

ATHERSYS, INC / NEW
Form 424B3
August 14, 2012

Filed Pursuant to Rule 424(b)(3) and Rule 424(c)
Registration No. 333-178418

Prospectus Supplement No. 2

8,000,000 Shares

Athersys, Inc.

Common Stock

This prospectus supplement no. 2 amends our prospectus dated April 16, 2012. The shares of common stock that are the subject of the prospectus have been registered to permit their sale to the public by the selling stockholder named in the prospectus. We will not receive proceeds from the sale of the shares by the selling stockholder. However, we may receive proceeds from the sale of our common stock to the selling stockholder pursuant to a common stock purchase agreement entered into with the selling stockholder on November 11, 2011.

This prospectus supplement no. 2 is being filed to include the information set forth in our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012, which was filed with the Securities and Exchange Commission on August 13, 2012 and which is set forth below. This prospectus supplement no. 2 should be read in conjunction with the prospectus dated April 16, 2012.

Our common stock is listed on The NASDAQ Capital Market under the symbol **ATHX**. On August 10, 2012, the last reported sale price per share of our common stock was \$1.57 per share.

Investing in our common stock involves risk. Please read carefully the section entitled **Risk Factors on page 7 of the prospectus.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Prospectus Supplement No. 2 is August 13, 2012.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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, 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: 001-33876

Athersys, Inc.

(Exact name of registrant as specified in its charter)

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Delaware (State or other jurisdiction of incorporation or organization)	20-4864095 (I.R.S. Employer Identification No.)
3201 Carnegie Avenue, Cleveland, Ohio (Address of principal executive offices)	44115-2634 (Zip Code)
Registrant's telephone number, including area code: (216) 431-9900	

Former name, former address and former fiscal year, if changed since last report: Not Applicable

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. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

The number of outstanding shares of the registrant's common stock, \$0.001 par value, as of August 1, 2012 was 29,730,343.

ATHERSYS INC.

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PART I. FINANCIAL INFORMATION**Item 1. Financial Statements.****Athersys, Inc.****Condensed Consolidated Balance Sheets**

(In thousands, except share and per share data)

	June 30, 2012 (Unaudited)	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 10,857	\$ 8,785
Available-for-sale securities		3,999
Accounts receivable	704	689
Prepaid clinical trial costs	92	629
Prepaid expenses and other	305	304
Total current assets	11,958	14,406
Equipment, net	1,349	1,267
Deposits and other	28	28
Total assets	\$ 13,335	\$ 15,701
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 2,284	\$ 2,301
Accrued compensation and related benefits	474	444
Accrued clinical trial costs	646	872
Accrued expenses	744	663
Deferred revenue		3,140
Total current liabilities	4,148	7,420
Note payable	50	
Warrant liabilities	4,634	983
Stockholders' equity:		
Preferred stock, at stated value; 10,000,000 shares authorized, and no shares issued and outstanding at June 30, 2012 and December 31, 2011		
Common stock, \$0.001 par value; 100,000,000 shares authorized, and 29,515,343 and 24,487,260 shares issued and outstanding at June 30, 2012 and December 31, 2011, respectively	30	24
Additional paid-in capital	231,482	226,206
Accumulated other comprehensive income		28
Accumulated deficit	(227,009)	(218,960)
Total stockholders' equity	4,503	7,298
Total liabilities and stockholders' equity	\$ 13,335	\$ 15,701

See accompanying notes to unaudited condensed consolidated financial statements.

Athersys, Inc.

Condensed Consolidated Statements of Operations and Comprehensive Loss

(In thousands, except share and per share data)

(Unaudited)

	Three months ended			Six months ended		
	2012	June 30, 2011	2011	2012	June 30, 2011	2011
Revenues						
Contract revenue	\$ 2,270	\$ 2,140	\$ 4,733	\$ 4,641		
Grant revenue	387	295	671	784		
Total revenues	2,657	2,435	5,404	5,425		
Costs and expenses						
Research and development	5,027	4,444	10,596	9,032		
General and administrative	1,162	1,392	2,421	2,611		
Depreciation	80	67	155	127		
Total costs and expenses	6,269	5,903	13,172	11,770		
Loss from operations	(3,612)	(3,468)	(7,768)	(6,345)		
Interest income	12	33	15	66		
Other (expense) income, net	(113)	212	(296)	(874)		
Net loss	\$ (3,713)	\$ (3,223)	\$ (8,049)	\$ (7,153)		
Basic and diluted net loss per share	\$ (0.13)	\$ (0.14)	\$ (0.29)	\$ (0.32)		
Weighted average shares outstanding, basic and diluted	29,405,986	23,502,581	27,476,603	22,693,155		
Items included in other comprehensive income (loss):						
Proportional share of comprehensive (loss) income of equity-method investment		19	(28)	31		
Unrealized gain on available-for-sale securities		19		40		
Other comprehensive income (loss) items		38	(28)	71		
Comprehensive loss	\$ (3,713)	\$ (3,185)	\$ (8,077)	\$ (7,082)		

See accompanying notes to unaudited condensed consolidated financial statements.

