MEDICINES CO /DE
Form 10-Q
May 09, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: March 31, 2007

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 000-31191

(Exact name of registrant as specified in its charter)

Delaware	**04-3324394**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
8 Campus Drive **Parsippany, New Jersey** (Address of principal executive offices)	**07054** (Zip Code)

Registrant s telephone number, including area code: **(973) 656-1616**

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 o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date: As of May 1, 2007, there were 51,724,950 shares of Common Stock, $0.001 par value per share, outstanding.

THE MEDICINES COMPANY

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The Medicines Company® name and logo, Angiomax®, Angiox® and Cleviprex™ are either registered trademarks or trademarks of The Medicines Company in the United States and/or other countries. All other trademarks, service marks or other tradenames appearing in this quarterly report on Form 10-Q are the property of their respective owners. Except where otherwise indicated, or where the context may otherwise require, references to Angiomax in this quarterly report on Form 10-Q mean Angiomax and Angiox collectively.

This quarterly report on Form 10-Q includes forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. For this purpose, any statements contained herein regarding our strategy, future operations, financial position, future revenue, projected costs, prospects, plans and objectives of management, other than statements of historical facts, are forward-looking statements. The words anticipates, believes, estimates, expects, intends, may, plans, projects, will, would and similar expressions are intended forward-looking statements, although not all forward-looking statements contain these identifying words. We cannot guarantee that we actually will achieve the results, plans, intentions or expectations expressed or implied in our forward-looking statements. There are a number of important factors that could cause actual results, levels of activity, performance or events to differ materially from those expressed or implied in the forward-looking statements we make. These important factors include our critical accounting estimates described in Part I, Item 2 of this quarterly report on Form 10-Q and the factors set forth under the caption Risk Factors in Part II, Item 1A of this quarterly report on Form 10-Q. Although we may elect to update forward-looking statements in the future, we specifically disclaim any obligation to do so, even if our estimates change, and readers should not rely on those forward-looking statements as representing our views as of any date subsequent to the date of this quarterly report on Form 10-Q.

Item 1. Financial Statements

THE MEDICINES COMPANY
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)
(unaudited)

	March 31, 2007	December 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	$ 84,491	$ 75,530
Available for sale securities	108,789	121,287
Accrued interest receivable	1,257	1,414
Accounts receivable, net of allowance of approximately $1.9 million and $0.8 million at March 31, 2007 and December 31, 2006	43,610	21,504
Inventory	37,632	41,628
Prepaid expenses and other current assets	10,704	12,963
Total current assets	286,483	274,326
Fixed assets, net	2,993	3,071
Deferred tax assets	41,032	41,032
Other assets	139	139
Total assets	$ 330,647	$ 318,568
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 3,325	$ 8,885
Accrued expenses	40,349	36,918
Total current liabilities	43,674	45,803
Commitments and contingencies		
Deferred revenue	2,732	2,814
Stockholders equity:		
Preferred stock, $1.00 par value per share, 5,000,000 shares authorized; no shares issued and outstanding		
Common stock, $.001 par value per share, 125,000,000 shares authorized; 51,707,254 and 51,227,313 issued and outstanding at March 31, 2007 and December 31, 2006, respectively	52	51
Additional paid-in capital	522,301	511,076
Accumulated deficit	(238,123)	(241,172)
Accumulated other comprehensive income/ (loss)	11	(4)
Total stockholders equity	284,241	269,951
Total liabilities and stockholders equity	$ 330,647	$ 318,568

See accompanying notes to unaudited condensed consolidated financial statements.

THE MEDICINES COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended March 31,	
	2007	**2006**
Net revenue	$ 66,647	$ 34,642
Operating expenses:		
Cost of revenue	17,780	8,498
Research and development	19,478	14,548
Selling, general and administrative	27,138	25,035
Total operating expenses	64,396	48,081
Income/(loss) from operations	2,251	(13,439)
Other income/(expense):		
Interest income	2,583	1,351
Income/(loss) before income taxes	4,834	(12,088)
Provision for income taxes	(1,785)	(26)
Net income/(loss)	$ 3,049	$ (12,114)
Basic earnings/(loss) per common share	$ 0.06	$ (0.24)
Shares used in computing basic earnings/(loss) per common share:	51,490	49,760
Diluted earnings/(loss) per common share	$ 0.06	$ (0.24)
Shares used in computing diluted earnings/(loss) per common share:	52,977	49,760

See accompanying notes to unaudited condensed consolidated financial statements.

THE MEDICINES COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Three Months Ended March 31, 2007	2006
Cash flows from operating activities:		
Net income/(loss)	$ 3,049	$ (12,114)
Adjustments to reconcile net income/(loss) to net cash (used in)/ operating activities:		
Depreciation	400	342
Amortization of net premiums and discounts on available for sale securities	(245)	(294)
Non-cash stock compensation expense	3,483	1,531
Loss on disposal of fixed assets	1	240
Loss on sales of available for sale securities	2	
Deferred tax provision	1,648	
Changes in operating assets and liabilities:		
Accrued interest receivable	157	(55)
Accounts receivable	(22,106)	(3,404)
Inventory	3,996	2,551
Prepaid expenses and other current assets	611	(911)
Other assets		(4)
Accounts payable	(5,560)	(3,347)
Accrued expenses	3,431	(1,465)
Deferred revenue	(82)	(82)
Net cash (used in) operating activities	(11,215)	(17,012)
Cash flows from investing activities:		
Purchases of available for sale securities	(26,339)	(12,614)
Maturities and sales of available for sale securities	39,096	23,500
Purchases of fixed assets	(323)	(267)
Net cash provided by investing activities	12,434	10,619
Cash flows from financing activities:		
Proceeds from issuances of common stock, net	7,743	1,014
Net cash provided by financing activities	7,743	1,014
Effect of exchange rate changes on cash	(1)	16
Increase/(decrease) in cash and cash equivalents	8,961	(5,363)
Cash and cash equivalents at beginning of period	75,530	25,706
Cash and cash equivalents at end of period	$ 84,491	$ 20,343
Supplemental disclosure of cash flow information:		
Interest paid	$	$
Taxes paid	$ 258	$

See accompanying notes to unaudited condensed consolidated financial statements.

THE MEDICINES COMPANY

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Business

The Medicines Company (the Company) was incorporated in Delaware on July 31, 1996. The Company is a pharmaceutical company providing innovative, cost effective acute care hospital products to the worldwide hospital marketplace. In December 2000, the U.S. Food and Drug Administration (the FDA) approved the Company s product, Angiomax® (bivalirudin), a direct thrombin inhibitor, for use as an anticoagulant in combination with aspirin in patients with unstable angina undergoing percutaneous transluminal coronary angioplasty, or PTCA. In June 2005, the FDA approved new prescribing information for Angiomax to also include patients undergoing percutaneous coronary intervention, or PCI, in addition to those undergoing PTCA. In November 2005, the FDA approved the expansion of the label to include PCI patients with or at risk of heparin-induced thrombocytopenia and thrombosis syndrome, a complication of heparin administration known as HIT/HITTS that can result in limb amputation, renal failure and death. The Company has concentrated its commercial sales and marketing resources on the United States hospital market, and revenues to date have been generated principally from sales of Angiomax in the United States. In September 2004, the Company received authorization from the European Commission to market Angiomax as Angiox® (bivalirudin) in the member states of the European Union for use as an anticoagulant in combination with aspirin in patients undergoing PCI. In December 2006, the Company submitted an application to the European Agency for the Evaluation of Medical Products seeking approval of an additional indication for Angiox for the treatment of patients with the types of acute coronary syndromes studied in the Company s Phase III ACUITY trial. In addition to Angiomax, the Company is currently developing two other pharmaceutical products as potential acute care hospital products. The first of these, Cleviprex (clevidipine), is an intravenous drug intended for the control of blood pressure in intensive care patients who require rapid and precise control of blood pressure. The second potential product, cangrelor, is an intravenous antiplatelet agent that is intended to prevent platelet activation and aggregation, which the Company believes has potential advantages in the treatment of vascular disease.

The Company has invested, and plans to continue investing, in Angiomax development programs to expand the indications for which Angiomax is approved. Additionally, the Company plans to continue investing in the development of Cleviprex and cangrelor.

2. Significant Accounting Policies

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, the accompanying financial statements include all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation of the Company s financial position, results of operations, and cash flows for the periods presented.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The Company has no unconsolidated subsidiaries or investments accounted for under the equity method.

The results of operations for the three-month period ended March 31, 2007 are not necessarily indicative of the results that may be expected for the entire fiscal year ending December 31, 2007. These condensed consolidated financial statements should be read in conjunction with the audited financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2006, filed with the Securities and Exchange Commission.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents and Available for Sale Securities

The Company considers all highly liquid investments purchased with an original maturity at date of purchase of three months or less to be cash equivalents. Cash equivalents at March 31, 2007 and December 31, 2006 included investments of $84.5 million and $75.5 million, respectively, in money market funds and commercial paper with original maturities of less than three months. These investments are carried at cost, which approximates fair value. The Company measures all original maturities from the date the investment was originally purchased by the Company.

The Company considers securities with original maturities at the date of purchase of greater than three months to be available for sale securities. Securities under this classification are recorded at fair market value and unrealized gains and losses are recorded as a separate component of stockholders equity. The estimated fair value of the available for sale securities is determined based on quoted market prices or rates for similar instruments. In addition, the cost of debt securities in this category is adjusted for amortization of premium and accretion of discount to maturity. The Company evaluates securities with unrealized losses to determine whether such losses are other than temporary.

At March 31, 2007 and December 31, 2006, the Company held available for sale securities with fair value totaling $108.8 million and $121.3 million, respectively. These available for sale securities included various corporate debt securities and United States government agency notes. At March 31, 2007, $106.3 million of the Company s available for sale securities had maturities within one year and $2.5 million had maturities which were more than two years but less than three years. At December 31, 2006, $113.3 million of the Company s available for sale securities had maturities within one year and $8.0 million had maturities which were more than one year but less than two years.

Revenue Recognition

Product Sales. In March 2007, the Company entered into an agreement with a third party to distribute Angiomax in the United States through a sole source distribution model. Under this model, the Company sells Angiomax to its sole source distributor, which then sells Angiomax to a limited number of national medical and pharmaceutical wholesalers with distribution centers located throughout the United States and in certain cases, directly to hospitals. In both instances, the sole source distributor ships Angiomax directly to hospitals. Prior to adopting this sole source distribution model, the Company sold Angiomax to the wholesalers directly and the wholesalers then sold Angiomax to hospitals. Outside of the United States, the Company sells Angiomax to several international distributors and these distributors then sell Angiomax to hospitals. The Company does not recognize revenue from product sales until there is persuasive evidence of an arrangement, delivery has occurred, the price is fixed and determinable, the buyer is obligated to pay the Company, the obligation to pay is not contingent on resale of the product, the buyer has economic substance apart from the Company, the Company has no obligation to bring about sale of the product, the amount of returns can be reasonably estimated and collectibility is reasonably assured.

Domestic Sales. The Company records allowances for chargebacks and other discounts, and accruals for product returns, rebates and fee-for-service charges at the time of sale, and reports revenue net of such amounts. In determining the amounts of certain allowances and accruals, the Company must make significant judgments and estimates. For example, in determining these amounts, the Company estimates hospital demand, buying patterns by hospitals and group purchasing organizations from wholesalers and the levels of inventory held by its wholesalers prior to its new distribution model and by its current sole source distributor. Making these determinations involves estimating whether trends in past wholesaler and hospital buying patterns will predict future product sales. Under the Company s previous arrangements with its wholesalers and its current arrangement with its sole source distributor, the Company receives data on inventory levels and levels of hospital purchases. The Company applies this data in determining the amounts of certain of these allowances and accruals.

