

CYTOKINETICS INC  
Form 10-Q/A  
December 15, 2016  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 10-Q/A**  
**(Amendment No. 1)**

**(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, 2016**

**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: 000-50633**

**CYTOKINETICS, INCORPORATED**

**(Exact name of registrant as specified in its charter)**

<b>Delaware</b> <b>(State or other jurisdiction of</b>	<b>94-3291317</b>
<b>incorporation or organization)</b>	<b>(I.R.S. Employer</b>
<b>280 East Grand Avenue</b>	<b>Identification No.)</b>
<b>South San Francisco, California</b>	<b>94080</b>
<b>(Address of principal executive offices)</b>	<b>(Zip Code)</b>
<b>Registrant's telephone number, including area code: (650) 624-3000</b>	

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

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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 Exchange Act). Yes  No

Number of shares of common stock, \$0.001 par value, outstanding as of October 27, 2016: 40,516,892

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**EXPLANATORY NOTE**

This Amendment No. 1 on Form 10-Q/A (this Form 10-Q/A ) to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2016, filed with the U.S. Securities and Exchange Commission (the SEC ) on November 3, 2016 (the Original Filing ), is being filed for the purpose of restating our unaudited condensed consolidated financial statements as of and for the three and nine months ended September 30, 2016 and corresponding financial data. As disclosed in our Form 8-K filed on December 12, 2016, the restatement is the result of an error in the accounting for the recognition of clinical research and development expenses.

Our management has determined that there was a design deficiency in our internal controls over financial reporting due to the existence of a material weakness that resulted in an error identified. As of September 30, 2016, due to the existence of this material weakness, management has concluded that the Company's disclosure controls and procedures were not effective, see Part I Item 4 of this Form 10-Q/A for further information. A material weakness is a deficiency, or combination of control deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim consolidated financial statements will not be prevented or detected on a timely basis. For a discussion of management's consideration of our disclosure controls and procedures and the material weakness identified, see Part I Item 4 included in this Form 10-Q/A.

For reasons discussed above, we are filing this Form 10-Q/A in order to amend the following items in our Original Filing to the extent necessary to reflect the adjustments discussed above and restate corresponding financial data cited elsewhere in this Form 10-Q/A:

Part I, Item 1. Financial Statements (unaudited)

Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Part I, Item 4. Controls and Procedures

Part II, Item 1A. Risk Factors

In accordance with applicable SEC rules, this Form 10-Q/A includes new certifications required by Rule 13a-14 under the Securities Exchange Act of 1934 ( Exchange Act ) from our Chief Executive Officer and our Chief Financial Officer dated as of the date of filing this Form 10-Q/A.

This Form 10-Q/A amends and restates in its entirety each section of the Original Filing impacted as a result of the restatement. Each section that has been restated is noted in Note 1 to the financial statements. This Form 10-Q/A has not been updated to reflect events occurring after November 3, 2016, the date of the Original Filing. Therefore, this Form 10-Q/A should be read in conjunction with filings we have made with the SEC subsequent to November 3, 2016.

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

**CYTOKINETICS, INCORPORATED****CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands, except share and per share data) (Unaudited)

	<b>September 30, 2016 (As Restated)</b>	<b>December 31, 2015</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 30,300	\$ 65,076
Short-term investments	48,309	46,366
Related party accounts receivable	67,000	12
Prepaid and other current assets	2,575	1,653
Total current assets	148,184	113,107
Property and equipment, net	2,049	1,751
Long-term investments	7,737	179
Other assets	200	200
Total assets	\$ 158,170	\$ 115,237
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 668	\$ 2,238
Accrued liabilities	16,308	8,421
Deferred revenue, current	10,497	20,858
Short-term portion of deferred rent and interest payable	386	132
Total current liabilities	27,859	31,649
Long-term debt	29,742	14,639
Deferred revenue, non-current	15,635	
Long-term portion of deferred rent	209	359
Total liabilities	73,445	46,647
Commitments and contingencies (Note 11)		
Stockholders equity:		
Preferred stock, \$0.001 par value:		
Authorized: 10,000,000 shares;		

Issued and outstanding: Series A Convertible Preferred Stock zero shares at September 30, 2016 and December 31, 2015		
Common stock, \$0.001 par value:		
Authorized: 81,500,000 shares;		
Issued and outstanding: 40,516,892 shares at September 30, 2016 and 39,581,692 shares at December 31, 2015		
	41	40
Additional paid-in capital	609,880	603,145
Accumulated other comprehensive income	252	149
Accumulated deficit	(525,448)	(534,744)
 Total stockholders equity	 84,725	 68,590
 Total liabilities and stockholders equity	 \$ 158,170	 \$ 115,237

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

Table of Contents**CYTOKINETICS, INCORPORATED****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(In thousands, except per share data) (Unaudited)

