

Esperion Therapeutics, Inc.  
Form 10-Q  
November 06, 2013  
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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**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 September 30th 2013**

**OR**

**o 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: 001-35986**

**Esperion Therapeutics, Inc.**

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(Exact name of registrant as specified in its charter)

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

**26-1870780**  
(I.R.S. Employer  
Identification No.)

**46701 Commerce Center Drive**  
**Plymouth, MI 48170**

(Address of principal executive office) (Zip Code)

Registrant's telephone number, including area code:

**(734)862-4840**

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 November 1, 2013, there were 15,357,413 shares of the registrant's Common Stock, \$0.001 par value per share, outstanding.

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**(A Development Stage Company)**

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**(A Development Stage Company)**
**Condensed Balance Sheets**

	September 30, 2013 (Unaudited)	December 31, 2012
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 71,895,828	\$ 6,511,521
Prepaid clinical development costs	503,394	367,216
Other prepaid and current assets	535,716	150,325
Assets held for sale	29,108	109,344
Total current assets	72,964,046	7,138,406
Property and equipment, net	78,749	120,210
Intangible assets	55,740	53,825
Investments	13,477,277	
Total assets	\$ 86,575,812	\$ 7,312,441
<b>Liabilities, convertible preferred stock and stockholders deficit</b>		
Current liabilities:		
Short term borrowings with related parties, net of debt discount	\$	\$ 15,241,007
Accrued interest		738,192
Accounts payable	1,944,604	476,277
Accrued clinical development costs	449,976	242,171
Warrant liabilities		265,323
Other accrued liabilities	948,376	210,329
Total current liabilities	3,342,956	17,173,299
Long-term debt		7,528,845
Total liabilities	3,342,956	24,702,144
Commitments and contingencies (Note 5)		
<b>Convertible preferred stock:</b>		
Series A preferred stock par value \$0.001; no shares authorized, issued or outstanding as of September 30, 2013; 34,785,000 shares authorized and 23,975,000 shares issued and outstanding at December 31, 2012, aggregate liquidation preference of \$23,975,000 at December 31, 2012		23,975,000
<b>Stockholders deficit:</b>		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized as of September 30, 2013, no shares issued or outstanding at September 30, 2013		
Common stock, \$0.001 par value; 120,000,000 shares authorized as of September 30, 2013 and 50,000,000 shares authorized as of December 31, 2012, respectively; 15,357,413 shares issued and 15,335,223 outstanding at September 30, 2013 and 346,478 shares issued and outstanding at December 31, 2012	15,357	346
Additional paid-in capital	141,585,222	609,976
Accumulated other comprehensive income	5,989	
Deficit accumulated during the development stage	(58,373,712)	(41,975,025)

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Total stockholders' (deficit) equity		83,232,856		(41,364,703)
Total liabilities, convertible preferred stock and stockholders' (deficit) equity	\$	86,575,812	\$	7,312,441

*See accompanying notes to the condensed financial statements.*

Table of Contents**Esperion Therapeutics, Inc.****(A Development Stage Company)****Condensed Statements of Operations and Comprehensive Loss****(Unaudited)**

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>		<b>Period from January 22, 2008 (Inception) to September 30, 2013</b>
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	
<b>Grant income</b>	\$	\$	\$	\$	\$ 244,479
<b>Operating expenses:</b>					
Research and development	3,482,673	2,456,412	8,675,688	6,343,846	36,089,549
General and administrative	1,924,150	533,837	4,346,994	1,699,867	15,796,690
Acquired in-process research and development					85,612
<b>Total operating expenses</b>	<b>5,406,823</b>	<b>2,990,249</b>	<b>13,022,682</b>	<b>8,043,713</b>	<b>51,971,851</b>
<b>Loss from operations</b>	<b>(5,406,823)</b>	<b>(2,990,249)</b>	<b>(13,022,682)</b>	<b>(8,043,713)</b>	<b>(51,727,372)</b>
Interest expense		(361,426)	(936,580)	(925,021)	(4,320,696)
Change in fair value of warrant liability			(2,586,865)		(2,554,498)
Other income, net	168,389	401	147,440	2,354	228,854
<b>Net loss</b>	<b>\$ (5,238,434)</b>	<b>\$ (3,351,274)</b>	<b>\$ (16,398,687)</b>	<b>\$ (8,966,380)</b>	<b>\$ (58,373,712)</b>
Net loss per common share (basic and diluted)	\$ (0.34)	\$ (10.31)	\$ (3.05)	\$ (28.27)	
Weighted-average shares outstanding (basic and diluted)	15,253,704	325,023	5,371,335	317,208	
<b>Other comprehensive income:</b>					
Unrealized gain on investments	5,989		5,989		
<b>Total comprehensive loss</b>	<b>\$ (5,232,445)</b>	<b>\$ (3,351,274)</b>	<b>\$ (16,392,698)</b>	<b>\$ (8,966,380)</b>	

