

OSCIENT PHARMACEUTICALS CORP

Form 10-Q

August 09, 2005

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended: June 30, 2005

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

Commission File No: 0-10824

OSCIENT PHARMACEUTICALS CORPORATION

(Exact name of registrant as specified in its charter)

MASSACHUSETTS
(State or other jurisdiction of
incorporation or organization)

04-2297484
(I.R.S. Employer
Identification no.)

1000 WINTER STREET, SUITE 2200
WALTHAM, MASSACHUSETTS 02451

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(Address of principal executive offices) (Zip code)

Registrant's telephone number: (781) 398-2300

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 an accelerated filer (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.

COMMON STOCK	76,857,147 Shares
\$0.10 PAR VALUE	Outstanding August 3, 2005

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OSCIENT PHARMACEUTICALS CORPORATION

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	June 30,	December 31,
	2005	2004
	<u>(UNAUDITED)</u>	<u></u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 84,016,497	\$ 64,743,273
Marketable securities (held-to-maturity)	24,640,217	94,683,700
Marketable securities (available-for-sale)		225,000
Restricted cash	5,386,250	5,386,250
Interest receivable	997,228	1,708,360
Note receivable	515,300	
Accounts receivable, net	3,767,747	4,223,412
Inventory	16,767,993	11,915,881
Prepaid expenses and other current assets	1,372,333	5,898,546
	<u>137,463,565</u>	<u>188,784,422</u>
Property and Equipment, at cost:		
Manufacturing and computer equipment	4,435,082	11,090,405
Equipment and furniture	1,092,908	1,849,350
Leasehold improvements	59,028	78,707
	<u>5,587,018</u>	<u>13,018,462</u>
Less Accumulated depreciation	3,815,341	11,560,752
	<u>1,771,677</u>	<u>1,457,710</u>
Restricted cash	8,938,879	11,589,517
Long-term note receivable	1,837,596	
Other assets	5,437,709	5,859,116
Intangible assets, net	67,990,565	70,373,796
Goodwill	62,495,061	62,495,061
	<u>\$ 285,935,052</u>	<u>\$ 340,559,622</u>
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities:		
Current maturities of long-term obligations	\$	\$ 291,667

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Accounts payable	4,935,997	9,080,046
Accrued expenses and other current liabilities	12,848,500	14,840,543
Current portion of accrued facilities impairment charge	3,123,033	3,213,819
Current portion of accrued restructuring charge	1,062,330	1,250,153
Clinical trial expense accrual	3,922,152	2,785,161
Deferred revenue	885,231	1,301,607
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Total current liabilities	26,777,243	32,762,996
Long-term obligations, net of current maturities	175,059,647	175,059,647
Noncurrent portion of accrued facilities impairment charge	15,096,671	16,160,969
Noncurrent portion of accrued restructuring charge	440,477	969,049
Other long-term liabilities	1,806,563	1,206,965
Commitments and Contingencies		
Shareholders' Equity:		
Common stock, \$0.10 par value - Authorized - 175,000,000 shares, Issued and Outstanding - 76,688,415 and 75,802,823 for June 30, 2005 and December 31, 2004 respectively	7,668,842	7,580,282
Additional paid-in-capital	357,687,514	356,834,921
Accumulated deficit	(298,415,634)	(248,835,424)
Deferred compensation	(23,271)	(1,016,783)
Note receivable from officer	(163,000)	(163,000)
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Total shareholders' equity	66,754,451	114,399,996
	<hr/>	<hr/>
	\$ 285,935,052	\$ 340,559,622
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See Notes to Consolidated Financial Statements

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	Three Months Ended June 30, 2005	Thirteen Week Period Ended June 26, 2004	Six Months Ended June 30, 2005	Twenty-Six Week Period Ended June 26, 2004
Revenues:				
Product sales	\$ 3,805,317	\$	\$ 7,716,856	\$
Co-promotion	370,337		370,337	
Biopharmaceutical	60,725	709,775	94,636	2,370,920
Total revenues	4,236,379	709,775	8,181,829	2,370,920
Costs and expenses:				
Cost of product sales	2,308,082		4,373,836	
Research and development (1)	4,192,142	6,165,948	9,359,675	11,360,781
Selling and marketing (1)	17,709,161	5,733,835	37,817,373	6,508,831
General and administrative (1)	2,552,242	3,532,175	7,468,624	6,382,170
Write-off of in-process technology				11,704,396
Restructuring charge				98,649
Stock-based compensation	44,864	1,881,717	993,512	2,446,296
Total costs and expenses	26,806,491	17,313,675	60,013,020	38,501,123
Loss from operations	(22,570,112)	(16,603,900)	(51,831,191)	(36,130,203)
Other income (expense):				
Interest income	881,226	497,808	1,751,077	689,865
Interest expense	(2,096,780)	(1,245,073)	(4,140,866)	(1,540,885)
Gain on sale of fixed assets	5,091	84,829	43,230	135,563
Income from sale of intellectual property			2,500,000	
Gain on disposition of investment	2,019,553		2,019,553	
Other income	3,605		43,455	
Net other income (expense)	812,695	(662,436)	2,216,449	(715,457)
Loss from continuing operations	(21,757,417)	(17,266,336)	(49,614,742)	(36,845,660)
Income from discontinued operations	13,604		34,532	100,000
Net loss	\$ (21,743,813)	\$ (17,266,336)	\$ (49,580,210)	\$ (36,745,660)
Loss from continuing operations per common share:				
Basic and diluted	\$ (0.28)	\$ (0.23)	\$ (0.65)	\$ (0.56)
Net loss per common share:				

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Basic and diluted	\$ (0.28)	\$ (0.23)	\$ (0.65)	\$ (0.56)
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Weighted average common shares outstanding:				
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Basic and diluted	76,347,529	74,325,687	76,127,901	65,237,885
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(1) Excludes non-cash stock-based compensation as follows:

Research and development	\$
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