IMARX THERAPEUTICS INC
Form 424B1
July 26, 2007

Table of Contents

Filed pursuant to Rule 424(b)(1)
File No.: 333-142646

PROSPECTUS

3,000,000 Shares

Common Stock

$5.00 per share

This is the initial public offering of our common stock. We are selling 3,000,000 shares of our common stock at $5.00 per share. Prior to this offering, there has been no public market for our common stock. Our common stock has been approved for listing on the NASDAQ Capital Market under the symbol IMRX.

Investing in our common stock involves a high degree of risk. Please read the Risk Factors beginning on page 9.

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

	Per Share	Total
Public offering price	$ 5.00	$ 15,000,000
Underwriting discounts	$ 0.35	$ 1,050,000
Proceeds to us (before offering-related expenses)	$ 4.65	$ 13,950,000

We expect total costs and expenses of this offering to be approximately $1.6 million, which will include a non-accountable expense allowance of 2.0% of the gross proceeds of this offering, or $300,000, payable to the representative of the underwriters. We have granted the underwriters a 45-day option to purchase up to 450,000 shares of common stock on the same terms and conditions as set forth above, solely to cover over-allotments, if any. Upon completion of this offering we will issue warrants to purchase up to 175,000 shares of our common stock at an exercise price of $5.75 per share to the representative of the underwriters, or representative s warrants, as additional compensation for its services in connection with this offering.

The underwriters are offering the common stock on a firm commitment basis and expect to deliver the shares to purchasers on or about July 31, 2007.

Maxim Group LLC
Sole Bookrunner

I-Bankers Securities, Inc.

The date of this prospectus is July 25, 2007

Table of Contents

Table of Contents

You should rely only on the information contained in this prospectus or any filed issuer free writing prospectus. We have not, and the underwriters have not, authorized anyone to provide you with information different from that contained in this prospectus or any filed issuer free writing prospectus. We are offering to sell, and are seeking offers to buy, shares of common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus or any filed issuer free writing prospectus is accurate only as of its date, regardless of its time of delivery or of any sale of the common stock.

Table of Contents

Summary

You should read the entire prospectus carefully before deciding to invest in shares of our common stock.

ImaRx Therapeutics, Inc.

Overview

We are a biopharmaceutical company developing and commercializing therapies for vascular disorders. Our research and development efforts are focused on therapies for stroke and other vascular disorders, using our proprietary microbubble technology to treat vascular occlusions, or blood vessel blockages, as well as the resulting ischemia, which is tissue damage caused by a reduced supply of oxygen. Our commercialization efforts are currently focused on our product approved by the U.S. Food and Drug Administration, or FDA, for the treatment of acute massive pulmonary embolism, or blood clots in the lungs.

Over eight million people in the U.S. are afflicted each year with complications related to blood clots. Approximately 700,000 adults in the U.S., or one every 45 seconds, are afflicted with, and 150,000 die as a result of, some form of stroke each year. Stroke is currently the third leading cause of death, and the leading cause of disability, in the United States. Approximately three million Americans are currently disabled from stroke. The American Stroke Association estimates that approximately $62.7 billion will be spent in the U.S. in 2007 for stroke-related medical costs and disability.

The vast majority of strokes, approximately 87% according to the American Stroke Association, are ischemic strokes, meaning that they are caused by blood clots, while the remainder are the more deadly hemorrhagic strokes caused by bleeding in the brain. Currently available treatment options for ischemic stroke are subject to significant therapeutic limitations. For example, the most widely used treatment for ischemic stroke is a clot-dissolving, or thrombolytic, drug that can be administered only during a narrow time window and poses a risk of bleeding, resulting in 6% or less of ischemic stroke patients receiving such treatment. To facilitate increased administration of stroke therapies, in 2005 the Centers for Medicare and Medicaid Services, or CMS, responded to requests by the American Stroke Association and related groups for higher reimbursement amounts for ischemic stroke patients treated with a thrombolytic drug by approximately doubling the amount of reimbursement provided for such treatment to $11,578 per patient.

In addition to the brain and the lungs, blood clots can block blood flow and cause damage to other tissues in the body such as the heart, in the case of coronary arterial disease, and the legs and other extremities, in the case of peripheral vascular disease. We believe our development and research stage products may address significant unmet medical needs not only for stroke but also for clot-induced damage in tissues other than the brain.

