

ARCA biopharma, Inc.  
Form 10-Q  
August 10, 2009  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2009**

**OR**

**TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_**

**Commission File Number 000-22873**

**ARCA BIOPHARMA, INC.**

(Exact Name of Registrant as Specified in Its Charter)

Edgar Filing: ARCA biopharma, Inc. - Form 10-Q

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

**36-3855489**  
 (I.R.S. Employer  
 Identification Number)

**8001 Arista Place, Suite 200 Broomfield, CO**  
 (Address of Principal Executive Offices)

**80021**  
 (Zip Code)

**(720) 940-2200**

(Registrant's Telephone Number, including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 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

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.

Large accelerated filer  Accelerated filer   
 Non-accelerated filer  (Do not check if 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

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

Class	Number of Shares Outstanding
<b>Common Stock \$0.001 par value</b>	<b>On August 3, 2009: 7,591,319</b>



**Table of Contents**

**ARCA BIOPHARMA, INC.**

**FORM 10-Q**

**FOR THE QUARTER ENDED JUNE 30, 2009**

	<b>PAGE</b>
Part I <u>Financial Information</u>	3
<u>Item 1. Consolidated Financial Statements (unaudited)</u>	3
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	31
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	38
<u>Item 4. Controls and Procedures</u>	38
Part II <u>Other Information</u>	39
<u>Item 1. Legal Proceedings</u>	39
<u>Item 1A. Risk Factors</u>	40
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	61
<u>Item 3. Defaults Upon Senior Securities</u>	61
<u>Item 4. Submission of Matters to a Vote of Security Holders</u>	61
<u>Item 5. Other Information</u>	62
<u>Item 6. Exhibits</u>	63
<u>Signature</u>	65

**Table of Contents****PART I. FINANCIAL INFORMATION****ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS (unaudited)****ARCA BIOPHARMA, INC.**

(a development stage enterprise)

**CONSOLIDATED BALANCE SHEETS**

(unaudited)

	June 30, 2009	December 31, 2008
	(in thousands, except share and per share amounts)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 19,014	\$ 7,740
Marketable securities	5,026	
Deferred transaction costs		1,668
Other current assets	1,233	270
<b>Total current assets</b>	<b>25,273</b>	<b>9,678</b>
Restricted cash	6,000	
Property and equipment, net	1,376	1,303
In-process research and development	6,000	
Other assets	1,172	98
<b>Total assets</b>	<b>\$ 39,821</b>	<b>\$ 11,079</b>
<b>LIABILITIES AND STOCKHOLDERS DEFICIT</b>		
Current liabilities:		
Accounts payable	\$ 1,001	\$ 804
Accrued compensation and employee benefits	2,417	1,071
Accrued expenses and other liabilities	1,836	1,549
Bank note payable	2,993	3,948
Convertible notes payable		8,351
Deferred rent, current portion	149	107
Accrued facility exit costs	10,851	
<b>Total current liabilities</b>	<b>19,247</b>	<b>15,830</b>
Deferred rent, net of current portion	374	430
Deferred tax liability	2,281	
Other long-term liabilities	662	132
<b>Total liabilities</b>	<b>22,564</b>	<b>16,392</b>
Commitments and contingencies		
<b>Preferred Stock:</b>		
Redeemable, convertible preferred stock, \$0.001 par value.		

Edgar Filing: ARCA biopharma, Inc. - Form 10-Q

Series A, 9,222,257 shares authorized; 0 and 9,222,257 shares issued and outstanding at June 30, 2009 and December 31, 2008, respectively; liquidation preference of \$15 million at December 31, 2008		14,958
Series B, 6,511,961 shares authorized; 0 and 6,455,579 shares issued and outstanding at June 30, 2009 and December 31, 2008, respectively; liquidation preference of \$18 million at December 31, 2008		17,907
<b>Stockholders equity (deficit):</b>		
Common stock, \$0.001 par value; 100 million and 40 million shares authorized at June 30, 2009 and December 31, 2008, respectively; 7,575,353 and 954,420 shares issued and outstanding at June 30, 2009 and December 31, 2008, respectively	8	1
Additional paid-in capital	56,657	2,573
Unrealized loss on marketable securities	(12)	
Deficit accumulated during the development stage	(39,396)	(40,752)
<b>Total stockholders equity (deficit)</b>	<b>17,257</b>	<b>(38,178)</b>
<b>Total liabilities and stockholders equity (deficit)</b>	<b>\$ 39,821</b>	<b>\$ 11,079</b>

See accompanying notes to consolidated financial statements.

