	454
Other R&D expense	32	51	84	113
Total research, development and patent expense	\$ 893	\$ 786	\$ 2,477	\$ 2,428

**General and Administrative**

Our general and administrative costs primarily consist of salaries, benefits and consulting and professional fees related to our administrative, finance, human resources, business development, legal, information systems support functions, facilities and insurance costs. General and administrative costs are expensed as incurred.

**Critical Accounting Policies and Estimates**

Our discussion and analysis of our financial condition and results of operations is based upon financial statements that have been prepared in accordance with accounting principles generally accepted in the United States (GAAP). The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses, and related disclosures. On an on-going basis, we evaluate these estimates, including those related to, research and development and patent expense, stock-based compensation, and goodwill and purchased intangibles lease related activities, investments, and fixed assets. Estimates are based on historical experience, information received from third parties and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The items in our financial statements requiring significant estimates and judgments are as follows:

**Research, Development and Patent Expenses**

Research, development and patent costs are expensed as incurred based on certain contractual factors such as estimates of work performed, milestones achieved, patient enrollment and experience with similar contracts. As actual costs become known, accruals are adjusted. To date, our accrued research, development and patent expenses have not differed significantly from the actual expenses incurred.

***Stock-Based Compensation***

We grant options to purchase our common stock to our employees and directors under our 2013 Stock Incentive Plan. Additionally, we have outstanding stock options that were granted under our Amended and Restated 2004 Stock Incentive Plan and 2000 General Stock Incentive Plan. Under our 2007 Employee Stock Purchase Plan, full-time employees are permitted to purchase common stock through payroll deduction at the lower of 85% of fair market value at the beginning of the offering period or the end of each six-month offering period. The benefits provided under all of these plans requires stock-based compensation for an award of equity instruments, including stock options and employee stock purchase rights issued to employees to be recognized as a cost in the consolidated financial statements. The cost of these awards is measured according to the grant date fair value of the stock award and is recognized on a straight-line basis over the period during which an employee is required to provide service in exchange for the award, which is usually the vesting period. We occasionally issue employee performance-based stock options, the vesting of which is based on a determination made by our board of directors as to the achievement of certain corporate objectives. The grant date of such awards is the date on which our board of directors makes its determination. For periods preceding the grant date, the cost of these awards is measured according to their fair value at each reporting date. In the absence of an observable market price for the stock

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award, the grant date fair value of the award would be based upon a valuation methodology that takes into consideration various factors, including the exercise price of the award, the expected term of the award, the current price of the underlying shares, the expected volatility of the underlying share price, the expected dividends on the underlying shares and the risk-free interest rate.

Valuation of our stock option grants requires us to estimate certain variables, such as estimated volatility and expected life. If any of our estimations change, such changes could have a significant impact on the stock-based compensation amount we recognize.

### ***Goodwill and Purchased Intangibles***

Goodwill is recorded when the consideration paid for an acquisition exceeds the fair value of the identified net tangible and intangible assets of acquired businesses. The allocation of purchase price for acquisitions require extensive use of accounting estimates and judgments to allocate the purchase price to the identifiable tangible and intangible assets acquired and liabilities assumed based on their respective fair values. Additionally, we must determine whether an acquired entity is considered to be a business or a set of net assets as a portion of the purchase price can only be allocated to goodwill in a business combination. Goodwill and intangible assets deemed to have indefinite lives are not amortized, but are subject to annual impairment tests. The amounts and useful lives assigned to intangible assets that have finite useful lives require the use of estimates and the exercise of judgment. These judgments can significantly affect our net operating results. Goodwill and in-process research and development, or IPR&D, was \$9.6 million and \$4.8 million, respectively, as of September 30, 2014.

At least annually in the fourth quarter, or more frequently if indicators of impairment exist, we complete an impairment test for goodwill and purchased indefinite life intangibles. We periodically re-evaluate the original assumptions and rationale utilized in the establishment of the carrying value and estimated lives of our long-lived assets. The criteria used for these evaluations include management's estimate of the asset's continuing ability to generate income from operations and positive cash flows in future periods as well as the strategic significance of any intangible assets in our business objectives. If assets are considered to be impaired, the impairment recognized is the amount by which the carrying value of the assets exceeds the fair value of the assets.

### **Results of Operations**

#### ***Comparison of the three months ended September 30, 2014 and 2013***

##### *Research, Development and Patent Expenses*

Research, development and patent expenses were \$0.9 million and \$0.8 million for the three month periods ended September 30, 2014 and 2013, respectively.

##### *General and Administrative*

General and administrative expenses for the three months ended September 30, 2014 and 2013 were \$1.5 million.

#### ***Comparison of the nine months ended September 30, 2014 and 2013***

##### *Research, Development and Patent Expenses*

Research, development and patent expenses were \$2.5 million and \$2.4 million for the nine month periods ended September 30, 2014 and 2013, respectively.

