IDERA PHARMACEUTICALS, INC.
Form 424B4
August 28, 2013
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Filed Pursuant to Rule 424(b)(4)

Registration File No. 333-187155

PROSPECTUS SUPPLEMENT NO. 1

To Prospectus dated May 1, 2013

Idera Pharmaceuticals, Inc.

This prospectus supplement no. 1 supplements the prospectus dated May 1, 2013, relating to the offering of (i) the 17,500,000 shares of our common stock, and the warrants to purchase 49,132,654 shares of our common stock that we issued and sold on May 7, 2013 and (ii) the shares of common stock that are issuable from time to time upon exercise of the warrants.

This prospectus supplement incorporates into the prospectus the information contained in the following documents filed by us with the Securities and Exchange Commission, or SEC, each of which is attached to this prospectus supplement:

- our quarterly report on Form 10-Q for the quarter ended March 31, 2013, which was filed with the SEC on May 15, 2013;
- our quarterly report on Form 10-Q for the quarter ended June 30, 2013, which was filed with the SEC on August 14, 2013;
- our definitive proxy statement for our 2013 annual meeting of stockholders and additional definitive proxy soliciting materials, which were filed with the SEC on June 10, 2013; and
- our current reports on Form 8-K, which were filed with the SEC on May 2, 2013, May 7, 2013, May 9, 2013, May 24, 2013, May 31, 2013, July 10, 2013, July 29, 2013 and August 12, 2013.

You should read this prospectus supplement in conjunction with the prospectus, including any supplements and amendments thereto. This prospectus supplement is qualified by reference to the prospectus except to the extent that the information in the prospectus supplement supersedes the information contained in the prospectus.

This prospectus supplement is not complete without, and may not be delivered or utilized except in connection with, the prospectus, including any supplements and amendments thereto.

Investing in our common stock involves risks. Please read carefully the section entitled Risk Factors beginning on page 8 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 supplement is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus supplement is August 28, 2013.

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 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, 2013

or

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

For transition period from _____ to _____.

Commission File Number: 001-31918

IDERA PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**04-3072298**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
167 Sidney Street	
Cambridge, Massachusetts	**02139**
(Address of principal executive offices)	**(zip code)**

(617) 679-5500

(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 x 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 x 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 x (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 x

Common Stock, par value $.001 per share	45,163,330
Class	Outstanding as of May 10, 2013

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IDERA PHARMACEUTICALS, INC.

FORM 10-Q

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical fact, included or incorporated in this report regarding our strategy, future operations, collaborations, intellectual property, cash resources, financial position, future revenues, projected costs, prospects, plans, and objectives of management are forward-looking statements. The words believes, anticipates, estimates, plans, expects, intends, may, could, should, potential, likely, projects, continue, will, and wo are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We cannot guarantee that we actually will achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. There are a number of important factors that could cause our actual results to differ materially from those indicated or implied by forward-looking statements. These important factors include those set forth below under Part II, Item 1A Risk Factors. These factors and the other cautionary statements made in this Quarterly Report on Form 10-Q should be read as being applicable to all related forward-looking statements whenever they appear in this Quarterly Report on Form 10-Q. In addition, any forward-looking statements represent our estimates only as of the date that this Quarterly Report on Form 10-Q is filed with the Securities and Exchange Commission and should not be relied upon as representing our estimates as of any subsequent date. We do not assume any obligation to update any forward-looking statements. We disclaim any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

IDERA PHARMACEUTICALS, INC.

CONDENSED BALANCE SHEETS

(UNAUDITED)

(In thousands, except per share amounts)	March 31, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,149	$ 10,096
Prepaid expenses and other current assets	176	198
Total current assets	6,325	10,294
Property and equipment, net	178	218
Restricted cash	311	311
Total assets	$ 6,814	$ 10,823
LIABILITIES, REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS (DEFICIT) EQUITY		
Current liabilities:		
Accounts payable	$ 977	$ 1,129
Accrued expenses	3,097	3,002
Total current liabilities	4,074	4,131
Other liabilities	30	65
Total liabilities	4,104	4,196
Commitments and contingencies		
Series D Redeemable Convertible Preferred Stock, $0.01 par value, Designated, issued and outstanding - 1,124 shares; Redemption amount $9,149; Liquidation preference $9,389	5,921	5,921
Non-redeemable preferred stock, common stock, and other stockholders (deficit) equity:		
Preferred stock, $0.01 par value, Authorized 5,000 shares		
Series E convertible preferred stock, Designated, issued and outstanding 424 shares; Liquidation preference $6,048	3,701	3,701
Series A convertible preferred stock, Designated 1,500 shares, issued and outstanding 1 share		
Common stock, $0.001 par value, Authorized 140,000 shares, issued and outstanding 27,645 and 27,643 shares at March 31, 2013 and December 31, 2012, respectively	28	28
Additional paid-in capital	391,525	391,635
Accumulated deficit	(398,465)	(394,658)
Total stockholders (deficit) equity	(3,211)	706
Total liabilities, redeemable preferred stock and stockholders (deficit) equity	$ 6,814	$ 10,823