Our Commercial and Development Stage Products

The following table summarizes the status of our commercial product and development stage product candidates:

Product or Candidate	Product Elements	Indication	Development Status
SonoLysis™+*tPA* therapy	MRX-801 microbubbles Ultrasound tPA	Ischemic stroke	Phase I/II clinical trial in progress

SonoLysis therapy	MRX-801 microbubbles Ultrasound	Ischemic stroke	Preclinical
Abbokinase®	Urokinase	Acute massive pulmonary embolism	Approved for marketing

Table of Contents

SonoLysis Program. Our SonoLysis program is focused on the development of two product candidates that involve the administration of our proprietary MRX-801 microbubbles and ultrasound, with or without a thrombolytic drug, to break up blood clots and restore blood flow to oxygen deprived tissues. Our MRX-801 microbubbles are a proprietary formulation of a lipid shell encapsulating an inert biocompatible gas. We believe the sub-micron size of our MRX-801 microbubbles allows them to penetrate a blood clot, so that when ultrasound is applied their expansion and contraction, or cavitation, can break the clot into very small particles. We believe that these product candidates have the potential to treat a broad variety of vascular disorders associated with blood clots.

Our initial therapeutic focus for our SonoLysis program is ischemic stroke. The only FDA approved drug for the treatment of ischemic stroke is the thrombolytic drug alteplase, or tPA. The FDA has restricted tPA s use to patients who are able to begin treatment within three hours of onset of ischemic stroke symptoms and who do not have certain risk factors for bleeding, such as recent surgery or taking medications that prevent clotting. According to Datamonitor, approximately 23% of ischemic stroke patients arrive at a hospital within three hours of onset of symptoms. However, due to the three-hour window for treatment and other limitations, only 1.6% to 2.7% of patients with ischemic stroke in community hospitals, and only 4.1% to 6.3% in academic hospitals or specialized stroke centers are treated with a thrombolytic therapy. Our two SonoLysis product candidates being developed as potential treatments for ischemic stroke are further described below:

SonoLysis+tPA therapy involves the administration of our proprietary MRX-801 microbubbles and ultrasound in conjunction with tPA. We believe that this therapeutic approach incorporates two complementary mechanisms of action, mechanical and enzymatic, that together can reduce the time required to dissolve a blood clot and help ensure more rapid and complete restoration of blood flow to at risk brain tissues in patients with ischemic stroke. We are conducting a Phase I/II dose-escalation clinical trial evaluating SonoLysis+*tPA* therapy in patients with ischemic stroke. We initiated this trial in January 2007, and intend to enroll a total of 72 patients in various medical centers in the United States and Europe. We anticipate enrollment for this trial will be completed in the first half of 2008 and intend to initiate a Phase II study following completion of the ongoing Phase I/II study. We estimate that if approved by the FDA, over 90,000 ischemic stroke patients in the U.S. could be eligible for SonoLysis+*tPA* therapy annually.

SonoLysis therapy involves administration of our MRX-801 microbubbles with ultrasound, but without the administration of a thrombolytic drug. Because SonoLysis therapy does not involve use of a thrombolytic drug and its associated risk of bleeding, we believe SonoLysis therapy may offer advantages over existing treatments for ischemic stroke, including extending the treatment window beyond three hours from onset of symptoms and broadening treatment availability to patients for whom thrombolytic drugs are contraindicated due to risk of bleeding. We have not yet conducted any clinical trials using our proprietary MRX-801 microbubbles with ultrasound to treat blood clot indications without a thrombolytic drug. We are conducting and intend to conduct additional preclinical studies of SonoLysis therapy through the first half of 2008. We expect to initiate a Phase II study to treat patients with ischemic stroke following completion of our SonoLysis+*tPA* therapy Phase I/II clinical trial. Because of the preclinical data package as well as our ongoing Phase I/II clinical trial evaluating SonoLysis+*tPA* therapy in patients with ischemic stroke, we believe no Phase I study will be required prior to initiating the Phase II study for SonoLysis therapy. We estimate that if approved by the FDA, over 200,000 ischemic stroke patients in the U.S. could be eligible for SonoLysis therapy annually.

