

MANNKIND CORP
Form 10-Q
November 12, 2013
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2013

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: 000-50865

MannKind Corporation

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)
28903 North Avenue Paine
Valencia, California
(Address of principal executive offices)

13-3607736
(I.R.S. Employer
Identification No.)
91355
(Zip Code)
(661) 775-5300
(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 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. (Check one):

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 Act). Yes No

As of November 4, 2013, there were 357,312,740 shares of the registrant's common stock, \$0.01 par value per share, outstanding.

Table of Contents

MANNKIND CORPORATION

Form 10-Q

For the Quarterly Period Ended September 30, 2013

TABLE OF CONTENTS

| | Page |
|---|-------------|
| <u>PART I: FINANCIAL INFORMATION</u> | |
| <u>Item 1. Financial Statements (Unaudited)</u> | |
| <u>Condensed Consolidated Balance Sheets: September 30, 2013 and December 31, 2012</u> | 2 |
| <u>Condensed Consolidated Statements of Operations: Three and nine months ended September 30, 2013 and 2012 and the period from February 14, 1991 (date of inception) to September 30, 2013</u> | 3 |
| <u>Condensed Consolidated Statements of Comprehensive Loss: Three and nine months ended September 30, 2013 and 2012 and the period from February 14, 1991 (date of inception) to September 30, 2013</u> | 4 |
| <u>Condensed Consolidated Statements of Cash Flows: Nine months ended September 30, 2013 and 2012 and the period from February 14, 1991 (date of inception) to September 30, 2013</u> | 5 |
| <u>Notes to Condensed Consolidated Financial Statements</u> | 7 |
| <u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 20 |
| <u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u> | 27 |
| <u>Item 4. Controls and Procedures</u> | 27 |
| <u>PART II: OTHER INFORMATION</u> | |
| <u>Item 1. Legal Proceedings</u> | 27 |
| <u>Item 1A. Risk Factors</u> | 27 |
| <u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u> | 46 |
| <u>Item 3. Defaults Upon Senior Securities</u> | 46 |
| <u>Item 4. Mine Safety Disclosures</u> | 46 |
| <u>Item 5. Other Information</u> | 46 |
| <u>Item 6. Exhibits</u> | 47 |
| <u>SIGNATURES</u> | 49 |

AFREZZA[®], MedTone[®] and Technosphere[®] are our registered trademarks in the United States. We have also applied for and have registered company trademarks in other jurisdictions, including Europe and Japan.

Table of Contents**PART 1: FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****MANKIND CORPORATION AND SUBSIDIARIES****(A Development Stage Company)****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited)****(In thousands, except share data)**

| | September 30, 2013 | December 31, 2012 |
|---|--------------------|-------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 93,803 | \$ 61,840 |
| State research and development credit exchange receivable current | 298 | 450 |
| Prepaid expenses and other current assets | 5,228 | 4,520 |
| Total current assets | 99,329 | 66,810 |
| Property and equipment net | 177,829 | 183,961 |
| State research and development credit exchange receivable net of current portion | 223 | 313 |
| Other assets | 10,227 | 230 |
| Total | \$ 287,608 | \$ 251,314 |
| LIABILITIES AND STOCKHOLDERS DEFICIT | | |
| Current liabilities: | | |
| Accounts payable | \$ 7,786 | \$ 4,555 |
| Accrued expenses and other current liabilities | 21,553 | 25,777 |
| Senior convertible notes | 114,897 | 114,443 |
| Facility financing obligation | 72,933 | |
| Total current liabilities | 217,169 | 144,775 |
| Senior convertible notes | 98,220 | 97,583 |
| Note payable to related party | 119,635 | 119,635 |
| Other liabilities | 20,306 | |
| Total liabilities | 455,330 | 361,993 |
| Commitments and contingencies | | |
| Stockholders deficit: | | |
| Undesignated preferred stock, \$0.01 par value 10,000,000 shares authorized; no shares issued or outstanding at September 30, 2013 and December 31, 2012 | | |
| Common stock, \$0.01 par value 550,000,000 shares authorized at September 30, 2013 and December 31, 2012; 309,993,285 and 286,035,082 shares issued and outstanding at September 30, 2013 and December 31, 2012, respectively | 3,100 | 2,860 |
| Additional paid-in capital | 2,072,006 | 1,991,379 |
| Accumulated other comprehensive loss | (9) | (6) |
| Deficit accumulated during the development stage | (2,242,819) | (2,104,912) |

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| | | |
|-----------------------------|------------|------------|
| Total stockholders' deficit | (167,722) | (110,679) |
| Total | \$ 287,608 | \$ 251,314 |

See notes to condensed consolidated financial statements.