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

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IDERA PHARMACEUTICALS, INC.

CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(UNAUDITED)

(In thousands, except per share amounts)	Three Months Ended March 31 2013	2012
Alliance revenue	$ 7	$ 9
Operating expenses:		
Research and development	2,328	3,813
General and administrative	1,527	1,689
Total operating expenses	3,855	5,502
Loss from operations	(3,848)	(5,493)
Other income (expense):		
Increase in fair value of warrant liability		(1,321)
Investment income, net	2	4
Foreign currency exchange gain (loss)	39	(76)
Net loss	(3,807)	(6,886)
Preferred stock dividends	279	160
Net loss applicable to common stockholders	$ (4,086)	$ (7,046)
Net loss per common share applicable to common stockholders (Note 10):		
Basic	$ (0.15)	$ (0.25)
Diluted	$ (0.15)	$ (0.25)
Shares used in computing net loss per common share applicable to common stockholders:		
Basic	27,644	27,637
Diluted	27,644	27,637
Net loss	$ (3,807)	$ (6,886)
Other comprehensive income		
Comprehensive loss	$ (3,807)	$ (6,886)

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

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IDERA PHARMACEUTICALS, INC.

CONDENSED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(In thousands)	Three Months Ended March 31, 2013	2012
Cash Flows from Operating Activities:		
Net loss	$ (3,807)	$ (6,886)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss from disposition of assets		1
Non-employee stock option expense	2	4
Stock-based compensation	253	588
Increase in fair value of warrant liability		1,321
Depreciation expense	42	83
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	22	(2)
Accounts payable, accrued expenses, and other liabilities	(211)	(889)
Net cash used in operating activities	(3,699)	(5,780)
Cash Flows from Investing Activities:		
Purchases of property and equipment	(1)	
Net cash used in investing activities	(1)	
Cash Flows from Financing Activities:		
Dividends paid	(160)	(103)
2012 financing transaction costs paid in 2013	(87)	
Proceeds from employee stock purchases	1	1
Payments on capital lease	(1)	
Net cash used in financing activities	(247)	(102)
Net (decrease) in cash and cash equivalents	(3,947)	(5,882)
Cash and cash equivalents, beginning of period	10,096	24,571
Cash and cash equivalents, end of period	$ 6,149	$ 18,689

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

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IDERA PHARMACEUTICALS, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS

March 31, 2013

(UNAUDITED)

(1) Organization

Idera Pharmaceuticals, Inc. (Idera or the Company) is a clinical stage biotechnology company engaged in the discovery and development of novel synthetic DNA- and RNA-based drug candidates that are designed to modulate immune responses mediated through Toll-like Receptors, or TLRs. The Company is focusing its development efforts on the treatment of autoimmune and inflammatory diseases. The Company has two drug candidates, IMO-3100, a TLR7 and TLR9 antagonist, and IMO-8400, a TLR7, TLR8, and TLR9 antagonist, in clinical development for the treatment of autoimmune and inflammatory diseases. The Company has presented data from a Phase 2 clinical trial of IMO-3100 in patients with moderate to severe plaque psoriasis. The Company believes that the results of this trial provide clinical proof of concept for its approach of targeting specific TLRs for the treatment of psoriasis and potentially other autoimmune and inflammatory diseases.

TLRs are specific receptors present in immune system cells. Using a chemistry-based approach, the Company has created synthetic DNA- and RNA-based compounds that are targeted to TLR3, TLR7, TLR8, and TLR9. A TLR antagonist is a compound that blocks activation of an immune response through the targeted TLR. A TLR agonist is a compound that stimulates an immune response through the targeted TLR.