**Table of Contents****ARCA BIOPHARMA, INC.****(a development stage enterprise)****CONSOLIDATED STATEMENTS OF OPERATIONS****(unaudited)**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>		<b>Period from</b>
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>December 17,</b>
	<b>2001 (date of</b>				
	<b>inception) to</b>				
	<b>June 30, 2009</b>				
	<b>(in thousands, except share and per share amounts)</b>				
<b>Costs and expenses:</b>					
Research and development	\$ 3,505	\$ 2,235	\$ 8,097	\$ 4,596	\$ 34,251
Selling, general and administrative	3,861	1,745	9,185	3,379	24,586
Merger transaction costs			5,470		5,470
Restructuring expense	1,265		1,265		1,265
Total costs and expenses	8,631	3,980	24,017	7,975	65,572
Loss from operations	(8,631)	(3,980)	(24,017)	(7,975)	(65,572)
Gain on bargain purchase			25,282		25,282
Interest and other income	103	49	204	173	1,248
Interest and other expense	(49)	(34)	(113)	(39)	(354)
Net (loss) income	\$ (8,577)	\$ (3,965)	\$ 1,356	\$ (7,841)	\$ (39,396)
Less: Accretion of redeemable convertible preferred stock		(15)	(135)	(29)	(245)
Less: Deemed preferred stock dividend for additional common shares issuable under anti-dilution provisions			(781)		(781)
Net (loss) income attributable to common stockholders	\$ (8,577)	\$ (3,980)	\$ 440	\$ (7,870)	\$ (40,422)
<b>Net (loss) income attributable to common stockholders per share:</b>					
Basic	\$ (1.14)	\$ (5.42)	\$ 0.07	\$ (11.09)	
Diluted	\$ (1.14)	\$ (5.42)	\$ 0.07	\$ (11.09)	
<b>Weighted average shares outstanding:</b>					
Basic	7,556,577	733,705	6,589,455	709,894	
Diluted	7,556,577	733,705	7,072,510	709,894	

See accompanying notes to consolidated financial statements.





**Table of Contents****ARCA BIOPHARMA, INC.**

(a development stage enterprise)

**CONSOLIDATED STATEMENTS OF PREFERRED STOCK AND STOCKHOLDERS EQUITY (DEFICIT)**

(unaudited)

	Preferred Stock		Series B Redeemable Convertible Preferred Stock		Common stock		Stockholders Equity (Deficit)		Total	
	Series A Redeemable Preferred Stock	Convertible Preferred Stock	Shares	Amount	Shares	Amount	Additional Paid In Capital	Deficit Accumulated During the Development Stage		Other Comprehensive Income (Loss)
	Shares	Amount	Shares	Amount	Shares	Amount				
	(in thousands, except share and per share amounts)									
<b>Balance, December 17, 2001 (date of inception)</b>		\$		\$		\$	\$	\$	\$	\$
Issuance of common stock to founders on December 31, 2002, for cash, at \$0.06 per share					15,529			1		1
Net loss								(116)		(116)
<b>Balance, December 31, 2003</b>					15,529			1	(116)	(115)
Issuance of common stock on September 30, 2004, for cash, at \$0.06 per share					118,319			7		7
Net loss								(511)		(511)
<b>Balance, December 31, 2004</b>					133,848			8	(627)	(619)
Issuance of common stock on January 3, 2005, for cash, at \$0.06 per share					17,533			1		1
Issuance of common stock on January 3, 2005, upon conversion of notes payable and related accrued interest at \$0.06 per share					17,867			1		1
Issuance of common stock on October 14, 2005, for intellectual property license rights, at \$8.14 per share					5,419			44		44
Issuance of common stock on October 14, 2005, upon conversion of notes payable and related accrued interest					186,571			1,354		1,354
Net loss								(1,459)		(1,459)
<b>Balance, December 31, 2005</b>					361,238			1,408	(2,086)	(678)