*See accompanying notes to the condensed financial statements.*

Table of Contents**Esperion Therapeutics, Inc.****(A Development Stage Company)****Condensed Statements of Cash Flows****(Unaudited)**

	<b>Nine Months Ended September 30, 2013</b>	<b>Nine Months Ended September 30, 2012</b>	<b>Period from January 22, 2008 (Inception) to September 30, 2013</b>
<b>Operating activities</b>			
Net loss	\$ (16,398,687)	\$ (8,966,380)	\$ (58,373,712)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation expense	59,664	106,901	1,436,835
Amortization of debt discount and beneficial conversion	458,993	18,424	575,981
Amortization of debt issuance costs	18,533	6,886	33,911
Amortization of premiums and discounts on investments	12,283		12,283
Revaluation of warrants	2,586,865		2,554,498
Noncash interest expense on convertible notes	459,055	744,417	3,726,092
Write-off of acquired in-process research and development			85,612
Stock-based compensation expense	673,244	60,578	930,352
Common stock issued in license agreement			4,400
Loss related to assets held for sale	29,000		324,701
Gain on sale of assets	(140,029)	(1,949)	(158,488)
Changes in assets and liabilities:			
Prepays and other assets	(504,568)	(372,943)	(1,041,338)
Accounts payable	1,299,100	(486,537)	1,775,377
Other accrued liabilities	863,535	451,840	1,316,032
Net cash used in operating activities	(10,583,012)	(8,438,763)	(46,797,464)
<b>Investing activities</b>			
Purchases of investments	(13,521,020)		(45,090,186)
Proceeds from sales/maturities of investments			31,515,350
Cash obtained in stock acquisition			2,500,000
Proceeds from sale of assets	191,265	7,060	942,464
Purchase of property and equipment	(18,203)	(10,668)	(285,762)
Other investing			50,626
Net cash (used in) provided by investing activities	(13,347,958)	(3,608)	(10,367,508)
<b>Financing activities</b>			
Proceeds from initial public offering, net of issuance costs	72,367,768		72,367,768
Proceeds from issuance of preferred stock, net of issuance costs	16,824,235		40,799,235
Proceeds from exercise of common stock options	123,274	32,362	184,097
Proceeds from warrant issuance		141,779	297,690
Proceeds from debt issuance with related parties		9,862,220	15,412,010
Net cash provided by financing activities	89,315,277	10,036,361	129,060,800

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Net increase (decrease) in cash and cash equivalents	65,384,307	1,593,990	71,895,828
Cash and cash equivalents at beginning of period	6,511,521	1,571,084	
Cash and cash equivalents at end of period	\$ 71,895,828	\$ 3,165,074	\$ 71,895,828

## **Supplemental disclosure of cash flow information:**

Conversion of convertible promissory notes, including accrued interest of \$923,092 into Series A preferred stock	\$ 16,623,092	\$	\$ 16,623,092
Conversion of convertible long-term Pfizer note, including accrued interest of \$274,155 into Series A-1 preferred stock	7,803,000		7,803,000
Initial public offering costs not yet paid	169,227		169,227

*See accompanying notes to the condensed financial statements.*



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**Esperion Therapeutics, Inc.  
(A Development Stage Company)**

**Notes to the Condensed Financial Statements**

**(Unaudited)**

**1. The Company and Basis of Presentation**

The Company is a biopharmaceutical company focused on the research, development and commercialization of therapies for the treatment of patients with elevated levels of low-density lipoprotein cholesterol (LDL-C) and other cardiometabolic risk factors. ETC-1002, the Company's lead product candidate, is a novel, first in class, orally available, once-daily small molecule therapy designed to target known lipid and carbohydrate metabolic pathways to reduce levels of LDL-C and to avoid side effects associated with existing LDL-C lowering therapies. The Company owns the exclusive worldwide rights to ETC-1002 and its other product candidates.