*General and Administrative*

General and administrative expenses for the nine months ended September 30, 2014 were \$4.4 million, a decrease of \$0.6 million when compared to \$5.0 million for the nine months ended September 30, 2013. This decrease in general and administrative expenses was due primarily to decreased professional fees and ongoing cost containment efforts.

**Liquidity and Capital Resources**

Net cash provided by operating activities during the nine months ended September 30, 2014 was \$1.8 million compared to \$6.6 million of net cash used in operating activities during the same period in 2013. The \$8.4 million change is primarily related to the \$6.0 million accounts receivable collected during 2014 related to the Genzyme milestone revenue earned from the fourth quarter of 2013, utilization of prepaid expenses as of December 31, 2013 to support operations during the nine months ended September 30, 2014 along with ongoing cost containment efforts.

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Net cash provided by financing activities during the nine months ended September 30, 2014 was \$3.4 million compared to \$13.3 million during the same period in 2013. The decrease in cash provided by financing activities was due to sale of fewer shares of common stock in 2014 as compared to 2013.

On August 20, 2012, we entered into a common stock purchase agreement with Aspire, pursuant to which we could sell our common stock to Aspire from time to time up to an aggregate of \$20 million of our common stock over the two-year term of the agreement including \$1 million in common stock purchased by Aspire in connection with execution of the agreement. No more than 3,231,096 shares of our common stock could be issued under this agreement, including 363,636 shares initially issued to Aspire in consideration of entering into the agreement. We could on any business day over the term of the agreement direct Aspire to purchase up to 50,000 shares, to a maximum of \$500,000 per business day with a purchase price of the lower of the lowest sale price of our common stock on the date of the sale, or the average of the three lowest closing stock prices during the 12 consecutive business days ending on the business day immediately preceding the purchase date. In addition, we could on any business day over the term of the agreement direct Aspire to make a volume-weighted average purchase ( VWAP ) of stock not to exceed 15% (which limitation may be increased up to 30% by the mutual agreement of the parties) of the aggregate shares of our stock traded on the next business day, the purchase price of which shall be the lower of the closing price on the date of the sale, or 95% of the next business day's NASDAQ volume weighted average price, subject to a minimum market price threshold established by us and certain other exceptions. During the nine month period ended September 30, 2013 we generated gross proceeds of \$3.9 million under this agreement. We have made no sales of our common stock to Aspire subsequent to September 30, 2013 and we terminated the common stock purchase agreement with Aspire on October 17, 2013.

On May 9, 2013, we entered into a Securities Purchase Agreement with certain accredited investors pursuant to which we agreed to sell to the investors 1,158,730 shares of our common stock at a price of \$3.15 per share and warrants to purchase an aggregate of 869,047 shares of our common stock with an exercise price of \$3.15 per share (the Private Placement ). The net proceeds generated from this transaction after underwriting discounts and commissions and offering costs was \$3.4 million.

On April 17, 2013, we entered into an at-the-market equity distribution agreement with Macquarie Capital (USA) Inc., or MCUSA, pursuant to which we could sell our common stock through MCUSA from time to time up to an aggregate offering price of \$6 million. During the nine month period ended September 30, 2013 we generated net proceeds of \$5.3 million under this agreement.

On October 16, 2013, we entered into a second at-the-market equity distribution agreement with MCUSA pursuant to which we may sell our common stock through MCUSA from time to time up to an aggregate offering price of \$10 million. Under the terms of this agreement, unless otherwise mutually agreed, no daily sale of an amount of shares of our common stock is to exceed the lower of \$50,000 or 10% of the lower of the 5-day or 3-month average daily traded value of our common stock on NASDAQ (unless 10% of the lower of the 5-day or 3-month average daily traded value of our common stock on the JASDAQ Market of the Tokyo Stock Exchange ( TSE ) is greater, in which case the value from the TSE will be used) as of the date of the applicable issuance notice. The price per share is not to be less than the greater of \$1.29 or the last available closing price of a share of common stock on NASDAQ. MCUSA agreed to use its commercially reasonable efforts consistent with its customary trading and sales practices and applicable laws, rules and regulations to sell shares of our common stock and is to sell such shares by any method permitted by law deemed to be at the market. We agreed to pay MCUSA an aggregate commission rate of 7.0% of the gross proceeds of any common stock sold under this agreement. MCUSA is under no obligation to purchase shares pursuant to this agreement and there are no assurances that MCUSA will be successful in selling shares. Our proceeds will depend on the number of shares of our common stock sold to MCUSA and the per share purchase price of each transaction. The agreement with MCUSA provides both MCUSA and us the right to terminate the agreement in our sole discretion



upon giving five business days written notice. As of September 30, 2014, we have generated gross and net proceeds of \$3.6 million and \$3.1 million, respectively, under this agreement on sales of 1,665,500 shares of our common stock at prices ranging from \$2.01 to \$2.58 per share.