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30, 2016</b>		<b>September 30, 2015</b>	
	<b>(As</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>Restated)</b>		<b>(As</b>	
			<b>Restated)</b>	
<b>Revenues:</b>				
Research and development revenues from related parties	\$ 5,573	\$ 3,786	\$ 13,383	\$ 10,087
Research and development, grant and other revenues	441	27	930	27
License revenues from related parties	53,033	4,132	58,956	8,787
<b>Total revenues</b>	<b>59,047</b>	<b>7,945</b>	<b>73,269</b>	<b>18,901</b>
<b>Operating expenses:</b>				
Research and development	17,865	11,557	41,121	33,149
General and administrative	7,217	5,276	21,149	14,138
<b>Total operating expenses</b>	<b>25,082</b>	<b>16,833</b>	<b>62,270</b>	<b>47,287</b>
Operating income (loss)	33,965	(8,888)	10,999	(28,386)
Interest expense	(714)		(1,985)	
Interest and other income, net	111	39	282	114
<b>Net income (loss) before income taxes</b>	<b>33,362</b>	<b>(8,849)</b>	<b>9,296</b>	<b>(28,272)</b>
Income tax benefit				
<b>Net income (loss)</b>	<b>\$ 33,362</b>	<b>\$ (8,849)</b>	<b>\$ 9,296</b>	<b>\$ (28,272)</b>
Net income (loss) per share basic	\$ 0.84	\$ (0.23)	\$ 0.23	\$ (0.73)
Net income (loss) per share diluted	\$ 0.77	\$ (0.23)	\$ 0.22	\$ (0.73)
Weighted-average number of shares used in computing net income (loss) per share basic	39,926	38,752	39,729	38,718
Weighted-average number of shares used in computing net income (loss) per share diluted	43,217	38,752	42,247	38,718
<b>Other comprehensive income:</b>				
Unrealized gains on available-for-sale securities, net	23	2	103	19



Comprehensive income (loss)	\$ 33,385	\$ (8,847)	\$ 9,399	\$ (28,253)
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The accompanying notes are an integral part of these financial statements.

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(In thousands) (Unaudited)

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	<b>September 30,</b>
	<b>2016</b>	<b>2015</b>
	<b>(As Restated)</b>	
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 9,296	\$ (28,272)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization of property and equipment	517	438
Stock-based compensation	5,266	3,219
Non-cash interest expense	395	
Loss on disposal of property and equipment	1	
Gain on sale of investments		(1)
Changes in operating assets and liabilities:		
Related party accounts receivable	(66,988)	46,598
Prepaid and other assets	(922)	(1,226)
Accounts payable	(1,334)	616
Accrued and other liabilities	7,647	1,341
Deferred revenue	5,275	(7,888)
Net cash provided by (used in) operating activities	(40,847)	14,825
<b>Cash flows from investing activities:</b>		
Purchases of investments	(79,969)	(94,658)
Proceeds from sales and maturities of investments	70,572	85,668
Proceeds from sale of property and equipment	33	
Purchases of property and equipment	(742)	(358)
Net cash used in investing activities	(10,106)	(9,348)
<b>Cash flows from financing activities:</b>		
Proceeds from long term debt, net of debt discount and issuance costs	14,996	
Proceeds (payments) from stock based award activities and warrants, net	1,181	270
Net cash provided by financing activities	16,177	270
Net increase (decrease) in cash and cash equivalents	(34,776)	5,747
Cash and cash equivalents, beginning of period	65,076	20,215
Cash and cash equivalents, end of period	\$ 30,300	\$ 25,962

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

**Table of Contents****CYTOKINETICS, INCORPORATED****NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****Note 1 Organization, Basis of Presentation and Recently Issued Accounting Standards*****Restatement of Condensed Consolidated Financial Statements***

On December 9, 2016, the Audit Committee of the Board of Directors of the Company, after discussion with management and the Company's independent registered public accountants determined that there was an error in the accounting of the recognition of clinical trial research and development expenses and related balance sheet accounts. The following is a summary of the restatement changes made to the financial statements previously filed as of and for the three and nine months ended September 30, 2016.

Condensed Consolidated Balance Sheet at September 30, 2016 (in thousands):

	As Previously Reported	Restatement Adjustments	As Restated
Accrued liabilities	\$ 17,783	\$ (1,475)	\$ 16,308
Total current liabilities	29,334	(1,475)	27,859
Total liabilities	74,920	(1,475)	73,445
Accumulated deficit	(526,923)	1,475	(525,448)
Total stockholders' equity	83,250	1,475	84,725
Total liabilities and stockholders' equity	158,170		158,170

Condensed Consolidated Statement of Comprehensive Income (Loss) for the three months ended September 30, 2016 (in thousands):

	As Previously Reported	Restatement Adjustments	As Restated
Research and development	\$ 19,340	\$ (1,475)	\$ 17,865
Operating expenses	26,557	(1,475)	25,082
Operating income	32,490	1,475	33,965
Net income before income taxes	31,887	1,475	33,362
Net income	31,887	1,475	33,362
Net income per share - basic	0.80	0.04	0.84
Net income per share - diluted	0.74	0.03	0.77
Comprehensive income	31,910	1,475	33,385

Condensed Consolidated Statement of Comprehensive Income (Loss) for the nine months ended September 30, 2016 (in thousands):

	<b>As Previously Reported</b>	<b>Restatement Adjustments</b>	<b>As Restated</b>
Research and development	\$ 42,596	\$ (1,475)	\$