The nature of the Company s allowances and accruals requiring critical estimates, and the specific considerations it uses in estimating their amounts, are as follows:

- *Product returns*. The Company s customers have the right to return any unopened product during the 18-month period beginning six months prior to the labeled expiration date and ending 12 months after the labeled expiration date. As a result, in calculating the accrual for product returns, the Company must estimate the likelihood that product sold might not be used within six months of expiration and analyze the likelihood that such product will be returned within 12 months after expiration.

In estimating the likelihood of product being returned, the Company relies on information from the sole source distributor regarding inventory levels, measured hospital demand as reported by third-party sources and on internal sales data. The Company also considers the past buying patterns of its wholesalers prior to the new distribution model and the

current sole source distributor, estimated remaining shelf life of product previously shipped and the expiration dates of product currently being shipped.

At March 31, 2007 and December 31, 2006, the Company s accrual for product returns was $0.1 million and $0.4 million, respectively.

- *Chargebacks and rebates*. Although the Company primarily sells Angiomax to the single sole source distributor and several small wholesalers in the United States and certain international distributors, the Company typically enters into agreements with hospitals, either directly or through group purchasing organizations acting on behalf of their hospital members, in connection with the hospitals purchases of Angiomax from the sole source distributor or wholesalers. Based on the terms of these agreements, most of the Company s hospital customers have the right to receive a discounted price and volume based rebate on product purchases. The Company provides a credit to the sole source distributor, or a chargeback, representing the difference between the sole source distributor s acquisition list price and the discounted price.

As a result of these agreements, at the time of product shipment, the Company must estimate the likelihood that Angiomax sold to the sole source distributor or wholesaler might be ultimately sold to a contracting hospital or group purchasing organization. The Company must also estimate the contracting hospital s or group purchasing organization s volume of purchases.

The Company bases its estimates on the historic chargeback data it receives from its sole source distributor, most of which the sole source distributor receives from wholesalers, which detail historic buying patterns and sales mix for particular hospitals and group purchasing organizations, and the applicable customer chargeback rates and rebate thresholds.

At March 31, 2007 and December 31, 2006, the Company s allowance for chargebacks was $0.9 million and $0.3 million, respectively, and its accrual for rebates was $1.0 million and $0.8 million, respectively. Chargebacks increased during the three months ended March 31, 2007 reflecting high levels of chargebacks owed to certain large buying groups as a result of an 8% Angiomax price increase.

The Company has adjusted its allowances for chargebacks and accruals for product returns and rebates in the past based on actual sales experience, and the Company will likely be required to make adjustments to these allowances and accruals in the future. The Company continually monitors its allowances and accruals and makes adjustments when the Company believes actual experience may differ from its estimates.

International Distributors. Under the Company s agreements with its primary international distributors, the Company sells its product to these distributors at a fixed transfer price. The established transfer price is typically determined twice in each year, prior to the first and last shipment of Angiomax to the distributor each year. If not agreed upon by the parties prior to such shipments, the price is determined by taking an average of the transfer price for the preceding three shipments. The minimum selling price used in determining the transfer price is 50% of the average net unit selling price, subject to mutually agreed adjustments. The transfer price is denominated in Euros, which are then converted to U.S. Dollars, payable by our distributors, at the exchange rate between the two currencies, as quoted by the European Central Bank, just prior to shipment.

Revenue from the sale of distribution rights includes the amortization of milestone payments. These milestone payments are recorded as deferred revenue until contractual performance obligations have been satisfied, and they are typically recognized ratably over the term of these agreements. When the period of deferral cannot be specifically identified from the contract, the Company must estimate the period based upon other critical factors contained within the contract. The Company reviews these estimates at least annually, which could result in a change in the deferral period.

Reimbursement Revenue

In collaboration with a third party, the Company has paid fees for services rendered by a research organization and other out-of-pocket costs for which it was reimbursed at cost, without mark-up or profits. The Company accounts for these arrangements using FASB EITF 01-14 Income Statement Characterization of Reimbursements Received for Out-of-Pocket Expenses Incurred (EITF 01-14) and FASB EITF 99-19 Reporting Revenue Gross as a Principal versus Net as an Agent (EITF 99-19). The reimbursements received have been reported as part of net revenue in the Company s consolidated statements of operations. The fees for the services rendered and the out-of-pocket costs have been included in research and development expenses. For the quarter ended March 31, 2007, the Company did not report any reimbursement revenue or incur any expenses in connection with this collaboration and the Company does not expect to incur any additional fees under this arrangement. For the quarter ended March 31, 2006, the Company reported $1.0 million of reimbursement revenue as well as a corresponding expense.

Inventory

Inventory is recorded upon the transfer of title from the Company s vendors. Inventory is stated at the lower of cost or market value and is valued using first-in, first-out methodology. Angiomax bulk substance is classified as raw materials and its costs are determined using acquisition costs from the Company s contract manufacturer. Work-in-progress costs of filling, finishing and packaging are recorded against specific product batches. The Company obtains all of its Angiomax bulk substance from Lonza Braine, S.A. Under the terms of the Company s agreement with Lonza Braine, the Company provides forecasts of Angiomax annual bulk substance needs 18 months in advance. The Company also has a separate agreement with Ben Venue Laboratories, Inc. for the fill-finish of Angiomax drug product.

The major classes of inventory were as follows:

Inventory	March 31, 2007 (in thousands)	December 31, 2006
Raw materials	$ 20,394	$ 25,456
Work-in-progress	8,361	12,506
Finished goods	8,877	3,666
Total	$ 37,632	$ 41,628

The Company reviews inventory for slow moving or obsolete amounts based on expected revenues. If annual revenues are less than expected, the Company may be required to make allowances for excess or obsolete inventory in the future.

Fixed Assets

Fixed assets are stated at cost. Depreciation is provided using the straight-line method based on estimated useful lives or, in the case of leasehold improvements, over the lesser of the useful lives or the lease terms.

Research and Development

Research and development costs are expensed as incurred.

Stock-Based Compensation

Prior to January 1, 2006, the Company elected to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees as permitted by Statement of Financial Accounting Standard (SFAS) No. 123, Accounting for Stock-Based Compensation .

Effective January 1, 2006, the Company adopted the fair value recognition provisions of Financial Accounting Standards Board Statement No. 123 (revised 2004) Share-Based Payment (SFAS 123(R)), and is recognizing expense using the accelerated expense attribution method specified in FASB Interpretation No. (FIN) 28, Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans. SFAS 123(R) requires companies to recognize compensation expense in an amount equal to the fair value of all share-based awards granted to employees. The Company has elected the modified prospective transition method and, therefore, adjustments to prior periods are not required as a result of adopting SFAS 123(R). Under this method, the provisions of SFAS 123(R) apply to all awards granted after January 1, 2006, the date of adoption, and to any unrecognized expense of awards unvested at the date of adoption based on the grant date fair value.

In accordance with SFAS 123(R), the Company recorded approximately $3.5 million and $1.5 million of stock-based compensation expense for the three months ended March 31, 2007 and 2006, respectively. As of March 31, 2007, there was approximately $21.6 million of total unrecognized compensation costs related to non-vested share-based employee compensation arrangements granted under the Company s equity compensation plans. This cost is expected to be recognized over a weighted average period of 1.63 years.

During the three months ended March 31, 2007, the Company issued 479,941 shares of its common stock upon the exercise of stock options, issuance of restricted stock grants and purchases under its Employee Stock Purchase Plan (the ESPP). During the three months ended March 31, 2006, the Company issued 97,769 shares of its common stock, upon the exercise of stock options, issuance of restricted stock grants and purchases under the ESPP. Cash received from exercise of stock options and purchases through the ESPP during the three months ended March 31, 2007 and 2006 was approximately $7.7 million and $1.0 million, respectively, and is included within the financing activities section of the consolidated statements of cash flows.

At March 31, 2007, there were 3,367,769 shares of common stock reserved for future issuance under the ESPP and for future grants under the Company s stock option plan.

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157 Fair Value Measurements, (SFAS No. 157) which defines fair value, establishes a framework for consistently measuring fair value under GAAP, and expands disclosures about fair value measurements. SFAS No. 157 is effective for the Company beginning January 1, 2008, and the provisions of SFAS No. 157 will be applied prospectively as of that date.

In February 2007, the FASB issued SFAS No. 159, Establishing the Fair Value Option for Financial Assets and Liabilities which permits entities to elect to measure eligible financial instruments at fair value and report any unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. Additionally, upon adoption of the standard, upfront costs and fees related to those items are recognized in earnings as incurred and not deferred. SFAS No. 159 applies to fiscal years beginning after November 15, 2007, with early adoption permitted for an entity that has also elected to apply the provisions of SFAS No. 157, Fair Value Measurements.

The Company is currently evaluating the effect that adoption of these statements will have on the Company s consolidated financial position and results of operations when they become effective in 2008.

Income Taxes

The Company provides for income taxes in accordance with SFAS No.109, Accounting for Income Taxes and FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109 (FIN 48).

Uncertain tax positions are recognized in the financial statements for positions which are considered more likely than not of being sustained based on the technical merits of the position on audit by the tax authorities. The measurement of the tax benefit recognized in the financial statements is based upon the largest amount of tax benefit that, in management s judgment, is greater than 50% likely of being realized based on a cumulative probability assessment of the possible outcomes.

Deferred tax assets and liabilities are determined based on differences between financial reporting and income tax bases of assets and liabilities, as well as net operating loss carryforwards, and are measured using the enacted tax rates and laws in effect when the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to reflect the uncertainty associated with ultimate realization.

The Company recognizes potential interest and penalties relating to income tax positions as a component of the provision for income taxes.

3. Net Income/(Loss) per Share

The following table sets forth the computation of basic and diluted net income/(loss) per share for the three months ended March 31, 2007 and 2006:

	Three Months Ended March 31, 2007 (in thousands, except per share amounts)	2006
Basic and diluted		
Net income/(loss)	$ 3,049	$ (12,114)
Weighted average common shares outstanding, basic	51,556	49,768
Less: unvested restricted common shares outstanding	66	8
Net weighted average common shares outstanding, basic	51,490	49,760
Plus: net effect of dilutive stock options and restricted common shares	1,487	
Weighted average common shares outstanding, diluted	52,977	49,760
Earnings/(loss) per share, basic	$ 0.06	$ (0.24)
Earnings/(loss) per share, diluted	$ 0.06	$ (0.24)

Basic earnings/(loss) per share is computed using the weighted average number of shares of common stock outstanding during the period, reduced where applicable for outstanding yet unvested restricted common shares. As of March 31, 2007, there were options to purchase 7,309,800 shares of common stock outstanding and 105,950 restricted shares of common stock outstanding. Except for options to purchase 1,451,236 shares, which were considered anti-dilutive, these options and restricted shares were included in the computation of diluted earnings per share for the three months ended March 31, 2007. The number of dilutive common stock equivalents was calculated using the treasury stock method. As of March 31, 2006, there were outstanding options to purchase 7,929,825 shares of common stock. These options were not included in the computation of diluted net loss per share for the three months ended March 31, 2006, as their effects would have been anti-dilutive.

4. Comprehensive Income/(Loss)

Comprehensive income/(loss) is primarily comprised of net income/(loss), unrealized gain/(loss) on available for sale securities and currency translation adjustments. Comprehensive income/ (loss) for the three months ended March 31, 2007 and March 31, 2006 is detailed below.