HDL Therapeutics, Inc. (HDL) was incorporated in the state of Delaware on January 22, 2008. On April 28, 2008, HDL acquired all of the capital stock of Esperion Therapeutics, Inc. (Esperion), a wholly owned subsidiary of Pfizer Inc. On May 5, 2008, Esperion was merged with and into HDL and the Company assumed the name Esperion Therapeutics, Inc. (the Company). Its facilities are located in Plymouth, Michigan.

The Company's primary activities since incorporation have been recruiting personnel, conducting research and development activities, including pre-clinical and clinical testing, performing business and financial planning, and raising capital. Accordingly, the Company is considered to be in development stage.

The Company is subject to the risks associated with a development stage entity, which includes the need to: research, develop, and clinically test potential therapeutic products; obtain regulatory approvals for its products and commercialize them, if approved; expand its management and scientific staff; and finance its operations with an ultimate goal of achieving profitable operations.

The Company has sustained operating losses since inception and expects such losses to continue over the foreseeable future. Management plans to continue to finance operations with a combination of public and private equity issuances, debt arrangements, collaborations and strategic and licensing arrangements. If adequate funds are not available, the Company may not be able to continue the development of its current or future product candidates, or to commercialize its current or future product candidates, if approved.

**Basis of Presentation**

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The accompanying condensed financial statements are unaudited and were prepared by the Company in accordance with generally accepted accounting principles in the United States of America (GAAP). In the opinion of management, the Company has made all adjustments, which include only normal recurring adjustments necessary for a fair statement of the Company's financial position and results of operations for the interim periods presented. Certain information and disclosures normally included in the annual financial statements prepared in accordance with GAAP have been condensed or omitted. These condensed financial statements should be read in conjunction with the audited financial statements and accompanying notes for the year ended December 31, 2012 included in the Company's final prospectus dated June 25, 2013 filed pursuant to Rule 424(b) under the Securities Act of 1933, as amended, with the Securities and Exchange Commission on June 26, 2013. The results for the three and nine months ended September 30, 2013 are not necessarily indicative of the results to be expected for a full year, any other interim periods or any future year or period.

### Reverse Stock Split

On June 11, 2013, in connection with its initial public offering (the IPO), the Company effectuated a 1-for-6.986 reverse stock split of its outstanding common stock, which was approved by the Company's board of directors on June 5, 2013. The reverse stock split resulted in an adjustment to the Series A preferred stock and Series A-1 preferred stock conversion prices to reflect a proportional decrease in the number of shares of common stock to be issued upon conversion. The accompanying financial statements and notes to the financial statements give effect to the reverse stock split for all periods presented. The shares of common stock retained a par value of \$0.001 per share. Accordingly, the stockholders' deficit reflects the reverse stock split by reclassifying from common stock to Additional paid-in capital in an amount equal to the par value of the decreased shares resulting from the reverse stock split.

### Initial Public Offering

On July 1, 2013, the Company completed its IPO whereby the Company sold 5,000,000 shares of common stock at a price of \$14.00 per share. The shares began trading on the Nasdaq Global Select Market on June 26, 2013. On July 11, 2013, the underwriters exercised their over-allotment option in full and purchased an additional 750,000 shares of common stock at a price of \$14.00 per share. The Company received approximately \$72.2 million in net proceeds from the IPO, including proceeds from the exercise of the underwriters' over-allotment option, net of underwriting discounts and commissions and offering expenses. Upon closing of the IPO, all outstanding shares of preferred stock converted into 9,210,999 shares of common stock; and warrants exercisable for convertible preferred stock were automatically converted into warrants exercisable for 277,690 shares of common stock, resulting in the reclassification of the related convertible preferred stock warrant liability of \$2,852,188 to additional paid-in capital (See Note 4).