During the nine month periods ended September 30, 2014 and 2013, 85,500 and 121,666 warrants related to the March 23, 2011 public offering of 2,750,000 units, with each unit consisting of one share of common stock and one warrant, were exercised generating proceeds of \$0.3 million and \$0.4 million, respectively.

During the nine month periods ended September 30, 2014 and 2013, 15,000 and 79,462 stock options were exercised from which proceeds of \$38,850 and \$0.2 million were received, respectively.

As of September 30, 2014, we had available cash and cash equivalents of \$11.9 million and working capital of \$11.5 million. As of the date of this report, we believe we have working capital sufficient to fund operations through at least December 31, 2015. However, we cannot guarantee that these capital resources will be sufficient to conduct all of our research and development programs as planned. We are pursuing other opportunities to raise capital through the sale of our common stock or through other strategic initiatives. There can be no assurances that there will be adequate financing available to us on acceptable terms, or at all. If we are unable to obtain additional financing, we may have to sell one or more of our programs or cease operations.

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**Off-Balance Sheet Arrangements**

At September 30, 2014, we did not have any relationship with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance variable interest, or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements. In addition, we did not engage in trading activities involving non-exchange traded contracts. As a result, we are not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships. We do not have relationships and transactions with persons and entities that derive benefits from their non-independent relationship with us or our related parties except as disclosed herein.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

Our primary exposure to market risk due to changes in interest rates relates primarily to the increase or decrease in the amount of interest income we can earn on our investment portfolio. The primary objective of our investment activities is to preserve principal. Our risk associated with fluctuating interest rates is limited to our investments in interest rate sensitive financial instruments and we do not use interest rate derivative instruments to manage exposure to interest rate changes. We mitigate default risk by investing in investment grade securities. A hypothetical 100 basis point adverse move in interest rates along the entire interest rate yield curve would not materially affect the fair value of our interest sensitive financial instruments due to their relatively short term nature.

Cash and cash equivalents as of September 30, 2014 were \$11.9 million and were primarily invested in money market interest bearing accounts and money market funds. A hypothetical 10% adverse change in the average interest rate on our cash and cash equivalents would have had no material effect on net loss for the three and nine months ended September 30, 2014.

**ITEM 4. CONTROLS AND PROCEDURES.**

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that the information required to be disclosed in our filings under the Securities Exchange Act of 1934, as amended, or the Exchange Act, is (1) recorded, processed, summarized and reported within the time periods specified in SEC's rules and forms, and (2) accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our procedures or our internal controls will prevent or detect all errors and all fraud. Any internal control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of our controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

***Evaluation of Disclosure Controls and Procedures***

As required by Rule 13a-15(b) of the Exchange Act, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the quarter covered by this report. Based on the foregoing, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

***Changes in Internal Control over Financial Reporting***

There has been no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Table of Contents****PART II. OTHER INFORMATION****ITEM 1. LEGAL PROCEEDINGS.**

We are not involved in any material legal proceedings as of September 30, 2014. We may become involved in various disputes and legal proceedings which arise in the ordinary course of business or otherwise. While it is not possible to accurately predict or determine the outcome of these matters, an adverse result in any litigation matter may occur which could harm our business.

**ITEM 1A. RISK FACTORS.**

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2013, which are incorporated herein by reference and which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results. There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2013.

**ITEM 6. EXHIBITS.**

<b>Exhibit Number</b>	<b>Description</b>
10.1	Severance Protection Agreement, dated July 14, 2014, by and between MediciNova, Inc. and Dr. Yuichi Iwaki (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed August 13, 2014).
10.2	Severance Protection Agreement, dated July 14, 2014, by and between MediciNova, Inc. and Masatsune Okajima (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q filed August 13, 2014).
10.3	Severance Protection Agreement, dated July 14, 2014, by and between MediciNova, Inc. and Dr. Kazuko Matsuda (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q filed August 13, 2014).
10.4	Severance Protection Agreement, dated July 14, 2014, by and between MediciNova, Inc. and Geoffrey O'Brien (incorporated by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q filed August 13, 2014).
31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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- 32.1 Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002).
- 32.2 Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002).
- 101 The following financial statements from the MediciNova, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 formatted in Extensible Business Reporting Language (XBRL):  
(i) Consolidated Balance Sheets; (ii) Consolidated Statements of Operations and Comprehensive Loss;  
(iii) Consolidated Statements of Cash Flows; and (iv) the notes to the consolidated financial statements.

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**SIGNATURES**

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**MEDICINOVA, INC.**

Date: November 13, 2014

By: */s/YUICHI IWAKI*  
**Yuichi Iwaki, M.D., Ph.D.**  
**President and Chief Executive Officer**  
**(on behalf of the registrant and**  
**as the registrant's Principal Executive Officer)**

By: */s/ Esther van den Boom*  
**Esther van den Boom**  
**Chief Financial Officer**  
**(on behalf of the registrant and**  
**as the registrant's Principal Financial Officer)**

**Table of Contents****INDEX TO EXHIBITS**

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