

Vanda Pharmaceuticals Inc.  
Form 10-Q  
August 08, 2008

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 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 **June 30, 2008**
- 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: 000-51863**

**VANDA PHARMACEUTICALS INC.**  
*(Exact name of registrant as specified in its charter)*

**Delaware**  
*(State or Other Jurisdiction of  
Incorporation or Organization)*

**03-0491827**  
*(I.R.S. Employer  
Identification No.)*

**9605 Medical Center Drive, Suite 300**  
**Rockville, Maryland**  
*(Address of principal executive offices)*

**20850**  
*(Zip Code)*

**(240) 599-4500**

*(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 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

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company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer       Accelerated filer       Non-accelerated filer       Smaller reporting company   
(Do not check if a 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

As of August 8, 2008, there were 26,652,728 shares of the registrant's Common Stock issued and outstanding.

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**Vanda Pharmaceuticals Inc.**  
**(A Development Stage Enterprise)**

**Form 10-Q Index**

**For the Three and Six Months Ended June 30, 2008**

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**Part I FINANCIAL INFORMATION****Item 1. Financial Statements (Unaudited).****VANDA PHARMACEUTICALS INC.  
(A Development Stage Enterprise)****CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)**

	<b>June 30, 2008</b>	<b>December 31, 2007</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 56,503,815	\$ 41,929,533
Marketable securities	6,564,684	43,243,960
Prepaid expenses, deposits and other current assets	2,030,329	1,781,881
Total current assets	65,098,828	86,955,374
Marketable securities, long-term	2,557,411	7,979,331
Property and equipment, net	2,021,374	1,345,845
Deposits	150,000	150,000
Restricted cash	430,230	430,230
Total assets	\$ 70,257,843	\$ 96,860,780
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 5,825,757	\$ 2,988,069
Accrued liabilities	3,856,127	9,789,738
Total current liabilities	9,681,884	12,777,807
Deferred rent	490,776	354,042
Total liabilities	10,172,660	13,131,849
Commitments and contingencies		
Stockholders' equity		
Preferred stock, \$0.001 par value; 20,000,000 shares authorized and none issued and outstanding at June 30, 2008 and December 31, 2007		
Common stock, \$0.001 par value; 150,000,000 shares authorized as of June 30, 2008 and December 31, 2007; and 26,652,728 shares issued and outstanding as of June 30, 2008 and December 31, 2007	26,653	26,653
Additional paid-in capital	266,674,962	257,600,368
Accumulated other comprehensive income (loss)	(15,155)	12,176

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Deficit accumulated during the development stage	(206,601,277)	(173,910,266)
Total stockholders' equity	60,085,183	83,728,931
Total liabilities and stockholders' equity	\$ 70,257,843	\$ 96,860,780

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

**VANDA PHARMACEUTICALS INC.**  
**(A Development Stage Enterprise)**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**

	<b>Three Months Ended</b>		<b>Six Months Ended</b>		<b>Period from</b>
	<b>June 30,</b>	<b>June 30,</b>	<b>June 30,</b>	<b>June 30,</b>	<b>March 13,</b>
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2003</b>
					<b>(Inception) to</b>
					<b>June 30,</b>
					<b>2008</b>
Revenues from services	\$	\$	\$	\$	\$ 81,545
Operating expenses:					
Research and development	5,480,909	10,193,825	16,583,574	20,785,884	142,233,347
General and administrative	8,454,985	7,449,375	17,414,199	13,682,924	74,423,462
Total operating expenses	13,935,894	17,643,200	33,997,773	34,468,808	216,656,809
Loss from operations	(13,935,894)	(17,643,200)	(33,997,773)	(34,468,808)	(216,575,264)
Other income (expense):					
Interest income	441,012	1,659,781	1,306,762	3,093,435	10,005,551
Interest expense					(80,485)
Other income					71,947
Total other income	441,012	1,659,781	1,306,762	3,093,435	9,997,013
Loss before tax provision	(13,494,882)	(15,983,419)	(32,691,011)	(31,375,373)	(206,578,251)
Tax provision		1,604		2,410	23,026
Net loss	(13,494,882)	(15,985,023)	(32,691,011)	(31,377,783)	(206,601,277)
Beneficial conversion feature deemed dividend to preferred stockholders					(33,486,623)
Net loss attributable to common stockholders	\$ (13,494,882)	\$ (15,985,023)	\$ (32,691,011)	\$ (31,377,783)	\$ (240,087,900)
Basic and diluted net loss per share applicable to common stockholders	\$ (0.51)	\$ (0.60)	\$ (1.23)	\$ (1.21)	
Shares used in calculation of basic and diluted net loss per share applicable	26,649,439	26,567,160	26,648,892	25,978,437	

to common stockholders

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

**VANDA PHARMACEUTICALS INC.**  
**(A Development Stage Enterprise)**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**(Unaudited)**

	Common Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Deficit Accumulated During the Development Stage	Comprehensive Loss	Total
<b>Balances at</b>							
<b>December 31, 2007</b>	26,652,728	\$ 26,653	\$ 257,600,368	\$ 12,176	\$ (173,910,266)		\$ 83,728,931
Employee stock-based compensation			9,085,978				9,085,978
Non-employee stock-based compensation			(11,384)				(11,384)
Comprehensive loss:							
Net loss					(32,691,011)	\$ (32,691,011)	
Cumulative translation adjustment				16,220		16,220	
Net unrealized loss on marketable securities				(43,551)		(43,551)	
Comprehensive loss						\$ (32,718,342)	(32,718,342)
<b>Balances at June 30,</b>							
<b>2008</b>	26,652,728	\$ 26,653	\$ 266,674,962	\$ (15,155)	\$ (206,601,277)		\$ 60,085,183

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



**VANDA PHARMACEUTICALS INC.**  
**(A Development Stage Enterprise)**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

	<b>Six Months Ended</b>		<b>Period from</b>
	<b>June 30,</b>	<b>June 30,</b>	<b>March 13,</b>
	<b>2008</b>	<b>2007</b>	<b>2003</b>
			<b>(Inception) to</b>
			<b>June 30,</b>
			<b>2008</b>
<b>Cash flows from operating activities</b>			
Net loss	\$ (32,691,011)	\$ (31,377,783)	\$ (206,601,277)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	259,707	293,660	2,228,563
Employee and non-employee stock-based compensation	9,074,594	9,323,664	40,010,117
Loss on disposal of assets	211		57,842
Accretion of discount on investments	(195,911)	(859,296)	(2,188,068)
Changes in assets and liabilities:			
Prepaid expenses, deposits and other current assets	(247,729)	(1,354,085)	(2,030,329)
Deposits			(150,000)
Accounts payable	2,425,921	(183,682)	5,414,000
Accrued expenses	(5,979,353)	(33,290)	3,811,641
Other liabilities	136,734	(13,661)	490,776
Net cash used in operating activities	(27,216,837)	(24,204,473)	(158,956,735)
<b>Cash flows from investing activities</b>			
Purchases of property and equipment	(479,581)	(202,683)	(3,917,313)
Proceeds from sale of property and equipment			200,179
Purchases of marketable securities	(2,081,121)	(93,239,541)	(255,113,783)
Proceeds from sales of marketable securities	4,875,076		90,590,824
Maturities of marketable securities	39,460,000	23,025,000	157,575,000
Investment in restricted cash			(430,230)
Net cash provided by (used in) investing activities	41,774,374	(70,417,224)	(11,095,323)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings on note payable			