The following table summarizes the Company's capitalization upon closing of its initial public offering:

Total common stock issued as of June 30, 2013	396,414
Conversion of Series A preferred stock into common stock upon closing of IPO	8,244,781
Conversion of Series A-1 preferred stock into common stock upon closing of IPO	966,218
Sales of common stock through IPO	5,000,000
Common stock issued as of July 1, 2013	14,607,413
Issuance of common stock to underwriters due to exercise of over-allotment	750,000
Total common stock issued as of July 11, 2013	15,357,413

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**2. Summary of Significant Accounting Policies**

**Cash and Cash Equivalents**

The Company invests its excess cash in bank deposits, money market accounts, and short-term investments. The Company considers all highly liquid investments with an original maturity of 90 days or less at the time of purchase to be cash equivalents. Cash equivalents are reported at fair value.

**Investments**

Investments are considered to be available-for-sale and are carried at fair value. Unrealized gains and losses, if any, are reported as a separate component of stockholders' deficit. The cost of investments classified as available-for-sale are adjusted for the amortization of premiums and accretion of discounts to maturity and recorded in other income (expense), net. Realized gains and losses, if any, are determined using the specific identification method and in other income (expense), net. Investments with original maturities beyond 90 days at the date of purchase and which mature at, or less than twelve months from, the balance sheet date are classified as current. Investments with a maturity beyond twelve months from the balance sheet date are classified as long-term.

**Concentration of Credit Risk**

Cash, cash equivalents, and marketable securities consist of financial instruments that potentially subject the Company to concentrations of credit risk. The Company has established guidelines for investment of its excess cash and believes the guidelines maintain safety and liquidity through diversification of counterparties and maturities.

**Segment Information**

The Company views its operations and manages its business in one operating segment, which is the business of researching, developing and commercializing therapies for the treatment of patients with elevated levels of low-density lipoprotein cholesterol and other cardiometabolic risk factors.

**Fair Value of Financial Instruments**

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The Company's financial instruments consist principally of cash and cash equivalents, investments, other current assets, accounts payable and accrued liabilities that approximate their carrying value.

### **Property and Equipment, Net**

Property and equipment are recorded at cost, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets, generally three to ten years. Leasehold improvements are amortized over the lesser of the lease term or the estimated useful lives of the related assets.

### **Impairment of Long-Lived Assets**

The Company reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount. The impairment loss, if recognized, would be based on the excess of the carrying value of the impaired asset over its respective fair value. Excluding impairment losses recorded on assets held for sale, no other impairment losses have been recorded through September 30, 2013.

### **Research and Development**

Research and development expenses consist of costs incurred to further the Company's research and development activities and include salaries and related benefits, costs associated with pre-clinical studies and trials, non-clinical activities (such as toxicology studies), regulatory activities, manufacturing activities to support clinical activities, research-related overhead expenses, and fees paid to external service providers that conduct certain research and development, clinical, and manufacturing activities on behalf of the Company. Research and development costs are expensed as incurred.

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**In-Process Research and Development**

In April 2008, the Company acquired certain tangible research and development assets and intellectual property from Pfizer Inc. (Pfizer). As the acquired in-process research and development had not reached technological feasibility and had no alternative future uses in connection with this asset and intellectual property acquisition and the related purchase price allocation, the Company expensed \$85,612 as in-process research and development costs in 2008.

**Accrued Clinical Development Costs**

Outside research costs are a component of research and development expense. These expenses include fees paid to contract research organizations and other service providers that conduct certain clinical and product development activities on behalf of the Company. Depending upon the timing of payments to the service providers, the Company recognizes prepaid expenses or accrued expenses related to these costs. These accrued or prepaid expenses are based on management's estimates of the work performed under service agreements, milestones achieved and experience with similar contracts. The Company monitors each of these factors and adjusts estimates accordingly.

**Income Taxes**

The Company utilizes the liability method of accounting for income taxes as required by ASC 740, Income Taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and the tax basis of assets and liabilities and are measured using enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company has incurred operating losses since inception. Accordingly, it is not more likely than not that the Company will realize deferred tax assets and as such, it has recorded a full valuation allowance.