The Company believes that the modulation of immune responses through TLRs provides a rationale for the development of drug candidates to treat a broad range of diseases, including autoimmune and inflammatory diseases, cancer, respiratory diseases, and for use as vaccine adjuvants. The Company is a party to a collaboration alliance with Merck Sharp & Dohme Corp. (formerly Merck & Co., Inc.) (Merck & Co.), for the use of agonists of TLR7, TLR8, and TLR9 as adjuvants in the development of vaccines for cancer, infectious diseases, and Alzheimer s disease. The Company is seeking to enter into additional collaborative alliances with third parties with respect to its TLR-targeted programs in oncology, hematological malignancies, respiratory diseases, and the use of TLR3 agonists as vaccine adjuvants.

The Company had cash and cash equivalents of approximately $6,149,000 at March 31, 2013. The Company believes that the net proceeds of the follow-on public offering of its securities in May 2013, together with its existing cash and cash equivalents, will enable the Company to fund its operations at least through the fourth quarter of 2014. The Company believes that its available funds following the May 2013 offering will be sufficient to enable the Company to conduct its planned Phase 2 clinical trial of IMO-8400 in patients with psoriasis and to plan for further clinical development of IMO-8400. The Company will need to raise additional funds in order to conduct any other clinical development of IMO-3100 or IMO-8400 or to conduct any other development of its other product candidates or technologies. It is also possible that the Company will not achieve the progress that it expects with respect to IMO-8400 because the actual costs and timing of clinical development activities are difficult to predict and are subject to substantial risks and delays.

At March 31, 2013, the Company had an accumulated deficit of $398,465,000. The Company expects to incur substantial operating losses in future periods. The Company does not expect to generate significant product revenue or sales-based milestones or royalties until it successfully completes development and obtains marketing approval for drug candidates, either alone or in collaborations with third parties, which it expects will take a number of years. In order to commercialize its drug candidates, the Company needs to complete clinical development and to comply with comprehensive regulatory requirements.

The Company is subject to a number of risks and uncertainties similar to those of other companies of the same size within the biotechnology industry, such as uncertainty of clinical trial outcomes, uncertainty of additional funding, and history of operating losses.

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(2) Unaudited Interim Financial Statements

The accompanying unaudited financial statements included herein have been prepared by the Company in accordance with United States Generally Accepted Accounting Principles (U.S. GAAP) for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, all adjustments, consisting of normal recurring adjustments, and disclosures considered necessary for a fair presentation of interim period results have been included. Interim results for the three months ended March 31, 2013 are not necessarily indicative of results that may be expected for the year ended December 31, 2013. For further information, refer to the financial statements and footnotes thereto included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2012, which was filed with the SEC on March 11, 2013.

(3) Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of 90 days or less when purchased to be cash equivalents. Cash and cash equivalents at March 31, 2013 and December 31, 2012 consisted of cash and money market funds.

(4) Fair Value of Assets and Liabilities

The Company measures fair value at 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 using assumptions that market participants would use in pricing the asset or liability (the inputs) into a three-tier fair value hierarchy. This fair value hierarchy gives the highest priority (Level 1) to quoted prices in active markets for identical assets or liabilities and the lowest priority (Level 3) to unobservable inputs in which little or no market data exists, requiring companies to develop their own assumptions. Observable inputs that do not meet the criteria of Level 1, and include quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets and liabilities in markets that are not active, are categorized as Level 2. Level 3 inputs are those that reflect the Company s estimates about the assumptions market participants would use in pricing the asset or liability, based on the best information available in the circumstances. Valuation techniques for assets and liabilities measured using Level 3 inputs may include unobservable inputs such as projections, estimates and management s interpretation of current market data. These unobservable Level 3 inputs are only utilized to the extent that observable inputs are not available or cost-effective to obtain.

The Company applies Accounting Standards Update No. 2011-04, Fair Value Measurement (Topic 820) (ASU No. 2011-04), which updated the previous fair value measurement guidance that had been included in the Accounting Standards Codification (ASC) to achieve common fair value measurement and disclosure requirements in U.S. GAAP and International Financial Reporting Standards.

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The table below presents the assets and liabilities measured and recorded in the financial statements at fair value on a recurring basis at March 31, 2013 and December 31, 2012 categorized by the level of inputs used in the valuation of each asset and liability.

(In thousands)	Total	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2013				
Assets				
Money market fund	$ 6,102	$ 6,102	$	$
Total assets	$ 6,102	$ 6,102	$	$