Comprehensive Income/(Loss)	Three Months ended March 31, 2007 (in thousands)	2006
Net income/(loss)	$ 3,049	$ (12,114)
Unrealized gain on available for sale securities	16	46
Foreign currency translation adjustment	(1)	16
Comprehensive income/(loss)	$ 3,064	$ (12,052)

5. Income Taxes

For the three months ended March 31, 2007, the Company recorded a $1.8 million provision for taxes based upon its estimated tax liability for the year. The Company s effective tax rate for the three months ended March 31, 2007 is approximately 37%. This provision is based on federal, state and foreign income taxes. During the three months ended December 31, 2006, the Company reduced a portion of the valuation allowances that had been recorded in prior years since the realization of these future benefits was determined to be more likely than not. The amount of the deferred tax asset considered realizable is subject to change based on estimates of future taxable income during the carryforward period. If the Company maintains profitability, these deferred tax assets are available to offset future income taxes. Factors that could significantly impact the Company s valuation allowance include the regulatory approval of products currently under development, extension of the patent rights relating to Angiomax or failure to achieve future anticipated revenues. Should the Company further reduce or increase the valuation allowance on deferred tax assets, a current year tax benefit or expense would be recognized and future periods would then include income taxes at a higher or lower rate than the effective rate in the period that the adjustment is made. At December 31, 2006, net operating losses available to offset future taxable income for federal income tax purposes were approximately $225.0 million. If not utilized, federal net operating loss carryforwards will expire at various dates beginning in 2011 and ending in 2023. In 1998 and 2002 the Company experienced a change in ownership as defined in Section 382 of the Internal Revenue Code. Section 382 can potentially limit a company s ability to use net operating losses, tax credits and other tax attributes in periods subsequent to a change in ownership. However, based on the market value of the Company at such dates, the Company believes that these ownership changes will not significantly impact its ability to use net operating losses or tax credits in the future to offset taxable income.

During the three months ended March 31, 2007, the Company adopted FIN 48 which clarifies the accounting for income taxes by prescribing the minimum threshold a tax position is required to meet before being recognized in the financial statements as well as guidance on de-recognition, measurement, classification and disclosure of tax positions. The adoption of FIN 48 by the Company did not have a material impact on the Company s financial condition or results of operation and resulted in no cumulative effect of accounting change being recorded as of January 1, 2007. The Company does not have any net liabilities recorded related to unrecognized tax benefits at March 31, 2007 and January 1, 2007. The Company does have gross liabilities recorded of approximately $1.2 million, as of March 31, 2007 and January 1, 2007; however, the Company has not taken any tax benefits related to this liability due to the recognition of a tax valuation on its balance sheet.

The Company will recognize potential interest and penalties related to income tax positions as a component of the provision for income taxes on the consolidated statements of income in any future periods in which the Company must record a liability. Since the Company has not recorded a liability at March 31, 2007, there would be no impact to the Company s effective tax rate. The Company does not anticipate that total unrecognized tax benefits will significantly change during the next twelve months. The Company is no longer subject to federal, state, or foreign income tax examinations for years prior to 2003.

6. Contingencies

The Company may be, from time to time, a party to various disputes and claims arising from normal business activities. In accordance with SFAS No. 5, the Company accrues for loss contingencies when information available indicates that it is probable that a liability has been incurred and the amount of such loss can be reasonably estimated. The Company believes that the ultimate resolution of these matters will not have a material adverse effect on the Company s financial condition or liquidity. However, adjustments, if any, to the Company s estimates could be material to operating results for the periods in which adjustments to the liability are recorded.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operation

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and accompanying notes included elsewhere in this quarterly report. In addition to the historical information, the discussion in this quarterly report contains certain forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated by the forward-looking statements due to our critical accounting estimates discussed below and important factors set forth in this quarterly report, including under Risk Factors in Part II, Item 1A of this quarterly report.

Overview

We are a pharmaceutical company providing innovative, cost effective acute care hospital products to the worldwide hospital marketplace. We have one marketed product, Angiomax® (bivalirudin), and two products in late-stage development, Cleviprex (clevidipine) and cangrelor. We market Angiomax to interventional cardiology customers for its approved uses in percutaneous coronary intervention, or PCI, including in patients with HIT/HITTS. We market and sell Angiomax in the United States with a sales force of approximately 135 representatives and managers experienced in selling to hospital customers. In the European Union and other foreign jurisdictions, we sell Angiomax to third- party distributors that market and distribute the product to hospitals. Our revenues to date have been generated principally from sales of Angiomax in the United States.

In 2005, we received approvals from the FDA for new prescribing information for Angiomax. In June 2005, the FDA approved new prescribing information for Angiomax to also include patients undergoing PCI, in addition to those undergoing PTCA. The expanded label also includes a new Angiomax dosing recommendation, which is the same dose used in our REPLACE-2 clinical trial. In November 2005, the FDA approved the expansion of the label to include PCI patients with or at risk of heparin-induced thrombocytopenia and thrombosis syndrome. The combination of these conditions, known as HIT/HITTS, is a complication of heparin administration that can result in limb amputation, renal failure and death. We are currently developing Angiomax for use in additional patient populations. In September 2004, we received authorization from the European Commission to market Angiomax as Angiox® (bivalirudin) in the member states of the European Union for use as an anticoagulant in combination with aspirin in patients undergoing PCI, and our international distributors have sold Angiox in countries in Europe since that time. In December 2006, we submitted an application to the European Agency for the Evaluation of Medical Products seeking approval of an additional indication for Angiox for the treatment of patients with the types of acute coronary syndromes studied in our Phase III ACUITY trial. Angiomax is also approved for sale in Australia, Canada and countries in Central America, South America and the Middle East for indications similar to those approved by the FDA.

The FDA has issued a written request for a pediatric study of Angiomax which we have accepted. If we perform the study and submit the study report on or before September 30, 2009, and the FDA accepts the report, then FDA will not, in most circumstances, approve another company's application that relies on FDA's finding of safety and effectiveness for Angiomax until six months after the date Angiomax's listed patent expires.

In evaluating our operating performance, we focus on use of Angiomax by existing hospital customers, as well as penetration to new hospitals, which are critical elements of our ability to increase revenues. In 2005, we expanded our sales force and increased our marketing capabilities. We believe that our improved sales and marketing capabilities, and the expansion of our product label, has and will continue to allow us to more effectively serve our existing customers and penetrate new hospitals.

In March 2007, we entered into an agreement with a third party to distribute Angiomax in the United States through a sole source distribution model. Under this model, we sell Angiomax to our sole source distributor, which then sells Angiomax to a limited number of national medical and pharmaceutical wholesalers with distribution centers located throughout the United States and in certain cases, directly to hospitals. In both instances, the sole source distributor ships Angiomax directly to hospitals. Prior to adopting this sole source distribution model, we sold Angiomax to these wholesalers directly and these wholesalers then sold Angiomax to hospitals. We began selling Angiomax under this revised distribution system during the quarter ended March 31, 2007, and we expect that it will enable us to reduce our aggregate distribution costs in 2007 and provide us with improved data on hospital buying patterns. Outside the United States, we sell Angiomax to several international distributors and these distributors then sell Angiomax to hospitals.

In 2005, we agreed with our largest wholesalers at the time to enter into fee-for-service arrangements. We believe that these arrangements resulted in reductions in wholesaler inventories, improved margins, more predictable buying patterns and more frequent data on wholesaler inventory levels and hospital demand. We estimate that during the last two quarters of 2005 and the first quarter of 2006 combined, our three largest wholesalers at the time reduced their aggregate Angiomax inventory levels by approximately $39.0 million.

Research and development expenses represent costs incurred for product acquisition, clinical trials, and activities relating to regulatory filings and manufacturing development efforts. We outsource much of our clinical trials and all of our manufacturing development activities to third parties to maximize efficiency and minimize our internal overhead. We expense our research and development costs as they are incurred. Selling, general and administrative expenses consist primarily of salaries and related expenses, general corporate activities and costs associated with marketing and promotional activities. Research and development expenses and selling, general and administrative expenses also include stock-based compensation expense, which we allocate based on the responsibilities of the recipients of the stock-based compensation.

Except for 2004 and 2006, we have incurred losses on an annual basis since inception. We expect to continue to spend significant amounts on the development of our products. We plan to continue to invest in clinical studies to expand the approved indications for Angiomax and to continue to develop Cleviprex and cangrelor. We also plan to continue our sales and marketing programs to promote Angiomax, and to support programs to educate and inform physicians, nurses, pharmacists and other medical decision makers about Angiomax. In light of these activities, our intention to expand our sales force in the first half of 2008 in preparation for the anticipated launch of Cleviprex and our plan to continue to evaluate possible acquisitions of development-stage products, approved products, or businesses that fit within our growth strategy, we will likely need to generate greater revenues to maintain profitability.

Application of Critical Accounting Estimates

The discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect our reported assets and liabilities, revenues and expenses, and other financial information. Actual results may differ significantly from these estimates under different assumptions and conditions. In addition, our reported financial condition and results of operations could vary due to a change in the application of a particular accounting standard.

We regard an accounting estimate or assumption underlying our financial statements as a critical accounting estimate where:

- the nature of the estimate or assumption is material due to the level of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change; and

- the impact of the estimates and assumptions on financial condition or operating performance is material.

On January 1, 2007, we adopted FIN 48 which provides recognition criteria and a related measurement model for tax positions taken by companies. In accordance with FIN 48, a tax position is a position in a previously filed tax return or a position expected to be taken in a future tax filing that is reflected in measuring current or deferred income tax assets and liabilities. We recognize tax positions only when it is more likely than not (likelihood of greater than 50%), based on technical merits, that the position will be sustained upon examination. Tax positions that meet the more likely than not threshold should be measured using a probability weighted approach as the largest amount of tax benefit that is greater than 50% likely of being realized upon settlement. Whether the more-likely-than-not recognition threshold is met for a tax position, is a matter of judgment based on the individual facts and circumstances of that position evaluated in light of all available evidence.

Our significant accounting policies are more fully described in note 2 of the Unaudited Condensed Consolidated Financial Statements section of this quarterly report on Form 10-Q and note 2 of the Consolidated Financial Statements in our annual report on Form 10-K for the year ended December 31, 2006. Not all of these significant accounting policies, however, require that we make estimates and assumptions that we believe are critical accounting estimates. We have discussed our accounting policies with the audit committee of our board of directors, and we believe that our estimates relating to revenue recognition, inventory, income taxes and stock based compensation described under the caption Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations-Application of Critical Accounting Estimates in our annual report on Form 10-K for the year ended December 31, 2006 are critical accounting estimates.

Results of Operations

Three Months Ended March 31, 2007 and 2006

Net Revenue. Net revenue increased 92% to $66.6 million for the three months ended March 31, 2007 as compared to $34.6 million for the three months ended March 31, 2006. The following table reflects the components of net revenue for the three months ended March 31, 2007 and 2006:

Net Revenue

Net Revenue	Three Months Ended March 31, 2007 (in thousands)	% of Total Revenue	2006 (in thousands)	% of Total Revenue
Angiomax				
United States Sales	$ 66,324	99.5 %	$ 32,806	94.7 %
International Sales	323	0.5 %	839	2.4 %
Reimbursement			997	2.9 %
Total Net Revenue	$ 66,647	100 %	$ 34,642	100 %

Net revenue for the three months ended March 31, 2007 increased compared to the three months ended March 31, 2006 primarily due to increased sales of Angiomax as a result of increased demand by existing hospital customers and the addition of new hospital customers. The increase also reflected the completion in the first quarter of 2006 of the three quarter wholesaler inventory reduction which commenced in the third quarter of 2005 in conjunction with the entrance into fee-for-service agreements with our three largest wholesalers at the time. We estimate that our wholesalers reduced their aggregate inventories of Angiomax during the last two quarters of 2005 and the first quarter of 2006 by approximately $39.0 million in implementing the planned inventory reduction, including an estimated $13.0 million reduction in the first quarter of 2006.

The decrease of $0.5 million in international sales in the three months ended March 31, 2007 compared to the three months ended March 31, 2006 primarily resulted from decreased orders from our Canadian distributor.