**Warrant Liability**

The Company accounts for its warrants issued in connection with its various financing transactions based upon the characteristics and provisions of the instrument. Warrants classified as derivative liabilities are recorded on the Company's balance sheet at their fair value on the date of issuance and are marked-to-market on each subsequent reporting period, with the fair value changes recognized in the statement of operations. The warrants are measured using the Black-Scholes option-pricing model subsequent to the pricing of the Company's IPO and a Monte Carlo valuation model for previous periods which are based, in part, upon inputs where there is little or no market data, requiring the Company to develop its own independent assumptions. The Company will continue to adjust the liability for changes in the fair value of these warrants until the earlier of the exercise of the warrants, the expiration of the warrants, or until such time as the warrants are no longer determined to be derivative instruments.

**Stock-Based Compensation**

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The Company accounts for stock-based compensation in accordance with the provisions of ASC 718, Compensation - Stock Compensation. Accordingly, compensation costs related to equity instruments granted are recognized over the requisite service periods of the awards on a straight-line basis at the grant-date fair value calculated using a Black-Scholes option pricing model. Additionally, under the provisions of ASC 718, the Company is required to include an estimate of the number of awards that will be forfeited in calculating compensation costs. Any changes to the estimated forfeiture rates are accounted for prospectively. Stock-based compensation arrangements with non-employees are recognized at the grant-date fair value and then re-measured at each reporting period. Expense is recognized during the period the related services are rendered.

### Recent Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2013-02 which is an amendment to the accounting guidance for the presentation of comprehensive income. Under the amended guidance, items that are reclassified to net income from accumulated other comprehensive income in the same reporting period require separate disclosure on the face of the financial statements where net income is presented or within the notes to the financial statements. The adoption of this update did not have a material impact on the Company's financial statements.

In July 2013, the FASB issued ASU 2013-11 which is an amendment to the accounting guidance on income taxes. This guidance provides clarification on the financial statement presentation of an unrecognized benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The amendment will be effective for the Company for interim and annual periods beginning after December 15, 2013, with early adoption permitted. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

### 3. Debt

#### Convertible Notes

In January 2012, the Company issued \$6,000,000 of 10% convertible promissory notes for cash. In September and November 2012, the Company issued the aggregate of \$9,700,000 of 10% convertible promissory notes that mature on September 4, 2013 for cash. In connection with the September convertible note financing, the Company and the holders of the January 2012 convertible promissory notes agreed to extend the maturity date of the January 2012 notes to September 4, 2013. In February 2013, these convertible promissory notes, with an outstanding principal of \$15,700,000 and accrued interest of \$923,092, were amended and then converted into 16,623,092 shares of Series A preferred stock, in accordance with their terms and at their conversion price of \$1.00 per share, and following such conversion, the notes were cancelled. The holders of the September convertible promissory notes received the benefit of a deemed conversion price of the September convertible promissory notes that were below the estimated fair value of the Series A convertible preferred stock at the time of their issuance. The fair value of this beneficial conversion feature was estimated to be \$287,990. The fair value of this beneficial conversion feature was recorded to debt discount and amortized to interest expense using the effective interest method over the term of the convertible promissory notes. As a result of the conversion of the convertible promissory notes into shares of Series A preferred stock on February 12, 2013, the Company recorded the remaining accretion of the beneficial conversion feature of \$229,496 as interest expense during the nine months ended September 30, 2013.

In April 2008, the Company acquired all of the capital stock of Esperion from Pfizer in exchange for a non-subordinated convertible note in the original principal amount of \$5,000,000. This convertible promissory note had a maturity date of April 28, 2018. The note bore interest at 8.931% annually, payable semiannually on June 30 and December 31 by adding such unpaid interest to the principal of the note, which would thereafter accrue interest. On May 29, 2013 the Company entered into a stock purchase agreement with Pfizer Inc. and sold 6,750,000 shares of Series A-1 preferred stock at a price of \$1.1560 per share, which was the fair value at the transaction date. The purchase price was paid through the cancellation of all outstanding indebtedness, including accrued interest, under the Pfizer convertible promissory note, which had an outstanding balance, including accrued interest, of \$7,803,000 as of May 29, 2013. The Series A-1 preferred stock issued in connection with this transaction was subsequently converted into 966,218 shares of common stock upon completion of the IPO on July 1, 2013.