Abbokinase. Our commercially available urokinase product, which we market as Abbokinase, is a thrombolytic drug. Urokinase is a natural human protein primarily produced in the kidneys that stimulates the body s natural clot-dissolving processes. Abbokinase is FDA approved and marketed for the treatment of acute massive pulmonary embolism. Abbokinase has been administered to over four million patients, and we estimate that approximately 400 acute care hospitals in the U.S. include Abbokinase on their pharmacy formulary today. We acquired Abbokinase,

including approximately a four-year supply of inventory, from Abbott Laboratories in April 2006, and began selling Abbokinase in October 2006. We believe Abbokinase sales will provide us with near-term revenue and an opportunity to form relationships with vascular physicians and acute care institutions that regularly administer blood clot therapies. Of the Abbokinase vials that we

Table of Contents

expect hospitals to purchase, approximately 64% as of March 31, 2007 will no longer be saleable after October 2007 based on their current expiration dates. All of these vials are currently unlabeled and therefore eligible for expiration date extension. In order to facilitate obtaining an extension of current expiration dates, we intend to continue the stability testing program started by Abbott Laboratories, which has been ongoing for over four years. Based on the testing to date, which has shown that the product changes very little from year to year, we believe it is probable that the stability data will support extension of the inventory expiration dates. In connection with our Abbokinase acquisition, we issued a $15.0 million non-recourse promissory note that matures in December 2007. If we are unable to satisfy this debt obligation when due, Abbott Laboratories will have the right to reclaim our remaining inventory of Abbokinase, along with a portion of the cash we have received from our sales of Abbokinase. In April 2007 we sold approximately $9.0 million of Abbokinase, net of discounts and fees, to two of our primary wholesalers. As of June 30, 2007, we had received aggregate net proceeds of approximately $13.8 million from sales of Abbokinase to our wholesalers and customers, of which approximately $4.2 million has been placed into an escrow account as security for repayment of our $15.0 million non-recourse promissory note due in December 2007. If the escrowed amount were to be applied to the outstanding balance of principal and accrued interest on that note, the remaining balance due under the note would be approximately $11.9 million as of June 30, 2007.

Our Research Stage Product Candidates

The following table summarizes the status of our research stage product candidates:

Product Candidate	Product Elements	Indication(s)	Research Status
SonoLysis therapy	MRX-801 microbubbles	Ischemic stroke in pre-hospital setting	Preclinical
	Ultrasound		
SonoLysis+*tPA* therapy	MRX-801 microbubbles	Myocardial infarction	Preclinical
	Ultrasound	Peripheral arterial occlusive disease	Preclinical
	tPA	Deep vein thrombosis	Preclinical
$NanO_2^{tm}$	MRX-804 emulsion/microbubbles	Hemorrhagic shock	Preclinical
		Neuroprotection for ischemic stroke	Research
Targeted SonoLysis therapy	MRX-802 targeted microbubbles	Myocardial infarction and other vascular clots	Research
Targeted drug delivery	MRX-803 targeted drug delivery microbubbles	Angiogenic tumors	Research

Additional SonoLysis Opportunities. We believe SonoLysis therapy may be suitable for administration for ischemic stroke in an ambulance before arriving at a hospital because it does not involve use of a thrombolytic drug and its associated risk of bleeding. To pursue an ambulance-based ischemic stroke treatment, we would be required to show either that hemorrhage can be ruled out in an ambulance setting, or that SonoLysis therapy has no detrimental effect on a hemorrhagic stroke. Additionally, we believe that the ability of our SonoLysis+*tPA* therapy to reduce the time required to dissolve a blood clot could make this therapy suitable for use in treating a broad variety of vascular

disorders beyond ischemic stroke. For example, we believe SonoLysis+*tPA* therapy could potentially enable more rapid treatment of recently formed acute clots, such as those that cause myocardial infarction, or heart attack. We also believe SonoLysis+*tPA* therapy has the potential to treat more established sub-acute and chronic clots, such as those in peripheral vascular indications that cannot be effectively treated with thrombolytic therapy alone.

Other Research Stage Opportunities. We are exploring a number of potential future product development opportunities based on our microbubble technology, including:

Oxygen Delivery. We are investigating the potential use of our proprietary MRX-804 emulsion/microbubbles, which we call NanO_2, to carry oxygen to parts of the body as a potential treatment for a

Table of Contents

broad variety of disorders in which reduced blood flow results in oxygen-deprived tissues, such as ischemic stroke, heart attack, and injuries that involve significant blood loss, or hemorrhagic shock. We are working with an academic collaborator who has recently received an approximately $700,000 grant from the U.S. Department of Defense to conduct preclinical animal studies of MRX-804 microbubbles to treat hemorrhagic shock. We believe our $NanO_2$ product candidate may have the ability to be stored at room temperature, which could make it suitable for emergency battlefield or ambulance-based treatments.

