

INDEVUS PHARMACEUTICALS INC  
Form 10-Q/A  
December 14, 2004  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

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**FORM 10-Q/A**

(Amendment No. 1 to Form 10-Q)

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

For the quarterly period ended June 30, 2004, or

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

Commission File No. 0-18728

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**INDEVUS PHARMACEUTICALS, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**04-3047911**  
(I.R.S. Employer  
Identification Number)

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**One Ledgemont Center**

**99 Hayden Avenue**

**Lexington, Massachusetts**  
(Address of principal executive offices)

**02421-7966**  
(Zip Code)

**Registrant's telephone number, including area code: (781) 861-8444**

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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 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 12(b)-2 of the Exchange Act.) Yes  No

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

<u>Class:</u>	<u>Outstanding at December 13, 2004</u>
<b>Common Stock \$.001 par value</b>	<b>46,955,561 shares</b>

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**Explanatory Note**

Indevus Pharmaceuticals, Inc. (the Company) is filing this Amendment No. 1 to Form 10-Q on Form 10-Q/A to restate its consolidated financial statements for the third quarter of fiscal 2004. In the Form 10-Q filed for the quarter ended June 30, 2004, the Company disclosed that the Securities and Exchange Commission (SEC) reviewed and provided comments on the Company's prospective accounting treatment for the PLIVA Agreement. As a result of discussions with the SEC, the Company has restated its consolidated financial statements for the third quarter of fiscal 2004 and the first nine months of fiscal 2004 to correct the recognition of certain revenue received in connection with the Company's co-promotion and licensing agreement with Odyssey Pharmaceuticals, Inc., a specialty branded subsidiary of PLIVA d.d. in accordance with the contingency adjusted performance model. Previously, the Company recognized revenue under the contract-term deferral method. The correction resulted in an increase in revenues and a corresponding decrease in net loss of \$1,655,000 for the three and nine months ended June 30, 2004. This adjustment had no effect on the net cash flows from operations for such periods.

The Company's consolidated financial statements for the third quarter of fiscal 2004 contained in this Amendment No. 1 to Form 10-Q on Form 10-Q/A reflect the effect of the restatement. See Note A of Notes to unaudited consolidated financial statements.

This Amendment No. 1 restates in their entirety, Items 1 and 2 of Part I of the Company's Quarterly Report on Form 10-Q for the third quarter of fiscal 2004 to reflect the restatement described above, as well as Item 6 of Part II to comply with Rule 12b-15 promulgated under the Securities Exchange Act of 1934. Pursuant to Rule 12b-15 this Amendment No. 1 sets forth the complete text of each item which is being amended, as amended. Any Items of the initially filed 10-Q which are not being amended have been left out of this Amendment No. 1. Furthermore, pursuant Rule 12b-15 this Amendment No. 1 includes new certifications by each principal executive and principal financial officer of Indevus Pharmaceuticals, Inc.

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**INDEVUS PHARMACEUTICALS, INC.**

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	<b>June 30, 2004</b>	<b>September 30, 2003</b>
	<u>          </u>	<u>          </u>
<b>(As restated)</b>		
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 158,644	\$ 57,717
Marketable securities	30,441	26,370
Accounts receivable	930	155
Prepays and other current assets	4,899	1,241
	<u>          </u>	<u>          </u>
Total current assets	194,914	85,483
Marketable securities	3,482	
Equity securities	112	134
Property and equipment, net	526	33
Insurance claim receivable	1,258	1,258
Prepaid debt offering costs	2,668	3,163
Other asset	2,000	
	<u>          </u>	<u>          </u>
Total assets	<u>\$ 204,960</u>	<u>\$ 90,071</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 2,215	\$ 1,958
Accrued expenses	13,869	8,721
Accrued interest	2,075	938
Deferred revenue	12,500	
	<u>          </u>	<u>          </u>
Total current liabilities	30,659	11,617
Convertible notes	72,000	72,000
License fees payable	150	200
Deferred revenue	134,375	
Minority interest	8	13

**STOCKHOLDERS EQUITY (DEFICIT)**

Preferred stock, \$.001 par value, 5,000,000 shares authorized;

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Series B, 239,425 shares issued and outstanding (liquidation preference at June 30, 2004 \$3,019);	3,000	3,000
Series C, 5,000 shares issued and outstanding (liquidation preference at June 30, 2004 \$500)	500	500
Common stock, \$.001 par value, 80,000,000 shares authorized; 47,825,896 shares issued and outstanding at June 30, 2004 and 47,175,661 at September 30, 2003	48	47
Additional paid-in capital	305,407	303,452
Accumulated deficit	(341,048)	(300,691)
Accumulated other comprehensive loss	(139)	(67)
	<hr/>	<hr/>
Total stockholders' equity (deficit)	(32,232)	6,241
	<hr/>	<hr/>
Total liabilities and stockholders' equity (deficit)	\$ 204,960	\$ 90,071
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The accompanying notes are an integral part of these unaudited consolidated financial statements.

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## INDEVUS PHARMACEUTICALS, INC.