Athersys, Inc.

Condensed Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Six months ended	
	2012	June 30, 2011
Operating activities		
Net loss	\$ (8,049)	\$ (7,153)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	155	127
Gain on sale of investment	(183)	
Stock-based compensation	269	266
Issuance of common stock to former lenders	714	607
Change in fair value of warrant liabilities	(479)	78
Amortization of premium on available-for-sale securities	(1)	41
Changes in operating assets and liabilities:		
Accounts receivable	(15)	1,902
Prepaid expenses and other assets	453	15
Accounts payable and accrued expenses	(132)	897
Deferred revenue	(3,140)	(2,626)
Net cash used in operating activities	(10,408)	(5,846)
Investing activities		
Purchase of available-for-sale securities		(12,508)
Maturities of available-for-sale securities	4,237	9,503
Purchases of equipment	(237)	(377)
Net cash provided by (used in) investing activities	4,000	(3,382)
Financing activities		
Proceeds from issuance of common stock and warrants, net	8,430	11,842
Proceeds from note payable	50	
Net cash provided by financing activities	8,480	11,842
Increase in cash and cash equivalents	2,072	2,614
Cash and cash equivalents at beginning of the period	8,785	2,105
Cash and cash equivalents at end of the period	\$ 10,857	\$ 4,719

See accompanying notes to unaudited condensed consolidated financial statements.

Athersys, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

Three- and Six-Month Periods Ended June 30, 2012 and 2011

1. Background and Basis of Presentation

We are an international biotechnology company that is principally focused on the field of regenerative medicine and operate in one business segment. Our operations consist primarily of research and product development activities.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2011. The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and Article 10 of Regulation S-X. Accordingly, since they are interim statements, the accompanying financial statements do not include all of the information and notes required by GAAP for complete financial statements. The accompanying financial statements reflect all adjustments, consisting of normal recurring adjustments, that are, in the opinion of management, necessary for a fair presentation of financial position and results of operations for the interim periods presented. Interim results are not necessarily indicative of results for a full year.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Our critical accounting policies, estimates and assumptions are described in Management's Discussion and Analysis of Financial Condition and Results of Operations, which is included below in this Quarterly Report on Form 10-Q.

Certain prior year amounts have been reclassified to conform with current year presentations.

2. Recently Issued Accounting Standards

In May 2011, the Financial Accounting Standards Board (FASB) issued changes to fair value measurement. These changes clarify the concepts related to highest and best use and valuation premise, blockage factors and other premiums and discounts, the fair value measurement of financial instruments held in a portfolio and of those instruments classified as a component of shareholders' equity. The guidance includes enhanced disclosure requirements about recurring Level 3 fair value measurements, the use of nonfinancial assets, and the level in the fair value hierarchy of assets and liabilities not recorded at fair value. The provisions are effective prospectively for interim and annual periods beginning on or after December 15, 2011 and became effective for us on January 1, 2012. Implementing this new guidance required changes in disclosures only and did not have a material impact on our consolidated financial statements.

In June 2011, the FASB issued changes to the presentation of comprehensive income. These changes give an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements; the option to present components of other comprehensive income as part of the statement of changes in shareholders' equity was eliminated. The items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income were not changed. Additionally, no changes were made to the calculation and presentation of earnings per share. These changes became effective for us on January 1, 2012. We chose to present comprehensive income in a single continuous statement. Other than the change in presentation, the adoption of this pronouncement did not have an impact on our consolidated financial statements.

3. Net Loss per Share

Basic and diluted net loss per share have been computed using the weighted-average number of shares of common stock outstanding during the period. We have outstanding options, restricted stock units and warrants that are not used in the calculation of diluted net loss per share because to do so would be antidilutive. The following instruments were excluded from the calculation of diluted net loss per share because their effects would be antidilutive:

Three months ended June 30, 2012	Six months ended June 30,
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