Targeted SonoLysis Therapy. Our research team has developed MRX-802, our next generation SonoLysis microbubbles with targeting technology that causes the microbubbles to bind to blood clots. We believe that our MRX-802 targeted microbubbles will have a greater ability to break-up blood clots than non-targeted microbubbles when combined with ultrasound. To further the research on our next generation SonoLysis technology, we have received and are near the mid-point of our work on an approximately $1.2 million grant from the National Institutes of Health, or NIH, to study MRX-802 targeted microbubbles to treat vascular clots.

Targeted Drug Delivery. We have also developed targeted drug delivery microbubbles, known as MRX-803, which have the potential for selective drug delivery when used in conjunction with ultrasound. We have received an approximately $1.0 million subcontract and have reached the mid-point of our research on an NIH grant to study the use of our proprietary MRX-803 targeted drug delivery microbubbles to treat a variety of tumors. We believe this technology has the potential for broad applications, including delivering drugs to dissolve blood clots or arterial plaque as well as to treat a variety of types of cancer.

Our Business Strategy

Our goal is to become the leading provider of therapies for stroke and other vascular disorders by developing and marketing products to treat occlusions as well as the resulting ischemia. The key elements of our business strategy are to:

develop and commercialize our SonoLysis product candidates to expand the number of ischemic stroke patients who are eligible for treatment;

sell our Abbokinase inventory and benefit from our commercial relationships;

leverage our SonoLysis product candidates to accelerate initiation of treatment for ischemic stroke in an ambulance setting and address additional clot disorders in cardiology and peripheral vascular disease; and

create a deep pipeline of products based on our microbubble technologies to address additional indications.

Risks Related to Our Business and Business Strategy

Our business is subject to numerous risks that could prevent us from successfully implementing our business strategy. These risks are highlighted in the section entitled Risk Factors immediately following this prospectus summary, and include the following:

we have a history of operating losses, including an accumulated deficit of approximately $65.5 million and an overall stockholders deficit of approximately $32.7 million at March 31, 2007, and expect to continue to incur substantial losses for the foreseeable future;

we will need substantial additional capital to fund our operations;

we may never complete clinical development of our product candidates or have more than one product approved for marketing, and even if approved, our product candidates may never achieve market acceptance;

Table of Contents

failure to comply with various government regulations in connection with the development, manufacture and commercialization of our product candidates, and post-approval manufacturing and marketing of our products, could result in significant interruptions or delays in our development and commercialization activities;

we may not be able to sell our inventory of Abbokinase at such times, in such quantities, and at such prices as we anticipate, or at all;

if we are unable to meet testing specifications for extension of the expiration dates currently applicable to about 64% of our vials of Abbokinase that we expect hospitals to purchase, we will not be allowed to continue selling these vials after October 2007;

if we fail to satisfy our December 2007 debt obligation to Abbott Laboratories, Abbott Laboratories could reclaim our remaining inventory of Abbokinase, along with the portion of the cash we have received from our sales of Abbokinase that is in an escrow account; and

we compete against companies that have longer operating histories, more established products and greater resources than we do.

In addition, our independent registered public accounting firm has expressed doubt as of May 4, 2007 about our ability to continue as a going concern.

Our Corporate Information

We were organized as an Arizona limited liability company on October 7, 1999, which was our date of inception for accounting purposes. We were subsequently converted to an Arizona corporation on January 12, 2000, and then reincorporated as a Delaware corporation on June 23, 2000. Our principal executive offices are located at 1635 E. 18th St., Tucson, Arizona 85719, and our telephone number at that location is (520) 770-1259. Our corporate website address is www.imarx.com. The information contained in or that can be accessed through our corporate website is not part of this prospectus. Unless the context indicates otherwise, as used in this prospectus, the terms ImaRx, we, us and our refer to ImaRx Therapeutics, Inc., a Delaware corporation.

We have rights to use Abbokinase®, which is a U.S. registered trademark owned by Abbott Laboratories. We use SonoLysis™, $NanO_2$™ and the ImaRx Therapeutics logo as trademarks in the U.S. and other countries. All other trademarks and trade names mentioned in this prospectus are the property of their respective owners.