In each of the three months ended March 31, 2007 and 2006, we recognized $0.1 million of international revenue from the amortization of milestone payments related to $4.0 million in non-refundable fees received from Nycomed. These milestone payments were recorded as deferred revenue in 2004 and 2002, and are being recognized ratably over the estimated term of our agreement with Nycomed.

In the three months ended March 31, 2007, we did not generate any reimbursement revenue which compares to reimbursement revenue of $0.9 million for the three months ended March 31, 2006. We generated this revenue during 2006 in connection with the performance of services in collaboration with a third party under a contract research agreement. We do not expect to incur any additional fees under this arrangement in 2007 and therefore do not expect to record any associated reimbursement revenues.

Cost of Revenue. As shown in the table below, cost of revenue during the three months ended March 31, 2007 was $17.8 million, or 27% of net revenue, compared to $8.5 million, or 25% of net revenue, for the three months ended March 31, 2006. Cost of revenue consisted of expenses in connection with the manufacture of Angiomax sold, royalty expenses under our agreements with Biogen Idec and Health Research Inc. and the logistics costs of selling Angiomax, such as distribution, storage, and handling.

Cost of Revenue

Cost of Revenue	Three Months Ended March 31, 2007 (in thousands)	% of Total Cost	2006 (in thousands)	% of Total Cost
Manufacturing	$ 5,202	29 %	$ 2,944	35 %
Royalty	10,843	61 %	4,175	49 %
Logistics	1,735	10 %	1,380	16 %
Total Cost of Revenue	$ 17,780	100 %	$ 8,499	100 %

The increase in cost of revenue for the three months ended March 31, 2007 compared to March 31, 2006 resulted primarily from an increase in royalty expenses due to higher expected annual sales volume and a higher effective royalty rate under our agreement with Biogen Idec. Costs for manufacturing and logistics, relative to the increase in revenue, increased from 2006 to 2007 but declined from 51% of revenue in the three months ended March 31, 2006 to 39% of revenue in the three months ended March 31, 2007.

Research and Development Expenses. Research and development expenses increased by 34% to $19.5 million for the three months ended March 31, 2007, from $14.5 million for the three months ended March 31, 2006. The increase in research and

development expenses resulted primarily from increased investment in our Cleviprex and cangrelor development programs, and an increase of stock-based compensation expense of $0.5 million offset by decreased expenditures in connection with the development of Angiomax.

The following table identifies, for each of our major research and development projects, our spending for the three months ended March 31, 2007 and 2006. Spending for past periods is not necessarily indicative of spending in future periods.

Research and Development Spending

Research and Development	Three Months Ended March 31, 2007 (in thousands)	% of Total R&D		2006 (in thousands)	% of Total R&D	
Angiomax						
Clinical trials	$ 2,091	11	%	$ 5,896	41	%
Manufacturing development	97	1	%	92	1	%
Administrative and headcount costs	1,281	6	%	524	3	%
Total Angiomax	3,469	18	%	6,512	45	%
Cleviprex						
Clinical trials	744	3	%	1,572	11	%
Manufacturing development	960	5	%	313	2	%
Administrative and headcount costs	2,857	15	%	621	4	%
Total Cleviprex	4,561	23	%	2,506	17	%
Cangrelor						
Clinical trials	7,458	38	%	1,044	7	%
Manufacturing development	1,094	6	%	517	4	%
Administrative and headcount costs	1,014	5	%	832	5	%
Total Cangrelor	9,566	49	%	2,393	16	%
Other	1,882	10	%	3,137	22	%
Total	$ 19,478	100	%	$ 14,548	100	%

Angiomax

Research and development spending in the three months ended March 31, 2007 related to Angiomax decreased significantly due to a decrease in clinical trial expenses reflecting the completion in 2006 of our 13,819 patient Phase III ACUITY trial. Expenses incurred in the three months ended March 31, 2006 included expenses for continuation of the ACUITY trial for collection of 12-month patient follow-up results. We continued to have research and development expenses during the first three months of 2007 for ACUITY relating primarily to data analysis, but at significantly reduced rates to those incurred in the three months ended 2006.

We also continued to incur research and development expense relating to Angiomax in connection with our efforts to expand the indications for which Angiomax is approved. In October 2006, we received a non-approvable letter from the FDA in connection with our application to market Angiomax in patients with or at risk of heparin-induced thrombocytopenia and thrombosis syndrome, or HIT/HITTS, undergoing cardiac surgery. In the letter, the FDA stated that it does not consider the data we submitted in support of the application adequate to support approval for this indication because it did not consider the evidence used to qualify patients for inclusion in the trials as a persuasive indicator for the risk of HIT/HITTS. We have indicated to the FDA that we are evaluating potential next steps.

We are preparing to study Angiomax in the pediatric setting in connection with the written request that we recently received from the FDA. We are also supporting an investigator-initiated trial called HORIZONS to study Angiomax use in adult acute myocardial infarction, or AMI, patients. HORIZONS is designed to evaluate whether Angiomax with provisional use of glycoprotein IIb/IIIa, or GPIIb/IIIa inhibitors, is as safe and effective as heparin or enoxaparin with planned use of GPIIb/IIIa inhibitors in AMI patients.

We expect spending for Angiomax to continue to decrease as a percentage of our research and development expense.

Cleviprex

Research and development expenditures for Cleviprex increased during the first three months of 2007 compared to the same period in 2006 as we focus our efforts with respect to Cleviprex in preparing a New Drug Application, or NDA, for submission to the FDA. We expect to submit the NDA in the second quarter of 2007 for approval to market Cleviprex in patients receiving an intravenous antihypertensive in the acute care setting when oral therapy is not desirable or feasible. *The three months ended March 31, 2007 included $2.0 million of expenses related to the preparation of the NDA, none of which were incurred in the three months ended March 31, 2006. In the three months ended March 31, 2007, expenditures for Cleviprex clinical trials decreased by $0.8 million. We incurred $0.6 million of additional expenses in the three months ended March 31, 2007 in connection with the development of the processes to manufacture Cleviprex if and when Cleviprex is approved for sale by the FDA. We also completed enrollment of patients in our sixth Phase III clinical trial of Cleviprex in the three months ended March 31, 2007. In this trial, which we refer to as the VELOCITY trial, we are evaluating Cleviprex in 131 patients with acute severe hypertension in an acute care setting. We expect to review the results with investigators in the second half of 2007.*

We expect research and development expenses for Cleviprex in the remainder of 2007 will primarily include costs associated with the preparation and the submission of the Cleviprex NDA, evaluation of VELOCITY trial results, manufacturing, anticipated Phase IIIb trial of Cleviprex in neurology, along with a health economics study, and an observational study and clinical survey on treatment practices for acute severe hypertension conducted by third-party researchers.

Cangrelor

We are developing cangrelor for potential use as an antiplatelet agent in the acute care settings of the cardiac catheterization laboratory, the operating room and/or the emergency department. *Research and development expenditures related to cangrelor increased from the first quarter of 2006 to the first quarter of 2007 as a result of two pivotal Phase III clinical trials that we continue to conduct for the evaluation of cangrelor s effectiveness and safety in preventing ischemic events in patients who require PCI. In March 2006, we commenced enrollment of approximately 9,000 patients in our CHAMPION-PCI trial, one of the two pivotal trials in our Phase III program which we designed to evaluate whether use of intravenous cangrelor is superior to use of clopidrogrel tablets in patients undergoing PCI. We commenced enrollment in October 2006 of a second trial, called CHAMPION-PLATFORM, which compares cangrelor plus usual care to placebo plus usual care in patients who require PCI. We currently expect to enroll approximately 6,500 patients in this trial.*

We had enrolled approximately 3,200 patients in CHAMPION-PCI and approximately 200 patients in CHAMPION-PLATFORM at March 31, 2007. We plan to enroll in excess of 8,000 patients in the aggregate in these trials in 2007 and expect to complete patient enrollment in both trials in 2008.

Other

Spending in this category consists of infrastructure costs in support of our product development efforts which includes expenses for data management, statistical analysis and product safety as well as expenses related to business development activities. In the three months ended March 31, 2007, spending decreased by $1.3 million compared to the three months ended March 31, 2006 primarily as a result of a decrease in costs incurred in connection with a third-party research and development agreement. We do not expect to incur any additional expenses under this collaboration in 2007. Reductions in spending in this category in the three months ended March 31, 2007 were partly offset by additional expenses related to stock-based compensation and business development expenses in connection with our efforts to evaluate early stage compounds and to evaluate other strategic opportunities.

In order to support the continued development of Angiomax, Cleviprex and cangrelor, we expect our research and development expense will continue to increase in 2007 from 2006 levels. We expect this increase in our research and development expenses to be primarily attributable to costs associated with enrollment of our ongoing Phase III clinical trials for cangrelor, the CHAMPION- PCI trial and the CHAMPION-PLATFORM trial, and additional manufacturing development costs for Cleviprex and cangrelor. We also anticipate that stock based-compensation expense included in research and development expenses will increase in 2007 as a result of a higher stock price as compared to 2006 stock option grants and anticipated stock option grants to new and current employees.

Our success in expanding the approved indications for Angiomax, or developing and obtaining marketing approval for Cleviprex and cangrelor, is highly uncertain. In particular, estimating our future levels of spending on development of Angiomax is uncertain following completion of the ACUITY trial. We cannot predict expenses associated with ongoing data analysis or

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regulatory submissions, if any. Nor can we reasonably estimate or know the nature, timing and estimated costs of the efforts necessary to complete the development of, or the period in which material net cash inflows are expected to commence from, either Cleviprex or cangrelor due to the numerous risks and uncertainties associated with developing drugs, including the uncertainty of:

- the scope, rate of progress and cost of our clinical trials and other research and development activities;
- future clinical trial results;
- the terms and timing of any collaborative, licensing and other arrangements that we may establish;
- the cost and timing of regulatory approvals;
- the cost and timing of establishing sales, marketing and distribution capabilities;
- the cost of establishing clinical and commercial supplies of our product candidates;
- the effect of competing technological and market developments; and
- the cost of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by 8% to $27.1 million for the three months ended March 31, 2007, from $25.0 million for the same period in 2006. The increase in selling, general and administrative expenses of $2.1 million was primarily due to Cleviprex market research expenses of $1.5 million related to the anticipated launch of Cleviprex, a $1.5 million increase in stock-based compensation and $0.3 million of costs associated with our withdrawn equity offering in January 2007. These increases were partially offset by $0.8 million in decreases in the timing of certain educational expenditures for Angiomax during the three months ended March 31, 2007 as compared to the same period in the prior year.

We expect sales, general and administrative expenses to increase in 2007 from 2006 levels primarily due to Cleviprex-related pre-launch expenditures and continued promotional spending on Angiomax.

We also expect total stock-based compensation expense included in selling, general and administrative expenses to increase in 2007 as a result of a higher stock price as compared to 2006 grants and anticipated stock option grants to new and current employees.

Other Income. Other income, which is primarily comprised of interest income, increased approximately 86% to $2.6 million for the three months ended March 31, 2007, from $1.4 million for the comparable period in 2006. The increase in other income of $1.2 million was primarily due to higher rates of return on our available for sale securities in 2007, combined with higher levels of cash to invest.

Provision for Income Tax. The provision for income taxes increased to $1.8 million based on income before taxes of $4.8 million for the three months ended March 31, 2007 which compares to a $26,000 provision for the three months ended March 31, 2006. Since we recognized a portion of our deferred tax assets in the fourth quarter of 2006, we are recording this provision against our pre-tax income based on our assessment that it is more likely than not that we will recognize a benefit from the deferred tax assets that we had previously reserved against in full. This resulted in an effective income tax rate of 37%. For the period ended March 31, 2006, we had an operating loss and the provision for income taxes was made for certain state taxes based on net worth.

