

LA JOLLA PHARMACEUTICAL CO

Form 10-Q

November 07, 2006

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

(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, 2006

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: 0-24274

LA JOLLA PHARMACEUTICAL COMPANY

(Exact name of registrant as specified in its charter)

Delaware

**(State or other jurisdiction of
incorporation or organization)**

33-0361285

**(I.R.S. Employer
Identification No.)**

**6455 Nancy Ridge Drive
San Diego, CA**

(Address of principal executive offices)

92121

(Zip Code)

Registrant's telephone number, including area code: (858) 452-6600

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares of the registrant's common stock, \$0.01 par value per share, outstanding at November 1, 2006 was 32,670,043.

LA JOLLA PHARMACEUTICAL COMPANY
FORM 10-Q
QUARTERLY REPORT
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(in thousands)

	September 30, 2006 (Unaudited)	December 31, 2005 (See Note)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,086	\$ 6,411
Short-term investments	43,070	66,466
Other current assets	1,080	903
Total current assets	51,236	73,780
Property and equipment, net	2,794	4,037
Patent costs and other assets, net	3,353	3,111
Total assets	\$ 57,383	\$ 80,928
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 1,615	\$ 866
Accrued clinical/regulatory expenses	787	227
Accrued expenses	1,433	1,284
Accrued payroll and related expenses	580	778
Accrued severance expenses	35	
Current portion of obligations under notes payable	181	501
Total current liabilities	4,631	3,656
Noncurrent portion of obligations under notes payable	11	142
Commitments		
Stockholders equity:		
Common stock	326	325
Additional paid-in capital	341,478	337,117
Accumulated deficit	(289,063)	(260,312)
Total stockholders equity	52,741	77,130
Total liabilities and stockholders equity	\$ 57,383	\$ 80,928

Note: The condensed consolidated balance sheet at December 31, 2005 has been derived from the audited consolidated financial statements as of that date but does not include all of the information and disclosures required by US generally accepted accounting principles.

See accompanying notes.

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LA JOLLA PHARMACEUTICAL COMPANY
Condensed Consolidated Statements of Operations

(Unaudited)

(in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Expenses:				
Research and development	\$ 7,687	\$ 4,969	\$ 23,764	\$ 17,499
General and administrative	1,546	1,081	7,171	4,224
Total expenses	9,233	6,050	30,935	21,723
Loss from operations	(9,233)	(6,050)	(30,935)	(21,723)
Interest income	701	155	2,211	498
Interest expense	(6)	(32)	(27)	(98)
Net loss	\$ (8,538)	\$ (5,927)	\$ (28,751)	\$ (21,323)
Basic and diluted net loss per share	\$ (0.26)	\$ (0.40)	\$ (0.88)	\$ (1.47)
Shares used in computing basic and diluted net loss per share	32,534	14,808	32,510	14,493

See accompanying notes.

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LA JOLLA PHARMACEUTICAL COMPANY
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

	Nine Months Ended September 30,	
	2006	2005
Operating activities:		
Net loss	\$ (28,751)	\$ (21,323)
Adjustments to reconcile net loss to net cash used for operating activities:		
Depreciation and amortization	1,507	1,593
Loss on write-off/disposal of property and equipment, patents and other assets	172	371
Share-based compensation expense	4,170	6
Accretion of interest income, net	46	(27)
Change in operating assets and liabilities:		
Other current assets	(177)	7
Accounts payable and accrued expenses	898	(1,657)
Accrued clinical/regulatory expenses	560	(387)
Accrued payroll and related expenses	(198)	(609)
Accrued severance expenses	35	
Net cash used for operating activities	(21,738)	(22,026)
Investing activities:		
Purchases of short-term investments	(16,700)	(23,800)
Sales of short-term investments	40,050	30,236
Additions to property and equipment	(316)	(122)
Increase in patent costs and other assets	(362)	(288)
Net cash provided by investing activities	22,672	6,026
Financing activities:		
Net proceeds from issuance of common stock	192	15,789
Payments on obligations under capital leases		(14)
Payments on obligations under notes payable	(451)	(764)
Net cash (used for) provided by financing activities	(259)	15,011
Net increase (decrease) in cash and cash equivalents	675	(989)
Cash and cash equivalents at beginning of period	6,411	2,861
Cash and cash equivalents at end of period	\$ 7,086	\$ 1,872

Supplemental disclosure of cash flow information:

Interest paid	\$	27	\$	98
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Supplemental schedule of noncash investing and financing activities:

Net unrealized gains on available-for-sale investments	\$		\$	23
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See accompanying notes.

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LA JOLLA PHARMACEUTICAL COMPANY
Notes to Condensed Consolidated Financial Statements
(Unaudited)
September 30, 2006

1. Basis of Presentation

The accompanying Unaudited Condensed Consolidated Financial Statements of La Jolla Pharmaceutical Company and its wholly-owned subsidiary (the Company) have been prepared in accordance with US generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and disclosures required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals, the severance accrual see Note 3 for further details and the restructuring accrual see Note 4 for further details) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2006 are not necessarily indicative of the results that may be expected for other quarters or the year ended December 31, 2006. For more complete financial information, these Condensed Consolidated Financial Statements, and the notes thereto, should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2005 included in the Company's Form 10-K filed with the Securities and Exchange Commission.

2. Accounting Policies

Principles of Consolidation

The accompanying Unaudited Condensed Consolidated Financial Statements include the accounts of La Jolla Pharmaceutical Company and its wholly owned subsidiary, La Jolla Limited, which was incorporated in England in 2004. There have been no significant transactions related to La