Table of Contents**MANKIND CORPORATION AND SUBSIDIARIES****(A Development Stage Company)****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)****(In thousands, except per share data)**

| | Three months ended September 30, | | Nine months ended September 30, | | Cumulative period from February 14, 1991 (date of inception) to September 30, 2013 |
|---|-------------------------------------|-------------|------------------------------------|--------------|---|
| | 2013 | 2012 | 2013 | 2012 | September 30, 2013 |
| Revenue | \$ | \$ 35 | \$ | \$ 35 | \$ 3,166 |
| Operating expenses: | | | | | |
| Research and development | 27,281 | 25,453 | 80,731 | 76,247 | 1,548,304 |
| General and administrative | 17,481 | 10,069 | 42,053 | 37,262 | 467,757 |
| In-process research and development costs | | | | | 19,726 |
| Goodwill impairment | | | | | 151,428 |
| Total operating expenses | 44,762 | 35,522 | 122,784 | 113,509 | 2,187,215 |
| Loss from operations | (44,762) | (35,487) | (122,784) | (113,474) | (2,184,049) |
| Other income (expense) | 10 | (2,651) | 48 | 12,078 | (2,219) |
| Interest expense on note payable to related party | (1,745) | (2,245) | (5,123) | (8,321) | (43,948) |
| Interest expense on senior convertible notes and facility financing obligation | (4,323) | (2,859) | (10,052) | (8,278) | (49,985) |
| Interest income | 2 | | 4 | 2 | 37,000 |
| Loss before benefit for income taxes | (50,818) | (43,242) | (137,907) | (117,993) | (2,243,201) |
| Income tax benefit | | 408 | | 408 | 382 |
| Net loss | (50,818) | (42,834) | (137,907) | (117,585) | (2,242,819) |
| Deemed dividend related to beneficial conversion feature of convertible preferred stock | | | | | (22,260) |
| Accretion on redeemable preferred stock | | | | | (952) |
| Net loss applicable to common stockholders | \$ (50,818) | \$ (42,834) | \$ (137,907) | \$ (117,585) | \$ (2,266,031) |
| Net loss per share applicable to common stockholders basic and diluted | \$ (0.17) | \$ (0.22) | \$ (0.48) | \$ (0.71) | |
| Shares used to compute basic and diluted net loss per share applicable to common stockholders | 296,386 | 190,534 | 286,889 | 164,611 | |

See notes to condensed consolidated financial statements.

Table of Contents

MANKIND CORPORATION AND SUBSIDIARIES

(A Development Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Unaudited)

(In thousands)

| | Three months ended | | Nine months ended | | Cumulative period |
|---|--------------------|-------------|-------------------|--------------|--------------------|
| | September 30, | | September 30, | | from February 14, |
| | 2013 | 2012 | 2013 | 2012 | 1991 (date of |
| | | | | | inception) to |
| | | | | | September 30, 2013 |
| Net Loss | \$ (50,818) | \$ (42,834) | \$ (137,907) | \$ (117,585) | \$ (2,242,819) |
| Other comprehensive loss: | | | | | |
| Cumulative translation (loss) gain | (1) | (1) | (3) | 4 | (9) |
| Unrealized gain (loss) on investments: | | | | | |
| Unrealized holding gain during the period | | | | | 48 |
| Less: reclassification adjustment for gains (losses) included in net loss | | | | 48 | (48) |
| Net unrealized gain on investments | | | | 48 | |
| Other comprehensive loss | (1) | (1) | (3) | 52 | (9) |
| Comprehensive loss | \$ (50,819) | \$ | | | |