

INVIVO THERAPEUTICS HOLDINGS CORP.

Form 10-Q

May 14, 2012

[Table of Contents](#)

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 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 March 31, 2012.

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: 000-52089

**InVivo Therapeutics Holdings Corp.**

(Exact name of registrant as specified in its charter)

Edgar Filing: INVIVO THERAPEUTICS HOLDINGS CORP. - Form 10-Q

**Nevada**  
(State or other jurisdiction of  
incorporation or organization)  
**One Broadway, 14<sup>th</sup> Floor,**  
**Cambridge MA**  
(Address of principal executive offices)

**36-4528166**  
(I.R.S. Employer  
Identification Number)  
**02142**  
(Zip code)

**(617) 475-1520**  
(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 (§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 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

As of May 8, 2012, 63,964,435 shares of the registrant's Common Stock, \$0.00001 par value, were issued and outstanding.

**Table of Contents**

**INVIVO THERAPEUTICS HOLDINGS CORP.**

**Quarterly report on Form 10-Q for the period ended March 31, 2012**

**TABLE OF CONTENTS**

**PART I**

**FINANCIAL INFORMATION**

| Item   | Page |
|--|------|
| <b><u>1. Financial Statements</u></b>  |      |
| <u>Consolidated Balance Sheets as of March 31, 2012 and December 31, 2011</u>                          | 3    |
| <u>Consolidated Statements of Operations for the three months ended March 31, 2012 and 2011</u>        | 4    |
| <u>Consolidated Statements of Cash Flows for the three months ended March 31, 2012 and 2011</u>        | 5    |
| <u>Notes to Financial Statements (Unaudited)</u>   | 7    |
| <b><u>2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b> | 14   |
| <b><u>3. Quantitative and Qualitative Disclosures about Market Risk</u></b>                            | 16   |
| <b><u>4. Controls and Procedures</u></b>   | 16   |

**PART II**

**OTHER INFORMATION**

|  |    |
|--|----|
| <b><u>1. Legal Proceedings</u></b>   |    |
| <b><u>1A. Risk Factors</u></b>   |    |
| <b><u>2. Unregistered Sales of Equity Securities and Use of Proceeds</u></b> | 17 |
| <b><u>3. Defaults Upon Senior Securities</u></b>                             | 17 |
| <b><u>4. Mine Safety Disclosures</u></b>                                     | 17 |
| <b><u>5. Other Information</u></b>   | 17 |
| <b><u>6. Exhibits</u></b>  | 17 |

**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****InVivo Therapeutics Holdings Corp.****(A Developmental Stage Company)****Consolidated Balance Sheets**

|  | As of         |              |
|--|---------------|--------------|
|  | March 31,     | December 31, |
|  | 2012          | 2011         |
|  | Unaudited     |              |
| <b>ASSETS:</b>   |               |              |
| Current assets:  |               |              |
| Cash and cash equivalents  | \$ 19,605,096 | \$ 4,363,712 |
| Restricted cash  | 862,908       | 547,883      |
| Prepaid expenses   | 276,263       | 104,022      |
| Total current assets   | 20,744,267    | 5,015,617    |
| Property and equipment, net  | 523,702       | 520,482      |
| Other assets   | 161,764       | 166,139      |
| Total assets   | \$ 21,429,733 | \$ 5,702,238 |
| <b>LIABILITIES AND STOCKHOLDERS' DEFICIT:</b>  |               |              |
| Current liabilities:   |               |              |
| Accounts payable   | \$ 535,679    | \$ 567,195   |
| Loan payable-current portion   | 50,578        | 50,578       |
| Capital lease payable-current portion  | 31,291        | 30,724       |
| Derivative warrant liability   | 29,000,940    | 35,473,230   |
| Accrued expenses   | 170,078       | 618,369      |
| Total current liabilities  | 29,788,566    | 36,740,096   |
| Loan payable-less current portion  | 71,149        | 83,794       |
| Capital lease payable-less current portion   | 27,421        | 38,042       |
| Total liabilities  | 29,887,136    | 36,861,932   |
| Commitments  |               |              |
| Stockholders' deficit:   |               |              |
| Common stock, \$0.00001 par value, authorized 200,000,000 shares at March 31, 2012 and December 31, 2011; issued and outstanding 63,928,372 and 53,760,471 shares at March 31, 2012 and December 31, 2011, respectively. | 639           | 538          |
| Additional paid-in capital   | 36,209,148    | 16,656,830   |
| Deficit accumulated during the development stage   | (44,667,190)  | (47,817,062) |
| Total stockholders' deficit  | (8,457,403)   | (31,159,694) |

Edgar Filing: INVIVO THERAPEUTICS HOLDINGS CORP. - Form 10-Q

|   |               |              |
|---|---------------|--------------|
| Total liabilities and stockholders' deficit | \$ 21,429,733 | \$ 5,702,238 |
|---|---------------|--------------|

See notes to the consolidated financial statements.