We will continue to evaluate the realizability of our deferred tax assets and liabilities on a periodic basis, and will adjust such amounts in light of changing facts and circumstances, including but not limited to future projections of taxable income, tax legislation, rulings by relevant tax authorities and the progress of ongoing tax audits. Factors that could significantly impact our valuation allowance include the regulatory approval of products currently under development, extension of the patent rights relating to Angiomax or failure to achieve future anticipated

revenues. If we further reduce or increase the valuation allowance of deferred tax assets in future years, we would recognize a tax benefit or expense.

Liquidity and Capital Resources

Sources of Liquidity. Since our inception, we have financed our operations principally through the sale of common and preferred stock, sales of convertible promissory notes and warrants, interest income and revenues from sales of Angiomax. Except for 2006 and 2004, we have incurred losses on an annual basis since our inception. We had $193.3 million in cash, cash equivalents and available for sale securities as of March 31, 2007.

Cash Flows. As of March 31, 2007, we had $84.5 million in cash and cash equivalents, as compared to $75.5 million as of December 31, 2006. Our primary sources of cash during the three months ended March 31, 2007 included $12.4 million in net cash provided by investing activities and $7.7 million in net cash provided by financing activities, which was partially offset by net cash used in operating activities of $11.2 million.

Net cash used in operating activities was $11.2 million for the three-month period ended March 31, 2007, compared to net cash used in operating activities of $17.0 million for the three-month period ended March 31, 2006. The operating cash flow decrease for the first three months of 2007 consisted primarily of an increase in accounts receivable of $22.1 million resulting from the implementation of our sole source distribution agreement, and a decrease in accounts payable of $5.6 million due to timing of payments. These items were partially offset by an increase in inventory of $3.9 million attributable to increased production, non-cash stock compensation expense of $3.5 million, an increase in accrued expenses of $3.4 million driven largely by higher royalties, net income of $3.0 million and a non-cash provision for income taxes of $1.6 million.

For the three months ended March 31, 2007, $12.4 million in net cash was provided by investing activities, which consisted of $39.1 million in proceeds from the maturation and sale of available for sale securities, which was offset by the purchase of $26.3 million of available for sale securities, and purchases of $0.3 million of fixed assets, primarily computer equipment to support information technology infrastructure.

For the three months ended March 31, 2007, we received $7.7 million in cash provided by financing activities, which consisted of net proceeds to us related to purchases of stock pursuant to option exercises and our employee stock purchase plan.

Funding Requirements. We expect to devote substantial resources to our research and development efforts and to our sales, marketing and manufacturing programs associated with the commercialization of our products. Our funding requirements will depend on numerous factors including:

- the extent to which Angiomax is commercially successful in the United States;
- the extent to which our international partners, including Nycomed, are commercially successful;
- our decision whether to establish a commercial infrastructure outside the United States;
- the progress, level and timing of our research and development activities related to our clinical trials with respect to Angiomax, Cleviprex and cangrelor;
- the cost and outcomes of regulatory submissions and reviews;
- the continuation or termination of third-party manufacturing or sales and marketing arrangements;
- the size, cost and effectiveness of our sales and marketing programs;
- the status of competitive products;
- our ability to defend and enforce our intellectual property rights; and
- the establishment of additional strategic or licensing arrangements with other companies, or acquisitions.

If our existing resources are insufficient to satisfy our liquidity requirements due to slower than anticipated revenues from Angiomax or otherwise, or if we acquire additional product candidates, or if we otherwise believe that raising additional capital would be in our interests and the interests of our stockholders, we may sell equity or debt securities or seek financing through other arrangements. Any sale of additional equity or debt securities may result in dilution to our stockholders, and debt financing may involve covenants limiting or restricting our ability to take specific actions, such as incurring additional debt or making capital expenditures. We cannot be certain that public or private financing will be available in amounts or on terms acceptable to us, if at all. If we seek to raise funds through collaboration or licensing arrangements with third parties, we may be required to relinquish rights to products, product candidates or technologies that we would not otherwise relinquish or grant licenses on terms that may not be favorable to us. If we are unable to obtain additional financing, we may be required to delay, reduce the scope of, or eliminate one or more of our planned research, development and commercialization activities, which could harm our financial

condition and operating results.

In January 2007 we announced our intention to commence an offering of 6,000,000 shares of our common stock pursuant to an effective shelf registration in an underwritten public offering. However, we subsequently determined not to proceed with the public offering of common stock at that time.

Contractual Obligations

Our long-term contractual obligations include commitments and estimated purchase obligations entered into in the normal course of business. These include commitments related to purchase of inventory of our products, research and development service agreements, operating leases, and selling, general and administrative obligations.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk of change in fair value of a financial instrument due to changes in interest rates, equity prices, creditworthiness, financing, exchange rates or other factors. Our primary market risk exposure relates to changes in interest rates in our cash, cash equivalents and available for sale securities. We place our investments in high-quality financial instruments, primarily money market funds, corporate debt and U.S. government agency securities with maturities of less than two years, which we believe are subject to limited interest rate and credit risk. We do not hedge interest rate exposure. At March 31, 2007, we held $193.3 million in cash, cash equivalents and available for sale securities which had an average interest rate of approximately 5.3%. Of this amount, approximately 99% of the cash, cash equivalents and available for sale securities were due on demand or within one year and had an average interest rate of approximately of 5.2%. The remaining 1% was due within three years and had an average interest rate of approximately 5.4%.

Most of our transactions are conducted in U.S. dollars. We do have certain agreements with parties located outside the United States. Transactions under certain of these agreements are conducted in U.S. dollars, subject to adjustment based on significant fluctuations in currency exchange rates. Transactions under certain other of these agreements are conducted in the local foreign currency. If the applicable exchange rate undergoes a change of 10.0%, we do not believe that it would have a material impact on our results of operations or cash flows.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2007. The term disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of March 31, 2007, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the quarter ended March 31, 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1 A. Risk Factors

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below in addition to the other information included or incorporated by reference in this quarterly report. If any of the following risks actually occur, our business, financial condition or results of operations would likely suffer. In that case, the trading price of our common stock could fall.

An updated description of the risk factors associated with our business is set forth below. These risk factors have been updated from those included in our Annual Report on Form 10-K, to, among other things, update the risk factor regarding our revenue being substantially dependent on a limited number of domestic wholesalers and international distributors and the risk factor regarding our patent protection for our intellectual property.

Risks Related to Our Financial Results

We have a history of net losses and may not maintain profitability on an annual basis

Except for 2004 and 2006, we have incurred net losses on an annual basis since our inception. As of March 31, 2007, we had an accumulated deficit of approximately $238.1 million. We expect to make substantial expenditures to further develop and commercialize our products, including costs and expenses associated with clinical trials, regulatory approvals and commercialization. Although we achieved profitability in 2004 and in 2006, and expect to be profitable in 2007, we were not profitable in 2005 and will likely need to generate significantly greater revenue in future periods to achieve and maintain profitability in light of our planned expenditures. We may not achieve profitability in future periods or at all, and we may not be able to maintain profitability for any substantial period of time. If we fail to achieve profitability or maintain profitability on a quarterly or annual basis within the time frame expected by investors or securities analysts, the market price of our common stock may decline.

Our business is very dependent on the commercial success of Angiomax

Angiomax is our only commercial product. We expect Angiomax will account for all of our revenue for at least 2007. The commercial success of Angiomax will depend upon:

- its continued acceptance by regulators, physicians, patients and other key decision-makers as a safe, therapeutic and cost-effective alternative to heparin and other products used in current practice or currently being developed;

- our ability to expand the indications for which we can market Angiomax and the clinical data we generate to support expansion of the product label; and

- the extent to which we and our international distributors are successful in marketing Angiomax.

We plan to continue in 2007 to seek to expand the indications for which we may market Angiomax. Even if we are successful in expanding the Angiomax label, we cannot assure you that the expanded label will result in higher revenue or income on a continuing basis. If Angiomax is not commercially successful, we will have to find additional sources of funding or curtail operations. As of March 31, 2007, our inventory was $37.6 million. In addition, we have inventory-related purchase commitments to Lonza Braine totaling $14.8 million during 2007 and $8.7 million during 2008 for Angiomax bulk drug substance and $0.8 million in remaining Angiomax-related filling, finishing and packaging commitments during 2007. If sales of Angiomax were to decline, we could be required to make an allowance for excess or obsolete inventory or increase our accrual for product returns.

Our revenue has been substantially dependent on a limited number of domestic wholesalers and international distributors to which we sell Angiomax, and such revenue may fluctuate from quarter to quarter based on the buying patterns of these wholesalers and distribution partners and the levels of inventory they maintain

In March 2007, we entered into an agreement with a third party to distribute Angiomax in the United States through a sole source distribution model. Under this model, we sell Angiomax to our sole source distributor, which then sells Angiomax to a limited number of national medical and pharmaceutical wholesalers with distribution centers located throughout the United States and in certain cases, directly to hospitals. In both instances, the sole source distributor ships Angiomax directly to hospitals. Prior to adopting this sole source distribution model, we sold

Angiomax to these wholesalers directly and these wholesalers then sold Angiomax to hospitals. Under our sole source distribution arrangement, our revenue from sales of Angiomax in the United States will be exclusively from sales to the sole source distributor. As a result, we expect that our revenue will continue to be subject to fluctuation from quarter to quarter based on the buying pattern of this sole source distributor. In addition, as we recently implemented this sole source distribution model in March 2007, we are uncertain as to the impact this new model will have on the buying patterns of individual hospitals and hospital group purchasing organizations. Outside of the United States, we sell Angiomax to several international distributors and these distributors then sell Angiomax to hospitals. During the year ended December 31, 2006, revenue from the sale of Angiomax to our three largest U.S. wholesalers totaled

approximately 88% of our net revenue and sales to one of our international distributors totaled approximately 3% of our net revenue. Our reliance on a small number of wholesalers and distributors could cause our revenue to fluctuate from quarter to quarter based on the buying patterns of these wholesalers and distributors, regardless of underlying hospital demand. For instance, because an order from Nycomed, one of our European distributors, was not recognized in the quarter ended March 31, 2006 due to a delay in Nycomed s acceptance of the order, our revenue for the first quarter of 2006 was reduced.

To date, sales to Nycomed have been less than we have expected. While we are working with Nycomed to address this situation, we can provide no assurances that the situation will improve.

If inventory levels at our sole source distributor or at our international distributors become too high, they may seek to reduce their inventory levels by reducing purchases from us. In 2005, we agreed with our largest wholesalers at the time to enter into fee-for-service arrangements. As a result of these restructured arrangements, we estimate that our three largest wholesalers at the time reduced aggregate Angiomax inventory to an average of four to six weeks during the last two quarters of 2005 and the first quarter of 2006. In implementing the inventory reduction to reach this level during this period, we estimate that our three largest wholesalers reduced their aggregate inventories of Angiomax by approximately $39.0 million which had an adverse effect on our revenue.

Failure to achieve our revenue targets or raise additional funds in the future may require us to delay, reduce the scope of, or eliminate one or more of our planned activities

We will need to generate significantly greater revenue to achieve and maintain profitability on an annual basis. The development of Angiomax for additional indications, the development of Cleviprex and cangrelor, including clinical trials, manufacturing development and regulatory approvals, and the acquisition and development of additional product candidates by us will require a commitment of substantial funds. Our future funding requirements, which may be significantly greater than we expect, will depend upon many factors, including:

- the extent to which Angiomax is commercially successful in the United States;
- the extent to which our international distributors, including Nycomed, are commercially successful;
- our decision whether to establish a commercial infrastructure outside the United States;
- the progress, level and timing of our research and development activities related to our clinical trials with respect to Angiomax, Cleviprex and cangrelor;
- the cost and outcomes of regulatory submissions and reviews;
- the continuation or termination of third-party manufacturing or sales and marketing arrangements;
- the size, cost and effectiveness of our sales and marketing programs;
- the status of competitive products;
- our ability to defend and enforce our intellectual property rights; and
- the establishment of additional strategic or licensing arrangements with other companies, or acquisitions.