## CONSOLIDATED STATEMENTS OF OPERATIONS

For the three and nine months ended June 30, 2004 and 2003

(Unaudited)

(Amounts in thousands except per share data)

	Three months ended		Nine months ended	
	June 30,		June 30,	
	2004	2003	2004	2003
	(As restated)		(As restated)	
Revenues:				
Contract and license fees	\$ 3,982	\$ 12	\$ 4,146	\$ 848
Royalties	479	702	2,118	3,559
Total revenues	4,461	714	6,264	4,407
Costs and expenses:				
Royalty expense	98	157	459	904
Research and development	5,777	8,730	18,636	15,806
Marketing, general and administrative	14,572	3,976	24,370	8,593
Total costs and expenses	20,447	12,863	43,465	25,303
Loss from operations	(15,986)	(12,149)	(37,201)	(20,896)
Investment income	315	99	717	449
Interest expense	(1,293)		(3,878)	
Minority interest	1		5	
Net loss	\$ (16,963)	\$ (12,050)	\$ (40,357)	\$ (20,447)
Net loss per common share:				
Basic and diluted	\$ (0.36)	\$ (0.26)	\$ (0.85)	\$ (0.44)
Weighted average common shares outstanding:				
Basic and diluted	47,729	46,890	47,445	46,882

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

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## INDEVUS PHARMACEUTICALS, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine months ended June 30, 2004 and 2003

(Unaudited)

(Amounts in thousands)

	For the nine months ended	
	June 30,	
	2004	2003
	<u>(As restated)</u>	
Cash provided by (used in) operating activities:		
Net loss	\$ (40,357)	\$ (20,447)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	52	12
Amortization of convertible notes issuance costs	495	
Minority interest in net income of consolidated subsidiary	(5)	
Change in assets and liabilities:		
Accounts receivable	(775)	476
Prepaid and other assets	(5,658)	(734)
Accounts payable	257	843
Deferred revenue	146,875	
Accrued expenses and other liabilities	6,244	2,771
	<u>107,128</u>	<u>(17,079)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Capital expenditures	(545)	(15)
Purchases of marketable securities	(31,927)	(3,877)
Proceeds from maturities and sales of marketable securities	24,324	18,482
	<u>(8,148)</u>	<u>14,590</u>
Net cash provided by (used in) investing activities		
Cash flows from financing activities:		
Net proceeds from issuance of common stock	1,947	66
	<u>1,947</u>	<u>66</u>
Net cash provided by financing activities		
Net change in cash and cash equivalents	100,927	(2,423)
Cash and cash equivalents at beginning of period	57,717	19,977
Cash and cash equivalents at end of period	<u>\$ 158,644</u>	<u>\$ 17,554</u>



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

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**INDEVUS PHARMACEUTICALS, INC.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (As restated)**

***A. Basis of Presentation***

The consolidated interim financial statements included herein have been prepared by Indevus Pharmaceuticals, Inc. ( Indevus or the Company ) without audit, pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ( SEC ). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States of America have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the consolidated financial position, results of operations and cash flows of the Company. The unaudited consolidated financial statements included herein should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Company's Form 10-K for the fiscal year ended September 30, 2003.

For an entity that is not a variable interest entity under FIN 46, *Consolidation of Variable Interest Entities*, the Company's policy is to consolidate a subsidiary when the Company owns greater than 50% of the voting interest in the subsidiary and/or controls it.

Certain prior year amounts have been reclassified to conform to fiscal 2004 classifications.

Indevus is a biopharmaceutical company engaged in the development and commercialization of a diversified portfolio of product candidates, including SANCTURA (trospium chloride), approved by the U.S. Food and Drug Administration for the treatment of overactive bladder ( OAB ), and multiple compounds in clinical development.

***Restatement of Quarterly Financial Statements***

The Company has restated its consolidated financial statements for the third quarter of 2004 and the first nine months of fiscal 2004 to correct the recognition of milestone revenue received in connection with the Company's co-promotion and licensing agreement with Odyssey Pharmaceuticals, Inc., a specialty branded subsidiary of PLIVA d.d. in accordance with the contingency adjusted performance model. Previously, the Company recognized revenue under the contract-term deferral method. The correction resulted in an increase in revenues and a corresponding decrease in net loss of \$1,655,000 for the three and nine months ended June 30, 2004. The following table presents a summary of the impact of the restatements on the Company's consolidated statements of operations for the three and nine months ended June 30, 2004, consolidated balance sheet as of June 30, 2004 and consolidated statement of cash flows for the nine months ended June 30, 2004:

	<b>Three Months Ended June 30, 2004</b>		
	<b>As Originally</b>	<b>Adjustment</b>	<b>As restated</b>
<b>Consolidated Statements of Operations</b>			

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	<u>Reported</u>		
Gross revenue	\$ 2,806,000	\$ 1,655,000	\$ 4,461,000
Loss from operations	(17,641,000)	1,655,000	(15,986,000)
Net loss	\$ (18,618,000)	\$ 1,655,000	\$ (1