**Table of Contents**

**InVivo Therapeutics Holdings Corp.**  
**(A Developmental Stage Company)**  
**Consolidated Statements of Operations**  
**(Unaudited)**

|   | Three Months Ended<br>March 31, |                | November 28,<br>2005                |
|---|---------------------------------|----------------|-------------------------------------|
|   | 2012                            | 2011           | (inception) to<br>March 31,<br>2012 |
| Operating expenses:   |                                 |                |                                     |
| Research and development                                      | \$ 940,553                      | \$ 636,323     | \$ 9,824,387                        |
| General and administrative                                    | 1,520,212                       | 764,319        | 9,771,749                           |
| Total operating expenses                                      | 2,460,765                       | 1,400,642      | 19,596,136                          |
| Operating loss  | (2,460,765)                     | (1,400,642)    | (19,596,136)                        |
| Other income (expense):                                       |                                 |                |                                     |
| Other income  |                                 |                | 383,000                             |
| Interest income   | 2,437                           | 2,818          | 22,486                              |
| Interest expense  | (5,006)                         | (1,513)        | (1,071,337)                         |
| Derivatives gain (loss)                                       | 5,613,206                       | 121,347        | (24,404,955)                        |
| Other income (expense), net                                   | 5,610,637                       | 122,652        | (25,070,806)                        |
| Net income (loss)   | \$ 3,149,872                    | \$ (1,277,990) | \$ (44,666,942)                     |
| Net income (loss) per share, basic                            | \$ 0.05                         | \$ (0.02)      | \$ (1.40)                           |
| Net income (loss) per share, diluted                          | \$ 0.05                         | \$ (0.02)      | \$ (1.40)                           |
| Weighted average number of common shares outstanding, basic   | 58,004,471                      | 51,660,942     | 31,831,475                          |
| Weighted average number of common shares outstanding, diluted | 69,008,549                      | 51,660,942     | 31,831,475                          |

See notes to the consolidated financial statements.

**Table of Contents****InVivo Therapeutics Holdings Corp.****(A Developmental Stage Company)****Consolidated Statements of Cash Flows****(Unaudited)**

|   | <b>Three Months Ended</b> |                    | <b>Period from</b>    |
|---|---------------------------|--------------------|-----------------------|
|   | <b>March 31,</b>          |                    | <b>November 28,</b>   |
|   | <b>2012</b>               | <b>2011</b>        | <b>2005</b>           |
|   |                           |                    | <b>(inception) to</b> |
|   |                           |                    | <b>March 31,</b>      |
|   |                           |                    | <b>20 12</b>          |
| <b>Cash flows from operating activities:</b>  |                           |                    |                       |
| Net income (loss)   | \$ 3,149,872              | \$ (1,277,990)     | \$ (44,666,942)       |
| <b>Adjustments to reconcile net income (loss) to net cash used in operating activities:</b> |                           |                    |                       |
| Depreciation and amortization expense   | 42,570                    | 27,979             | 280,197               |
| Non-cash derivatives (gain) loss  | (5,613,206)               | (121,347)          | 24,404,955            |
| Non-cash interest expense   |                           |                    | 962,834               |
| Common stock issued to 401(k) plan  |                           |                    | 41,662                |
| Common stock issued for services  | (11,700)                  |                    | 197,751               |
| Share-based compensation expense  | 237,542                   | 107,319            | 2,037,894             |
| <b>Changes in operating assets and liabilities:</b>   |                           |                    |                       |
| Restricted cash   | (315,025)                 | (105,000)          | (862,908)             |
| Prepaid expenses  | (172,241)                 | (380,823)          | (266,212)             |
| Other assets  |                           |                    | (200,000)             |
| Accounts payable  | (31,516)                  | (42,909)           | 535,679               |
| Accrued interest payable  |                           |                    | (15,256)              |
| Accrued expenses  | (448,291)                 | (150,522)          | 170,078               |
| <b>Net cash used in operating activities</b>  | <b>(3,161,995)</b>        | <b>(1,943,293)</b> | <b>(17,380,268)</b>   |
| <b>Cash flows from investing activities:</b>  |                           |                    |                       |
| Purchases of property and equipment   | (41,415)                  | (153,574)          | (672,123)             |
| <b>Net cash used in investing activities</b>  | <b>(41,415)</b>           | <b>(153,574)</b>   | <b>(672,123)</b>      |
| <b>Cash flows from financing activities:</b>  |                           |                    |                       |
| Proceeds from issuance of convertible notes payable   |                           |                    | 4,181,000             |
| Proceeds from convertible bridge notes  |                           |                    | 500,000               |
| Principle payments on capital lease obligation  | (10,054)                  | (5,208)            | (34,828)              |
| (Repayment of) proceeds from loans payable  | (12,645)                  |                    | 121,727               |
| Proceeds from issuance of common stock and warrants, net                                    | 18,467,493                | 1,999              | 32,889,588            |
| <b>Net cash provided by (used in) financing activities</b>                                  | <b>18,444,794</b>         | <b>(3,209)</b>     | <b>37,657,487</b>     |
| Increase (decrease) in cash and cash equivalents  | 15,241,384                | (2,100,076)        | 19,605,096            |
| Cash and cash equivalents at beginning of period  | 4,363,712                 | 8,964,194          |                       |

Edgar Filing: INVIVO THERAPEUTICS HOLDINGS CORP. - Form 10-Q

|  |               |              |               |
|--|---------------|--------------|---------------|
| Cash and cash equivalents at end of period | \$ 19,605,096 | \$ 6,864,118 | \$ 19,605,096 |
|--|---------------|--------------|---------------|

(continued)

See notes to the consolidated financial statements.

**Table of Contents**

**InVivo Therapeutics Holdings Corp.**

**(A Developmental Stage Company)**

**Consolidated Statements of Cash Flows (Concluded)**

**(Unaudited)**

|  | <b>Three Months Ended</b> |             | <b>Period from</b>    |
|--|---------------------------|-------------|-----------------------|
|  | <b>March 31,</b>          |             | <b>November 28,</b>   |
|  | <b>2012</b>               | <b>2011</b> | <b>2005</b>           |
|  |                           |             | <b>(inception) to</b> |
|  |                           |             | <b>March 31,</b>      |
|  |                           |             | <b>2012</b>           |
| <b>Supplemental disclosure of cash flow information and non-cash transactions:</b> |                           |             |                       |
| Cash paid for interest   | \$ 3,415                  | \$ 416      | \$ 109,462            |