If our existing resources are insufficient to satisfy our liquidity requirements due to slower than anticipated sales of Angiomax or otherwise, or if we acquire additional product candidates or businesses, or if we otherwise believe that raising additional capital would be in our interest and the interests of our stockholders, we may sell equity or debt securities or seek additional financing through other arrangements. Any sale of additional equity or debt securities may result in dilution to our stockholders, and debt financing may involve covenants limiting or restricting our ability to take specific actions, such as incurring additional debt or making capital expenditures. We cannot be certain that public or private financing will be available in amounts or on terms acceptable to us, if at all. If we seek to raise funds through collaboration or licensing arrangements with third parties, we may be required to relinquish rights to products, product candidates or technologies that we would not otherwise relinquish or grant licenses on terms that may not be favorable to us. If we are unable to obtain additional financing, we may be required to delay, reduce the scope of, or eliminate one or more of our planned research, development and commercialization activities, which

could harm our financial condition and operating results.

Risks Related to Commercialization

Angiomax competes with all categories of anticoagulant drugs, which may limit the use of Angiomax

Because different anticoagulant drugs act on different components of the clotting process, we believe that continued clinical work will be necessary to determine the best combination of drugs for clinical use. We recognize that Angiomax competes with other anticoagulant drugs to the extent Angiomax and any of these anticoagulant drugs are approved for the same or similar indications.

In addition, other anticoagulant drugs may compete with Angiomax for hospital financial resources. For example, many U.S. hospitals receive a fixed reimbursement amount per procedure for the angioplasties and other treatment therapies they perform. Because this amount is not based on the actual expenses the hospital incurs, hospitals may choose to use either Angiomax or other anticoagulant drugs, but not necessarily several of the drugs together.

Because the market for thrombin inhibitors is competitive, our product may not obtain widespread use

We have positioned Angiomax as a replacement for heparin, which is a widely used, inexpensive, generic drug used in patients with arterial thrombosis. Because heparin is inexpensive and has been widely used for many years, physicians and medical decision-makers may be hesitant to adopt Angiomax. In addition, due to the high incidence and severity of cardiovascular diseases, competition in the market for thrombin inhibitors is intense and growing. We cannot assure you that the rate of Angiomax sales growth will not slow or decline in 2007 and future years. There are a number of direct and indirect thrombin inhibitors currently on the market, awaiting regulatory approval and in development, including orally administered agents. The thrombin inhibitors on the market include products for use in the treatment of patients with HIT/HITTS, patients with unstable angina and patients with deep vein thrombosis.

We face substantial competition, which may result in others discovering, developing or commercializing competing products before or more successfully than we do

Our industry is highly competitive. Our success will depend on our ability to acquire and develop products and apply technology, and our ability to establish and maintain markets for our products. Potential competitors in the United States and other countries include major pharmaceutical and chemical companies, specialized pharmaceutical companies and biotechnology firms, universities and other research institutions. Many of our competitors have substantially greater research and development capabilities and experience, and greater manufacturing, marketing and financial resources, than we do. Accordingly, our competitors may develop or license products or other novel technologies that are more effective, safer, more convenient or less costly than existing products or technologies or products or technologies that are being developed by us or may obtain regulatory approvals for products more rapidly than we are able. Technological developments by others may render our products or product candidates noncompetitive. We may not be successful in establishing or maintaining technological competitiveness.

Near-term growth in our sales of Angiomax is dependent on acceptance by physicians, patients and other key decision-makers of Angiomax clinical data

In the fall of 2002, we completed a 6,002 patient post-marketing Phase IIIb/IV clinical trial of Angiomax in coronary angioplasty called REPLACE-2. In November 2002, the principal investigators of the REPLACE-2 trial announced that, based on 30-day patient follow-up results, Angiomax met all of the primary and secondary objectives of the trial. In March 2003, we released the results of the detailed cost analysis study to examine per-patient total hospital resource consumption at U.S. clinical trial sites. In September 2003, the principal investigators of the clinical trial announced that, based on six-month patient follow-up results, Angiomax again met all of the primary and secondary objectives of the trial. In November 2003, the principal investigators presented one-year follow-up mortality data from the trial, which confirmed the 30-day and six-month mortality results. In December 2005, we completed enrollment in a 13,819 patient Phase III clinical trial studying Angiomax use in patients presenting to the emergency department with acute coronary syndromes called the ACUITY trial. In March 2006, the principal investigators of the ACUITY trial announced that ACUITY had met its objectives based on 30-day patient results and in March 2007, the principal investigators announced that ACUITY had also met its objectives based on the 12-month patient results.

We believe that the near-term commercial success of Angiomax will depend upon the extent to which physicians, patients and other key decision-makers accept the results of the Angiomax clinical trials. For example, since the original results of REPLACE-2 were announced in 2002, additional hospitals have granted Angiomax formulary approval and hospital demand for the product has increased. We cannot be certain, however, that these trends will continue. Some commentators have challenged various aspects of the trial design of REPLACE-2, the conduct of the study and the analysis and interpretation of the results from

the study, including how we define bleeding and the clinical relevance of types of ischemic events. The FDA has noted that in its view, statistical non-inferiority was not demonstrated as compared to the heparin plus a GP IIb/IIIa inhibitor arm of the trial for the 30-day ischemic endpoint in the REPLACE-2 trial. Similarly, we cannot be certain of the extent to which physicians, patients and other key decision-makers will accept the results of the ACUITY trial. If physicians, patients and other key decision-makers do not accept the REPLACE-2 and ACUITY trial results, adoption of Angiomax may suffer, and our business will be materially adversely affected.

Our ability to generate future revenue from products will be affected by reimbursement and drug pricing

Acceptable levels of reimbursement of drug treatments by government authorities, private health insurers and other organizations will have an effect on our ability to successfully commercialize, and attract collaborative partners to invest in the development of, product candidates. We cannot be sure that reimbursement in the United States or elsewhere will be available for any products we may develop or, if already available, will not be decreased in the future. If reimbursement is not available or is available only to limited levels, we may not be able to commercialize our products, or may not be able to obtain a satisfactory financial return on our products.

In certain countries, particularly the countries of the European Union, the pricing of prescription pharmaceuticals and the level of reimbursement are subject to governmental control. In some countries, it can take an extended period of time to establish and obtain reimbursement, and reimbursement approval may be required at the individual patient level, which can lead to further delays.

Third-party payers increasingly are challenging prices charged for medical products and services. Also, the trend toward managed health care in the United States and the changes in health insurance programs, as well as legislative proposals, may result in lower prices for pharmaceutical products, including any products that may be offered by us. Cost-cutting measures that health care providers are instituting, and the effect of any health care reform, could materially adversely affect our ability to sell any products that are successfully developed by us and approved by regulators. Moreover, we are unable to predict what additional legislation or regulation, if any, relating to the health care industry or third-party coverage and reimbursement may be enacted in the future or what effect such legislation or regulation would have on our business.

We must comply with federal, state and foreign laws and regulations relating to the health care business, and, if we do not fully comply with such laws and regulations, we could face substantial penalties

We and our customers are subject to extensive regulation by the federal government, the states and foreign countries in which we may conduct our business. The laws that directly or indirectly affect our ability to operate our business include the following:

- the federal Medicare and Medicaid Anti-Kickback law, which prohibits persons from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or in kind, to induce either the referral of an individual or furnishing or arranging for a good or service, for which payment may be made under federal health care programs such as Medicare and Medicaid;

- other Medicare laws and regulations that prescribe the requirements for coverage and payment for services performed by our customers, including the amount of such payment;

- the Federal False Claims Act, which imposes civil and criminal liability on individuals and entities who submit, or cause to be submitted, false or fraudulent claims for payment to the government; and

- the Federal False Statements Act, which prohibits knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false statement in connection with delivery of or payment for health care benefits, items or services.

If our operations are found to be in violation of any of the laws and regulations described above or any other law or governmental regulation to which we or our customers are or will be subject, we may be subject to civil and criminal penalties, damages, fines, exclusion from the Medicare and Medicaid programs and the curtailment or restructuring of our operations. Similarly, if our customers are found to be non-compliant with applicable laws, they may be subject to sanctions, which could also have a negative impact on us. Any penalties, damages, fines, curtailment or restructuring of our operations would adversely affect our ability to operate our business and our financial results. Any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses, divert our management s attention from the operation of our business and damage our reputation.

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We could be exposed to significant liability if we are unable to obtain insurance at acceptable costs and adequate levels or otherwise protect ourselves against potential product liability claims

Our business exposes us to potential product liability risks which are inherent in the testing, manufacturing, marketing and sale of human healthcare products. Product liability claims might be made by patients in clinical trials, consumers, health care providers or pharmaceutical companies or others that sell our products. These claims may be made even with respect to those products that are manufactured in licensed and regulated facilities or otherwise possess regulatory approval for commercial sale.

These claims could expose us to significant liabilities that could prevent or interfere with the development or commercialization of our products. Product liability claims could require us to spend significant time and money in litigation or pay significant damages. With respect to our commercial sales and our clinical trials, we are covered by products liability insurance in the amount of $20.0 million per occurrence and $20.0 million annually in the aggregate on a claims-made basis. This coverage may not be adequate to cover any product liability claims.

As we continue to commercialize our products, we may wish to increase our product liability insurance. Product liability coverage is expensive. In the future, we may not be able to maintain or obtain such product liability insurance on reasonable terms, at a reasonable cost or in sufficient amounts to protect us against losses due to product liability claims.

Risks Related to Regulatory Matters

If we do not obtain regulatory approvals for our product candidates we will not be able to market our product candidates and our ability to generate additional revenue could be materially impaired

Except for Angiomax, which has been approved for sale in the United States for use as an anticoagulant in combination with aspirin in patients with unstable angina undergoing PCI and patients undergoing PCI with or at risk of HIT/HITTS, and which has been approved for sale in the European Union and in other countries for indications similar to those approved by the FDA, we do not have any other product approved for sale in the United States or any foreign market. We must obtain approval from the FDA in order to sell our product candidates in the United States and from foreign regulatory authorities in order to sell our product candidates in other countries. Obtaining FDA approval is uncertain, time-consuming and expensive. Any regulatory approval we ultimately obtain may be limited or subject to restrictions or post-approval commitments that render the product commercially non-viable. Securing regulatory approval requires the submission of extensive pre-clinical and clinical data, information about product manufacturing processes and inspection of facilities and supporting information to the regulatory authorities for each therapeutic indication to establish the product s safety and efficacy. If we are unable to submit the necessary data and information, for example, because the results of clinical trials are not favorable, or if the FDA delays reviewing or does not approve our applications, we will be unable to obtain regulatory approval. Delays in obtaining or failure to obtain regulatory approvals may:

- delay or prevent the successful commercialization of any of our product candidates;
- diminish our competitive advantage; and
- defer or decrease our receipt of revenue.

The regulatory review and approval process to obtain marketing approval for a new drug or indications takes many years and requires the expenditure of substantial resources. This process can vary substantially based on the type, complexity, novelty and indication of the product candidate involved. The regulatory authorities have substantial discretion in the approval process and may refuse to accept any application or may decide that data is insufficient for approval and require additional pre-clinical, clinical or other studies. In addition, varying interpretations of the data obtained from pre-clinical and clinical testing could delay, limit or prevent regulatory approval of a product candidate.