Edgar Filing: ARCA biopharma, Inc. - Form 10-Q

Issuance of common stock on February 21, 2006, for intellectual property license rights, at \$0.72 per share			104,229		75		75
Issuance of Series A on February 22, 2006, for cash, at \$1.6265 per share	5,727,354	9,316					
Issuance of Series A on February 22, 2006, upon conversion of notes payable and related accrued interest, at \$1.6265 per share	420,817	684					
Issuance of common stock upon exercise of stock options, for cash			48,111		3		3
Issuance of common stock on February 22, 2006, for intellectual property and product license rights, at \$0.72 per share			83,443	1	59		60
Issuance of common stock on June 23, 2006, for intellectual property license rights, at \$0.90 per share			15,028		15		15
Issuance of common stock on November 7, 2006, for intellectual property license rights, at \$0.90 per share			229				
Issuance of Series A on December 8, 2006, for cash, at \$1.6265 per share	3,074,086	5,000					
Series A offering costs		(98)					
Share-based compensation					39		39
Accretion of offering costs of redeemable convertible preferred stock		17			(17)		(17)
Net loss						(5,241)	(5,241)
<b>Balance, December 31, 2006</b>	<b>9,222,257</b>	<b>14,919</b>	<b>612,278</b>	<b>1</b>	<b>1,582</b>	<b>(7,327)</b>	<b>(5,744)</b>
Issuance of Series B convertible redeemable preferred stock, on May 31, 2007 for \$2.439 per share		3,688,902	9,000				
Issuance of Series B convertible redeemable preferred stock, on December 28, 2007 for \$3.253 per share		2,766,677	9,000				
Series B offering Costs			(147)				
Accretion of Series A offering costs		19			(19)		(19)
Accretion of Series B offering costs			18		(18)		(18)
Issuance of common stock for intellectual property license rights, on January 18, 2007 at \$1.68 per share			7,817		13		13
Issuance of common stock for intellectual property license rights, on			3,852		7		7

Edgar Filing: ARCA biopharma, Inc. - Form 10-Q

June 30, 2007 at \$1.80 per share			
Issuance of common stock for commercial license rights, on July 19, 2007, vests upon achievement of specified criteria	16,698		
Share-based compensation		50	50
Issuance of shares to executive on February 19, 2007, vesting upon achievement of specified criteria, subject to repurchase	83,490		
Issuance of common stock upon exercise of stock options for cash	13,359	16	16
Net loss		(13,994)	(13,994)

**Table of Contents****ARCA BIOPHARMA, INC.**

(a development stage enterprise)

**CONSOLIDATED STATEMENTS OF PREFERRED STOCK AND STOCKHOLDERS EQUITY (DEFICIT)**

(unaudited)

	Preferred Stock				Stockholders		Equity (Deficit)		
	Series A Redeemable Convertible Preferred Stock		Series B Redeemable Convertible Preferred Stock		Common Stock	Additional Paid In Capital	Development Stage	Other Comprehensive Income (Loss)	Total
	Shares	Amount	Shares	Amount	Shares	Amount			
<b>Balance, December 31, 2007</b>	9,222,257	14,938	6,455,579	17,871	737,494	1	1,631	(21,321)	(19,689)
Accretion of Series A offering costs		20					(20)		(20)
Accretion of Series B offering costs				36			(36)		(36)
Share-based compensation							545		545
Estimated fair value of warrants issued in connection with convertible notes payable							399		399
Issuance of common stock upon exercise of stock options, for cash					216,926		54		54
Net loss								(19,431)	(19,431)
<b>Balance, December 31, 2008</b>	9,222,257	14,958	6,455,579	17,907	954,420	1	2,573	(40,752)	(38,178)
Adjustment for fractional shares on common conversion							(39)		(39)
Deemed preferred stock dividend for additional common shares issuable under anti-dilution provision				781			(781)		(781)
Accretion of Series A offering costs		42					(42)		(42)
Accretion of Series B offering costs				93			(93)		(93)
Conversion of preferred stock	(9,222,257)	(15,000)	(6,455,579)	(18,781)	3,042,740	3	33,778		33,781
Restricted stock release from restriction							75		75
Conversion of convertible notes and related accrued interest					872,792	1	8,500		8,501
Conversion of warrants for preferred stock							36		36
Share-based compensation							674		674
Merger / reverse stock split Nuvelo, Inc.					2,686,957	3	11,910		11,913
Adjustment for fractional shares							(609)		(609)
Issuance of common stock upon exercise of stock options for cash					18,028		25		25
Issuance of common stock under employee stock purchase plan and upon vesting of restricted stock units					1,064		2		2
Comprehensive income (loss):									
Net income								1,356	1,356
								(12)	(12)

Unrealized loss on marketable  
securities  
Comprehensive income

1,344