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### 4. Warrants

In connection with its various financing transactions, the Company issued warrants to purchase shares of preferred stock which had provisions where the underlying issuance was contingently redeemable based on events outside the Company's control and were recorded as a liability in accordance with ASC 480-10. Warrants classified as derivative liabilities and were recorded on the Company's balance sheet at fair value on the date of issuance and were marked-to-market on each subsequent reporting period, with the fair value changes recognized in the statement of operations. The Company estimated the fair values of the warrants at each reporting period using a Black-Scholes option-pricing model, which is based, in part, upon subjective assumptions including but not limited to stock price volatility, the expected life of the warrants, the risk free interest rate and the fair value of the common stock underlying the warrants. The Company estimates the volatility of its stock based on public company peer group historical volatility that is in line with the expected remaining life of the warrants. The risk free interest rate is based on the U.S. Treasury zero-coupon bond for a maturity similar to the expected remaining life of the warrants. The expected remaining life of the warrants is assumed to be equivalent to their remaining contractual term. In prior periods, a Monte Carlo valuation model was utilized to estimate the fair value of the warrants based on the probability and timing of future financings.

Upon the closing of the Company's IPO, all warrants exercisable for 1,940,000 shares of Series A preferred stock, at an exercise price of \$1.00 per share, were automatically converted into warrants exercisable for 277,690 shares of common stock, at an exercise price of \$6.99 per share. As a result, the Company concluded the warrants outstanding no longer met the criteria to be classified as derivative liabilities and were reclassified to additional paid-in capital at fair value on the date of reclassification. The 277,690 warrants outstanding as of September 30, 2013 expire in February 2018.

### 5. Commitments and contingencies

In August 2013, the Company entered into the second amendment to the operating lease agreement for its current office and laboratory facility in Plymouth, MI which extended the expiration date of the initial term from October 2, 2013 to April 30, 2014.

### 6. Investments

The following table summarizes the Company's cash equivalents and investments:

	September 30, 2013			Estimated Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
<b>Cash equivalents:</b>				
Money Market Funds	\$ 13,355,283	\$	\$	\$ 13,355,283
<b>Investments:</b>				
U.S. treasury notes	6,083,969	2,993		6,086,962
U.S. government agency securities	7,387,319	3,135	(139)	7,390,315
Total	\$ 26,826,571	\$ 6,128	\$ (139)	\$ 26,832,560



December 31, 2012

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<b>Cash equivalents:</b>				
Money Market Funds	\$ 6,357,542			\$ 6,357,542
Total	\$ 6,357,542	\$	\$	\$ 6,357,542

There were no unrealized gains or losses on investments reclassified from accumulated other comprehensive income to other income (expense) in the Statement of Operations during the nine months ended September 30, 2013.

## 7. Fair Value Measurements

The Company follows accounting guidance that emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are defined on a three level hierarchy:

- Level 1 inputs: Quoted prices for identical assets or liabilities in active markets;
- Level 2 inputs: Observable inputs other than Level 1 prices, such as quoted market prices for similar assets or liabilities or other inputs that are observable or can be corroborated by market data; and
- Level 3 inputs: Unobservable inputs that are supported by little or no market activity and require the reporting entity to develop assumptions that market participants would use when pricing the asset or liability.

# Edgar Filing: Esperion Therapeutics, Inc. - Form 10-Q

## Table of Contents

The following table presents the Company's financial assets and liabilities that have been measured at fair value on a recurring basis:

Description	Total	Level 1	Level 2	Level 3
<b>September 30, 2013</b>				
Assets:				
Money market funds	\$ 13,355,283	\$ 13,355,283	\$	\$
Available for sale securities:				
U.S. treasury notes	6,086,962	6,086,962		
U.S. government agency securities	7,390,315		7,390,315	
Total assets at fair value	\$ 26,832,560	\$ 19,442,245	\$ 7,390,315	\$
<b>December 31, 2012</b>				
Assets:				
Money market funds				