Table of Contents

The Offering

Common stock offered	3,000,000 shares
Common stock to be outstanding after this offering	10,007,868 shares
Initial public offering price	$5.00 per share
Use of proceeds	To continue the development of our product candidates, including clinical trials, to fund our commercialization efforts, to fund our research and preclinical development activities, and for working capital and other general corporate purposes including a possible partial repayment of debt. See Use of Proceeds.
NASDAQ Capital Market symbol	Our common stock has been approved for listing on the NASDAQ Capital Market under the symbol IMRX .

The number of shares to be outstanding immediately after this offering as shown above is based on 7,007,868 shares outstanding as of May 31, 2007 and excludes:

- 550,959 shares of common stock issuable upon the exercise of options outstanding having a weighted average exercise price of $18.43 per share, under our 2000 Stock Plan,;
- 233,321 shares of common stock issuable upon the exercise of options to be granted under our 2000 Stock Plan upon completion of this offering, having an exercise price of $5.00 per share;
- 38,500 shares of common stock to be issued pursuant to restricted stock grants under our 2000 Stock Plan upon completion of this offering;
- 352,324 shares of common stock issuable upon the exercise of warrants outstanding, having a weighted average exercise price of $15.79 per share;
- 175,000 shares of common stock issuable upon the exercise of the representative s warrant and 496,589 shares of common stock issuable upon the exercise of other warrants to be granted upon completion of this offering, having an exercise price of $5.75; and
- 850,000 shares of common stock reserved for future issuance under our 2007 Performance Incentive Plan, which became effective immediately upon the signing of the underwriting agreement for this offering, subject to increases resulting from the rollover of terminated and expired options originally granted under our 2000 Stock Plan.

Except as otherwise indicated, all information in this prospectus assumes:

- the conversion of all our outstanding shares of preferred stock into 4,401,129 shares of common stock upon the closing of this offering, based on a 1-to-1.176 conversion ratio of our Series F preferred stock. See Conversion of Series F Preferred Stock ;
- a one-for-three reverse stock split of our common stock that was effected on May 4, 2007;

the filing of our amended and restated certificate of incorporation upon completion of this offering; and

no exercise of the underwriters over-allotment option.

Table of Contents

Summary Consolidated Financial Data

The following tables summarize certain of our consolidated financial data. We derived the consolidated statements of operations data for the years ended December 31, 2004, 2005 and 2006 from our consolidated audited financial statements included elsewhere in this prospectus. We derived the consolidated statements of operations data for the three months ended March 31, 2006 and 2007, as well as the balance sheet data at March 31, 2007 from our unaudited financial statements included elsewhere in this prospectus. You should read this data together with our financial statements and related notes included elsewhere in this prospectus and the information under Selected Consolidated Financial Data and Management s Discussion and Analysis of Financial Condition and Results of Operations. (Dollar amounts in thousands, except for per share data.)

	Years Ended December 31,			Three Months Ended March 31,	
	2004	2005	2006	2006	2007
				(Unaudited)	
Consolidated Statements of Operations Data:					
Product sales, grant and other revenue	$ 575	$ 619	$ 1,327	$ 177	$ 1,208
Costs and expenses:					
Cost of product sales			204		461
Research and development	2,490	3,579	8,396	1,723	1,500
General and administrative	3,183	4,142	7,371	1,618	1,098
Depreciation and amortization	186	194	1,049	60	363
Acquired in-process research and development		24,000			
Total cost and expenses	5,859	31,915	17,020	3,401	3,422
Interest and other income, net	29	122	381	104	41
Interest expense	(469)	(587)	(1,515)	(225)	(225)
Gain on extinguishment of debt		3,835	16,128		
Net loss	(5,724)	(27,926)	(699)	(3,345)	(2,398)
Accretion of dividends on preferred stock	(301)	(601)	(1,167)	(150)	(433)
Net loss attributable to common stockholders	$ (6,025)	$ (28,527)	$ (1,866)	$ (3,495)	$ (2,831)
Net loss attributable to common stockholders per share Basic and diluted	$ (5.37)	$ (15.11)	$ (0.72)	$ (1.35)	$ (1.09)
Weighted average shares outstanding Basic and diluted	1,122,881	1,888,291	2,599,425	2,585,315	2,605,915

Table of Contents

The following table sets forth a summary of our consolidated balance sheet data at March 31, 2007:

on an actual basis;

on a pro forma basis to reflect the conversion of all outstanding shares of preferred stock, valued on our balance sheet at approximately $40.3 million, into 4,401,129 shares of common stock upon the closing of this offering; and

on a pro forma as adjusted basis to reflect our receipt of the estimated net cash proceeds from our sale of 3,000,000 shares of common stock in this offering at an initial public offering price of $5.00, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

