

INCARA PHARMACEUTICALS CORP
Form 10-Q
May 08, 2003

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

- Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2003.
- 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

0-27410

INCARA PHARMACEUTICALS CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware

56-1924222

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

P.O. Box 14287
79 T.W. Alexander Drive
4401 Research Commons, Suite 200
Research Triangle Park, NC

27709

(Address of Principal Executive Office)

(Zip Code)

Registrant's Telephone Number, Including Area Code

919-558-8688

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 such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). YES NO

Edgar Filing: INCARA PHARMACEUTICALS CORP - Form 10-Q

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

| <u>Class</u> | <u>Outstanding as of May 5, 2003</u> |
|--------------------------------|--------------------------------------|
| Common Stock, par value \$.001 | 14,095,331 Shares |

INCARA PHARMACEUTICALS CORPORATION

INDEX TO FORM 10-Q

| | PAGE |
|--|------|
| PART I. FINANCIAL INFORMATION | |
| Item 1. Financial Statements | |
| <u>Consolidated Balance Sheets as of March 31, 2003 (unaudited) and September 30, 2002</u> | 3 |
| <u>Consolidated Statements of Operations for the Three Months and Six Months ended March 31, 2003 and 2002 (unaudited)</u> | 4 |
| <u>Consolidated Statements of Cash Flows for the Six Months ended March 31, 2003 and 2002 (unaudited)</u> | 5 |
| <u>Notes to Consolidated Financial Statements</u> | 6 |
| Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 13 |
| Item 4. <u>Controls and Procedures</u> | 16 |
| PART II. OTHER INFORMATION | |
| Item 4. <u>Submission of Matters to a Vote of Security Holders</u> | 17 |
| Item 6. <u>Exhibits and Reports on Form 8-K</u> | 17 |
| <u>SIGNATURES</u> | 18 |

INCARA PHARMACEUTICALS CORPORATION

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share data)

| | <u>March 31, 2003</u> | <u>September 30, 2002</u> |
|---|---------------------------|-------------------------------|
| | <u>(Unaudited)</u> | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 141 | \$ 209 |
| Accounts receivable from Incara Development | 431 | 293 |
| Prepays and other current assets | 138 | 91 |
| | <u>710</u> | <u>593</u> |
| Total current assets | 710 | 593 |
| Property and equipment, net | 70 | 1,252 |
| Other assets | 355 | 356 |
| | <u>\$ 1,135</u> | <u>\$ 2,201</u> |
| LIABILITIES, EXCHANGEABLE PREFERRED STOCK AND STOCKHOLDERS DEFICIT | | |
| Current liabilities: | | |
| Accounts payable | \$ 689 | \$ 1,368 |
| Accrued expenses | 1,177 | 377 |
| Accumulated losses of Incara Development in excess of investment | 363 | 245 |
| Current portion of capital lease obligations | | 49 |
| Current portion of notes payable | | 144 |
| | <u>2,229</u> | <u>2,183</u> |
| Total current liabilities | 2,229 | 2,183 |
| Long-term portion of note payable to Elan | 679 | 647 |
| Long-term portion of other notes payable | | 297 |
| Series C redeemable convertible exchangeable preferred stock, 20,000 shares authorized; 12,015 issued and outstanding (liquidation value of \$14,020 at March 31, 2003) | 14,020 | 13,554 |
| Stockholders' deficit: | | |
| Preferred stock, \$.01 par value per share, 3,000,000 shares authorized: | | |
| Series B nonredeemable convertible preferred stock, 600,000 shares authorized; 503,544 shares issued and outstanding | 5 | 5 |
| Common stock, \$.001 par value per share, 80,000,000 shares authorized; 14,095,331 shares issued and outstanding | 14 | 14 |
| Additional paid-in capital | 104,679 | 104,679 |
| Restricted stock | (136) | (217) |
| Accumulated deficit | (120,355) | (118,961) |
| | <u>(15,793)</u> | <u>(14,480)</u> |
| Total stockholders' deficit | (15,793) | (14,480) |

| | | |
|--|-------------------|-------------------|
| | <u> </u> | <u> </u> |
| | \$ 1,135 | \$ 2,201 |
| | <u> </u> | <u> </u> |

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

INCARA PHARMACEUTICALS CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per share data)

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|------------|------------------|------------|
| | March 31, | | March 31, | |
| | 2003 | 2002 | 2003 | 2002 |
| Costs and expenses: | | | | |
| Research and development | \$ 697 | \$ 826 | \$ 1,699 | \$ 1,807 |
| General and administrative | 584 | 806 | 1,119 | 1,459 |
| Total costs and expenses | 1,281 | 1,632 | 2,818 | 3,266 |
| Loss from operations | (1,281) | (1,632) | (2,818) | (3,266) |
| Equity in loss of Incara Development | (29) | (281) | (81) | (619) |
| Interest expense, net | (16) | (15) | (41) | (13) |
| Other income | 83 | | 138 | 150 |
| Loss from continuing operations | (1,243) | (1,928) | (2,802) | (3,748) |
| Discontinued operations | | (815) | (38) | (1,882) |
| Gain on sale of discontinued operations | | | 1,912 | |
| Net loss | (1,243) | (2,743) | (928) | (5,630) |
| Preferred stock dividend accreted | (237) | (222) | (466) | (436) |
| Net loss attributable to common stockholders | \$ (1,480) | \$ (2,965) | \$ (1,394) | \$ (6,066) |
| Net income (loss) per common share (basic and diluted): | | | | |
| Loss from continuing operations | \$ (0.09) | \$ (0.15) | \$ (0.21) | \$ (0.30) |
| Discontinued operations | \$ 0.00 | \$ (0.06) | \$ 0.00 | \$ (0.15) |
| Gain on sale of discontinued operations | \$ 0.00 | \$ 0.00 | \$ 0.14 | \$ 0.00 |
| Net loss attributable to common stockholders | \$ (0.11) | \$ (0.23) | \$ (0.10) | \$ (0.48) |

Edgar Filing: INCARA PHARMACEUTICALS CORP - Form 10-Q

| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
|---|-------------------|-------------------|-------------------|-------------------|
| Weighted average common shares outstanding: | | | | |
| Basic and diluted | 13,671 | 12,800 | 13,567 | 12,650 |

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

INCARA PHARMACEUTICALS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

| | Six Months Ended | |
|---|-------------------------|-------------------|
| | March 31, | |
| | 2003 | 2002 |
| | <u> </u> | <u> </u> |
| Cash flows from operating activities: | | |
| Net loss | \$ (928) | \$ (5,630) |
| Loss from discontinued operations | 38 | 1,882 |
| Gain on sale of discontinued operations | (1,912) | - |
| | <u> </u> | <u> </u> |