We cannot expand the indications for which we are marketing Angiomax unless we receive FDA approval for each additional indication. Failure to expand these indications will limit the size of the commercial market for Angiomax

The FDA has approved Angiomax for use as an anticoagulant in combination with aspirin in patients with unstable angina undergoing PCI and patients undergoing PCI with or at risk of HIT/HITTS. One of our key objectives is to expand the indications for which Angiomax is approved for marketing by the FDA. In order to market Angiomax for expanded indications, we will need to conduct appropriate clinical trials, obtain positive results from those trials and obtain FDA approval for such proposed indications. Obtaining FDA approval is uncertain, time-consuming and expensive. The regulatory review and approval process to obtain marketing approval for a new indication can take many years and require the expenditure of substantial resources. This

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process can vary substantially based on the type, complexity, novelty and indication of the product candidate involved. The regulatory authorities have substantial discretion in the approval process and may refuse to accept any application or may decide that any data submitted is insufficient for approval and require additional pre-clinical, clinical or other studies. In addition, varying interpretations of the data obtained from pre-clinical and clinical testing could delay, limit or prevent regulatory approval of a new indication product candidate. For example, in 2006 we received a non-approvable letter from the FDA in connection with our application to market Angiomax in patients with or at risk of HIT/HITTS undergoing cardiac surgery. While we have indicated to the FDA that we are evaluating potential next steps, the FDA may require additional studies which may require the expenditure of substantial resources. Even if any such studies are undertaken, we can provide no assurance that we will be successful in obtaining regulatory approval for this indication in a timely manner or at all. We currently anticipate submitting an application with the FDA in 2007 for an expansion of the Angiomax product label for the treatment of patients with the types of acute coronary syndromes studied in the ACUITY trial to include information about ACUITY dosing regimen starting in the emergency department and the trial results. If we are unsuccessful in expanding the Angiomax product label, the size of the commercial market for Angiomax will be limited.

Clinical trials of product candidates are expensive and time-consuming, and the results of these trials are uncertain

Before we can obtain regulatory approvals to market any product for a particular indication, we will be required to complete pre-clinical studies and extensive clinical trials in humans to demonstrate the safety and efficacy of such product for such indication.

Clinical testing is expensive, difficult to design and implement, can take many years to complete and is uncertain as to outcome. Success in pre-clinical testing or early clinical trials does not ensure that later clinical trials will be successful, and interim results of a clinical trial do not necessarily predict final results. An unexpected result in one or more of our clinical trials can occur at any stage of testing. We may experience numerous unforeseen events during, or as a result of, the clinical trial process that could delay or prevent us from receiving regulatory approval or commercializing our products, including:

- our clinical trials may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical trials which even if undertaken cannot ensure we will gain approval;

- data obtained from pre-clinical testing and clinical trials may be subject to varying interpretations, which could result in the FDA or other regulatory authorities deciding not to approve a product in a timely fashion, or at all;

- the cost of clinical trials may be greater than we currently anticipate;

- regulators or institutional review boards may not authorize us to commence a clinical trial or conduct a clinical trial at a prospective trial site;

- we, or the FDA, might suspend or terminate a clinical trial at any time on various grounds, including a finding that participating patients are being exposed to unacceptable health risks. For example, in March 2005, we voluntarily suspended enrollment in one of our clinical trials for Cleviprex until December 2005 to review an interim analysis of safety data from the trial; and

- the effects of our product candidates may not be the desired effects or may include undesirable side effects or the product candidates may have other unexpected characteristics.

The rate of completion of clinical trials depends in part upon the rate of enrollment of patients. Patient enrollment is a function of many factors, including the size of the patient population, the proximity of patients to clinical sites, the eligibility criteria for the trial, the existence of competing clinical trials and the availability of alternative or new treatments. In particular, the patient population targeted by some of our clinical trials may be small. Delays in patient enrollment in any of our current or future clinical trials may result in increased costs and program delays.

If we or our contract manufacturers fail to comply with the extensive regulatory requirements to which we, our contract manufacturers and our products are subject, our products could be subject to restrictions or withdrawal from the market and we could be subject to penalties

The testing, manufacturing, labeling, safety, advertising, promotion, storage, sales, distribution, export and marketing, among other things, of our products, both before and after approval, are subject to extensive regulation by governmental authorities in the United States, Europe and elsewhere throughout the world. Both before and after approval of a product, quality control and manufacturing procedures must conform to current good manufacturing practice, or cGMP. Regulatory authorities, including the FDA, periodically inspect manufacturing facilities to assess compliance with cGMP. Our failure or the failure of our contract manufacturers to comply with the laws administered by the FDA, the European Medicines Agency, or other governmental authorities could result in, among other things, any of the following:

- delay in approving or refusal to approve a product;
- product recall or seizure;
- suspension or withdrawal of an approved product from the market;
- interruption of production;
- operating restrictions;
- warning letters;
- injunctions;
- fines and other monetary penalties;
- criminal prosecutions; and
- unanticipated expenditures.

Risks Related to our Dependence on Third Parties for Manufacturing, Research and Development, and Distribution Activities

We depend on single suppliers for the production of Angiomax, Cleviprex and cangrelor bulk drug substance and different single suppliers to carry out all fill-finish activities

We do not manufacture any of our products and do not plan to develop any capacity to manufacture them. We currently obtain all of our Angiomax bulk drug substance from one manufacturer, Lonza Braine, and rely on another manufacturer, Ben Venue Laboratories, to carry out all fill-finish activities for Angiomax, which includes final formulation and transfer of the drug into vials where it is then freeze-dried and sealed. The terms of our agreement with Lonza Braine require us to purchase from Lonza Braine a substantial portion of our Angiomax bulk drug product manufactured using the Chemilog process, a chemical synthesis process that we developed with UCB Bioproducts S.A., the predecessor to Lonza Braine.

We currently obtain all of our Cleviprex bulk drug substance from one manufacturer, Johnson Matthey Pharma Services. We rely on a different single supplier, Hospira, Inc., and its proprietary formulation technology, for the manufacture of all finished Cleviprex product, as well as for release testing and clinical packaging.

We have transferred the manufacturing process for all of our cangrelor bulk drug substance from AstraZeneca to Johnson Matthey Pharma Services for scale up and manufacture for Phase III clinical trials and commercial supplies. We will also rely on a different single supplier, Baxter Pharmaceutical Solutions LLC, for the manufacture of all finished cangrelor drug product for all Phase III clinical trials and to carry out release testing.

There are a limited number of manufacturers capable of manufacturing Angiomax, Cleviprex and cangrelor. We do not currently have alternative sources for production of bulk drug substance or to carry out fill-finish activities. Consolidation within the pharmaceutical manufacturing industry could further reduce the number of manufacturers capable of producing our products, or otherwise affect our existing contractual relationships.

In the event that Lonza Braine, Johnson Matthey, Hospira, Ben Venue or Baxter is unable or unwilling to carry out their respective manufacturing obligations or terminate or refuse to renew their respective arrangements with us, we may be unable to obtain alternative manufacturing, or obtain such manufacturing on commercially reasonable terms or on a timely basis. If we were required to transfer manufacturing processes to other third-party manufacturers, we would be required to satisfy various regulatory requirements, which could cause us to experience significant delays in receiving an adequate supply of Angiomax,

Cleviprex or cangrelor. Moreover, we may not be able to transfer processes that are proprietary to the manufacturer. Any delays in the manufacturing process may adversely impact our ability to meet commercial demands for Angiomax on a timely basis and supply product for clinical trials of Angiomax, Cleviprex or cangrelor.

The development and commercialization of our products may be terminated or delayed, and the costs of development and commercialization may increase, if third parties on whom we rely to manufacture and support the development and commercialization of our products do not fulfill their obligations

Our development and commercialization strategy involves entering into arrangements with corporate and academic collaborators, contract research organizations, distributors, third party manufacturers, licensors, licensees and others to conduct development work, manage or conduct our clinical trials, manufacture our products and market and sell our products outside of the United States. We do not have the expertise or the resources to conduct such activities on our own and, as a result, are particularly dependent on third parties in most areas.

We may not be able to maintain our existing arrangements with respect to the commercialization or manufacture of Angiomax or establish and maintain arrangements to develop and commercialize Cleviprex, cangrelor or any additional product candidates or products we may acquire on terms that are acceptable to us. Any current or future arrangements for development and commercialization may not be successful. If we are not able to establish or maintain agreements relating to Angiomax, Cleviprex, cangrelor or any additional products we may acquire on terms that we deem favorable, our results of operations would be materially adversely affected.

Third parties may not perform their obligations as expected. The amount and timing of resources that third parties devote to developing, manufacturing and commercializing our products are not within our control. Our collaborators may develop, manufacture or commercialize, either alone or with others, products and services that are similar to or competitive with the products that are the subject of the collaboration with us. Furthermore, our interests may differ from those of third parties that manufacture or commercialize our products. Our collaborators may re-evaluate their priorities from time to time, including following mergers and consolidations, and change the focus of their development, manufacturing or commercialization efforts. Disagreements that may arise with these third parties could delay or lead to the termination of the development or commercialization of our product candidates, or result in litigation or arbitration, which would be time consuming and expensive.

If any third party that manufactures or supports the development or commercialization of our products breaches or terminates its agreement with us, or fails to commit sufficient resources to our collaboration or conduct its activities in a timely manner, or fails to comply with regulatory requirements, such breach, termination or failure could:

- delay or otherwise adversely impact the manufacturing, development or commercialization of Angiomax, Cleviprex, cangrelor or any additional products that we may acquire or develop;
- require us to seek a new collaborator or undertake unforeseen additional responsibilities or devote unforeseen additional resources to the manufacturing, development or commercialization of our products; or
- result in the termination of the development or commercialization of our products.

Use of third party manufacturers may increase the risk that we will not have appropriate supplies of our product candidates

Reliance on third party manufacturers entails risks to which we would not be subject if we manufactured product candidates or products ourselves, including:

- reliance on the third party for regulatory compliance and quality assurance;
- the possible breach of the manufacturing agreement by the third party; and
- the possible termination or nonrenewal of the agreement by the third party, based on its own business priorities, at a time that is costly or inconvenient for us.

Angiomax and our product candidates may compete with products and product candidates of third parties for access to manufacturing facilities. If we are not able to obtain adequate supplies of Angiomax, Cleviprex and cangrelor, it will be more difficult for us to compete effectively and develop our product candidates.

Our contract manufacturers are subject to ongoing, periodic, unannounced inspection by the FDA and corresponding state and foreign agencies or their designees to evaluate compliance with the FDA s cGMP, regulations and other governmental regulations and corresponding foreign standards. We cannot be certain that our present or future manufacturers will be able to

comply with cGMP regulations and other FDA regulatory requirements or similar regulatory requirements outside the United States. We do not control compliance by our contract manufacturers with these regulations and standards. Failure of our third party manufacturers or us to comply with applicable regulations could result in sanctions being imposed on us, including, fines and other monetary penalties, injunctions, civil penalties, failure of regulatory authorities to grant marketing approval of our product candidates, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of product candidates or products, interruption of production, warning letters, operating restrictions and criminal prosecutions, any of which could significantly and adversely affect supplies of Angiomax and our product candidates.

Risks Related to our Intellectual Property

A breach of any of the agreements under which we license commercialization rights to products or technology from others could cause us to lose license rights that are important to our business or subject us to claims by our licensors

We license rights to products and technology that are important to our business, and we expect to enter into additional licenses in the future. For instance, we have exclusively licensed patents and patent applications relating to Angiomax from Biogen Idec and Health Research Inc. and relating to Cleviprex and cangrelor from AstraZeneca. Under these agreements, we are subject to commercialization and development, sublicensing, royalty, patent prosecution and maintenance, insurance and other obligations. For instance, we are required under our license of Cleviprex to submit an NDA for Cleviprex by September 30, 2007 and under our license of cangrelor to submit an NDA for cangrelor by December 31, 2008. Any failure by us to comply with any of these obligations or any other breach by us of our license agreements could give the licensor the right to terminate the license in whole, terminate the exclusive nature of the license or bring a claim against us for damages. Any such termination or claim, particularly relating to our agreements with respect to Angiomax, could have a material adverse effect on our business. We have entered into an agreement with Biogen Idec that suspends the statute of limitations relating to any claims for damages and/or license termination that they may bring in the event that a dispute arises between us and Biogen Idec relating to the late filing of our application under the Hatch Waxman Act for an extension of the term of the principal patent that covers Angiomax. Even if we contest any such termination or claim and are ultimately successful, our stock price could suffer. In addition, upon any termination of a license agreement, we may be required to license to the licensor any related intellectual property that we developed.