	At March 31, 2007		
	Actual	Pro Forma	Pro Forma as Adjusted
		(In thousands) (Unaudited)	
Consolidated Balance Sheet Data:			
Cash and cash equivalents	$ 2,748	$ 2,748	$ 15,053
Working capital(1)	583	583	12,888
Total assets	23,384	23,384	35,689
Redeemable convertible preferred stock	36,297		
Total stockholders equity (deficit)	$ (32,676)	$ 3,621	$ 15,926

(1) Includes $147,000 of deferred financing costs.

Table of Contents

Risk Factors

Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors and all other information contained in this prospectus before purchasing our common stock. If any of the following events were to occur, our business, financial condition or results of operations could be materially and adversely affected. In these circumstances, the market price of our common stock could decline, and you may lose some or all of your investment.

Risks Relating to Our Business

Unless we are able to generate sufficient product or other revenue, we will continue to incur losses from operations and may never achieve or maintain profitability.

We have a history of net losses and negative cash flow from operations since inception. In the quarter ended March 31, 2007, we generated product revenue of approximately $1.1 million and have funded our operations primarily from private sales of our securities. Net losses attributable to common stockholders for the fiscal years ended December 31, 2004, 2005, and 2006 were approximately $6.0 million, $28.5 million, and $1.9 million, respectively, and for the quarters ended March 31, 2006 and 2007 we had net losses attributable to common stockholders of approximately $3.5 million and $2.8 million, respectively. At March 31, 2007, we had an accumulated deficit of approximately $65.5 million. Except for Abbokinase, which is approved and marketed for the treatment of acute massive pulmonary embolism and which we acquired from Abbott Laboratories in April 2006, we do not have regulatory approval for any of our product candidates. Even if we receive regulatory approval for any product candidates, sales of such products may not generate sufficient revenue for us to achieve or maintain profitability.

Our ability to generate revenue depends on a number of factors, including our ability to:

- market and sell our sole commercial product, Abbokinase, or any of our product candidates if we ever obtain regulatory approval for their sale;
- obtain regulatory approval for SonoLysis+*tPA* therapy, SonoLysis therapy, $NanO_2$ and other product candidates;
- obtain commercial quantities of our products after approval at acceptable cost levels; and
- enter into strategic partnerships for some of our product candidates.

We anticipate that our expenses will increase substantially following this offering as a result of:

- research and development programs, including significant requirements for clinical trials, preclinical testing, contract manufacturing, and potential regulatory submissions;
- developing additional infrastructure and hiring additional management and other employees to support the anticipated growth of our development and regulatory activities;
- regulatory submissions and commercialization activities;

additional costs for intellectual property protection and enforcement; and

expenses as a result of being a public company.

Because of the numerous risks and uncertainties associated with developing and commercializing our potential products, we may experience larger than expected future losses and may never become profitable.

Our independent registered public accounting firm has expressed substantial doubt about our ability to continue as a going concern.

We have received an audit report from our independent registered accounting firm containing an explanatory paragraph stating that our historical recurring losses from operations and net capital deficiency raise substantial doubt about our ability to continue as a going concern. We believe that the completion of this offering will eliminate this doubt and allow us to continue as a going concern at least in the near term. We

Table of Contents

estimate that the net proceeds from this offering and our existing cash and cash equivalents will be sufficient to meet our anticipated cash requirements until September 2008, assuming continuing sales of Abbokinase (including the extension of product expiration date) to wholesalers will be adequate to repay the $15.0 million note due to Abbott Laboratories on December 31, 2007. We believe that, based on conversations with our wholesale distributors about the current market demand for Abbokinase, we will sell a sufficient amount of Abbokinase prior to December 31, 2007 to repay the note to Abbott Laboratories. It is possible that the sales of Abbokinase that we expect to occur prior to December 31, 2007 may instead occur in the first quarter of 2008 or later. In such event we would use a portion of the net proceeds of this offering to repay the note on December 31, 2007 and we would replenish our cash resources from subsequent sales of Abbokinase. Alternatively, we may refinance the note using our Abbokinase inventory as collateral. If we are unable to complete this offering, we will need to obtain alternative financing and modify our operational plans to continue as a going concern.