If we are unable to obtain or maintain patent protection for the intellectual property relating to our products, the value of our products will be adversely affected

The patent positions of pharmaceutical companies like us are generally uncertain and involve complex legal, scientific and factual issues. Our success depends significantly on our ability to:

- obtain and maintain U.S. and foreign patents, including defending those patents against adverse claims;
- protect trade secrets;
- operate without infringing the proprietary rights of others; and
- prevent others from infringing our proprietary rights.

We may not have any additional patents issued from any patent applications that we own or license. If additional patents are granted, the claims allowed may not be sufficiently broad to protect our technology. In addition, issued patents that we own or license may be challenged, narrowed, invalidated or circumvented, which could limit our ability to stop competitors from marketing similar products or limit the length of term of patent protection we may have for our products. Changes in patent laws or in interpretations of patent laws in the United States and other countries may diminish the value of our intellectual property or narrow the scope of our patent protection.

Our patents also may not afford us protection against competitors with similar technology. Because patent applications in the United States and many foreign jurisdictions are typically not published until eighteen months after filing, or in some cases not at all, and because publications of discoveries in the scientific literature often lag behind actual discoveries, neither we nor our licensors can be certain that others have not filed or maintained patent applications for technology used by us or covered by our pending patent applications without our being aware of these applications.

We exclusively license U.S. patents, patent applications and patent rights and corresponding foreign patents, patent applications and patent rights relating to Angiomax, Cleviprex and cangrelor. We exclusively license six issued U.S. patents

relating to Angiomax, the rights relating to Cleviprex under three issued U.S. patents and the rights relating to cangrelor under five issued U.S. patents. We have not yet filed any independent patent applications.

The principal U.S. patent that covers Angiomax expires in 2010. The U.S. Patent and Trademark Office, or PTO, rejected our application under the Hatch Waxman Act for an extension of the term of the patent beyond 2010 because the application was not filed on time by our counsel. In October 2002, we filed a request with the PTO for reconsideration of the denial of the application. On April 26, 2007, we received a decision from the PTO denying our application for patent term extension.We continue to explore alternatives to extend the term of the patent but we can provide no assurance that we will be successful in doing so.

A bill has been introduced in the United States Congress that, if enacted, would provide the PTO with discretion to consider Hatch Waxman applications filed late unintentionally. We can provide no assurance that the bill will be enacted or that, if it is enacted, the PTO will consider our application or that we will be successful in extending the term of the patent.

We have entered into agreements with the counsel involved in the late filing that suspend the statute of limitations on our claims against them for failing to make a timely filing. We have entered into a similar agreement with Biogen Idec relating to any claims for damages and/or license termination they may bring in the event that a dispute arises between us and Biogen Idec relating to the late filing. These agreements may be terminated by either party upon 30 days notice. We cannot assure you that Biogen Idec will not terminate this agreement.

We may be unable to utilize the Chemilog process if Lonza Braine breaches our agreement

Our agreement with Lonza Braine for the supply of Angiomax bulk drug substance requires that Lonza Braine transfer the technology that was used to develop the Chemilog process to a secondary supplier of Angiomax bulk drug substance or to us or an alternate supplier at the expiration of the agreement. If Lonza Braine fails or is unable to transfer successfully this technology, we would be unable to employ the Chemilog process to manufacture our Angiomax bulk drug substance, which could cause us to experience delays in the manufacturing process and increase our manufacturing costs in the future.

If we are not able to keep our trade secrets confidential, our technology and information may be used by others to compete against us

We rely significantly upon unpatented proprietary technology, information, processes and know-how. We seek to protect this information by confidentiality agreements with our employees, consultants and other third party contractors, as well as through other security measures. We may not have adequate remedies for any breach by a party to these confidentiality agreements. In addition, our competitors may learn or independently develop our trade secrets. If our confidential information or trade secrets become publicly known, they may lose their value to us.

If we infringe or are alleged to infringe intellectual property rights of third parties, it will adversely affect our business

Our research, development and commercialization activities, as well as any product candidates or products resulting from these activities, may infringe or be claimed to infringe patents or patent applications under which we do not hold licenses or other rights. Third parties may own or control these patents and patent applications in the United States and abroad. These third parties could bring claims against us or our collaborators that would cause us to incur substantial expenses and, if successful against us, could cause us to pay substantial damages. Further, if a patent infringement suit were brought against us or our collaborators, we or they could be forced to stop or delay research, development, manufacturing or sales of the product or product candidate that is the subject of the suit.

As a result of patent infringement claims, or in order to avoid potential claims, we or our collaborators may choose or be required to seek a license from the third party and be required to pay license fees or royalties or both. These licenses may not be available on acceptable terms, or at all. Even if we or our collaborators were able to obtain a license, the rights may be nonexclusive, which could result in our competitors gaining access to the same intellectual property. Ultimately, we could be prevented from commercializing a product, or be forced to cease some aspect of our business operations, if, as a result of actual or threatened patent infringement claims, we or our collaborators are unable to enter into licenses on acceptable terms. This could harm our business significantly.

There has been substantial litigation and other proceedings regarding patent and other intellectual property rights in the pharmaceutical and biotechnology industries. In addition to infringement claims against us, we may become a party to other patent litigation and other proceedings, including interference proceedings declared by the PTO and opposition proceedings in the European Patent Office, regarding intellectual property rights with respect to our products and technology. The cost to us of any patent litigation or other proceeding, even if resolved in our favor, could be substantial. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their substantially greater financial resources. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace. Patent litigation and other proceedings may also absorb significant management time.

Risks Related to Growth and Employees

If we fail to acquire and develop additional product candidates or approved products it will impair our ability to grow

We have a single product, Angiomax, approved for marketing. In order to generate additional revenue, we intend to acquire and develop additional product candidates or approved products. The success of this growth strategy depends upon our ability to identify, select and acquire pharmaceutical products that meet the criteria we have established. Because we neither have, nor intend to establish, internal scientific research capabilities, we are dependent upon pharmaceutical and biotechnology companies and other researchers to sell or license product candidates to us. We will be required to integrate any acquired products into our existing operations. Managing the development of a new product entails numerous financial and operational risks, including difficulties in attracting qualified employees to develop the product.

Any product candidate we acquire will require additional research and development efforts prior to commercial sale, including extensive pre-clinical and/or clinical testing and approval by the FDA and corresponding foreign regulatory authorities. All product candidates are prone to the risks of failure inherent in pharmaceutical product development, including the possibility that the product candidate will not be safe and effective or approved by regulatory authorities.

In addition, we cannot assure you that any approved products that we develop or acquire will be:

- manufactured or produced economically;
- successfully commercialized; or
- widely accepted in the marketplace.

We have previously acquired rights to products and, after having conducted development activities, determined not to devote further resources to those products. We cannot assure you that any additional products that we acquire will be successfully developed. In addition, proposing, negotiating and implementing an economically viable acquisition is a lengthy and complex process. Other companies, including those with substantially greater financial, marketing and sales resources, may compete with us for the acquisition of product candidates and approved products. We may not be able to acquire the rights to additional product candidates and approved products on terms that we find acceptable, or at all.

We may undertake strategic acquisitions in the future and any difficulties from integrating such acquisitions could damage our ability to attain or maintain profitability

We may acquire additional businesses and products that complement or augment our existing business. Integrating any newly acquired business or product could be expensive and time-consuming. We may not be able to integrate any acquired business or product successfully or operate any acquired business profitably. Moreover, we may need to raise additional funds through public or private debt or equity financing to acquire any businesses or products, which may result in dilution for stockholders or the incurrence of indebtedness.

We may not be able to manage our business effectively if we are unable to attract and retain key personnel and consultants

Our industry has experienced a high rate of turnover of management personnel in recent years. We are highly dependent on our ability to attract and retain qualified personnel for the acquisition, development and commercialization activities we conduct or sponsor. If we lose one or more of the members of our senior management, including our Chairman and Chief Executive Officer, Clive A. Meanwell, or our President and Chief Operating Officer, John P. Kelley, or other key employees or consultants, our ability to implement successfully our business strategy could be seriously harmed. Our ability to replace these key employees may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the

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breadth of skills and experience required to acquire, develop and commercialize products successfully. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate such additional personnel.

Risks Related to Our Common Stock

Fluctuations in our operating results could affect the price of our common stock

Our operating results may vary from period to period based on factors including the amount and timing of sales of Angiomax, underlying hospital demand for Angiomax, our customers buying patterns, the timing, expenses and results of clinical trials, announcements regarding clinical trial results and product introductions by us or our competitors, the availability and timing of third party reimbursement, including in Europe, sales and marketing expenses and the timing of regulatory approvals. If our operating results do not meet the expectations of securities analysts and investors as a result of these or other factors, the trading price of our common stock will likely decrease.

Our stock price has been and may in the future be volatile. This volatility may make it difficult for you to sell common stock when you want or at attractive prices

Our common stock has been and in the future may be subject to substantial price volatility. From January 1, 2005 to March 31, 2007, the last reported sale price of our common stock ranged from a high of $36.18 per share to a low of $15.50 per share. The value of your investment could decline due to the effect of any of the following factors upon the market price of our common stock:

- changes in securities analysts estimates of our financial performance;
- changes in valuations of similar companies;
- variations in our operating results;
- acquisitions and strategic partnerships;
- announcements of technological innovations or new commercial products by us or our competitors;
- disclosure of results of clinical testing or regulatory proceedings by us or our competitors;
- the timing, amount and receipt of revenue from sales of our products and margins on sales of our products;
- governmental regulation and approvals;
- developments in patent rights or other proprietary rights;
- changes in our management; and
- general market conditions.

In addition, the stock market has experienced significant price and volume fluctuations, and the market prices of specialty pharmaceutical companies have been highly volatile. Moreover, broad market and industry fluctuations that are not within our control may adversely affect the trading price of our common stock. You must be willing to bear the risk of fluctuations in the price of our common stock and the risk that the value of your investment in our securities could decline.

Our corporate governance structure, including provisions in our certificate of incorporation and by-laws and Delaware law, may prevent a change in control or management that security holders may consider desirable

Section 203 of the General Corporation Law of the State of Delaware and our certificate of incorporation and by-laws contain provisions that might enable our management to resist a takeover of our company or discourage a third party from attempting to take over our company. These provisions include the inability of stockholders to act by written consent or to call special meetings, a classified board of directors and the ability

of our board of directors to designate the terms of and issue new series of preferred stock without stockholder approval.

These provisions could have the effect of delaying, deferring, or preventing a change in control of us or a change in our management that stockholders may consider favorable or beneficial. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors and take other corporate actions. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock or our other securities.

Item 6. Exhibits

(a) Exhibits

See the Exhibit Index on the page immediately preceding the exhibits for a list of exhibits filed as part of this quarterly report, which Exhibit Index is incorporated herein by this reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE MEDICINES COMPANY

Date: May 9, 2007	By:	/s/ Glenn P. Sblendorio Glenn P. Sblendorio Executive Vice President and Chief Financial Officer

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EXHIBIT INDEX

Exhibit Number	Description
10.1	Summary of Board of Director Compensation
10.2	Consulting Agreement dated April 6, 2007 between the registrant and Hiroaki Shigeta
31.1	Chairman and Chief Executive Officer Certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Chief Financial Officer Certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Chairman and Chief Executive Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002