MEDICINES CO /DE
Form 10-Q
May 11, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended: March 31, 2009

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

THE MEDICINES COMPANY

(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 Sylvan Way **Parsippany, New Jersey**	**07054**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: **(973) 290-6000**

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 þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes o No o

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

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company 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 þ

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 7, 2009, there were 52,736,095 shares of Common Stock, $0.001 par value per share, outstanding.

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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. References to the Company, we, us or our mean The Medicines Company, a Delaware corporation, and its subsidiaries.

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 in 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.

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Item 1. Financial Statements

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

	March 31, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 38,202	$ 81,018
Available for sale securities	126,110	135,188
Accrued interest receivable	1,241	1,336
Accounts receivable, net of allowances of approximately $2,434 and $1,889 at March 31, 2009 and December 31, 2008, respectively	34,976	33,657
Inventory	24,225	28,229
Prepaid expenses and other current assets	16,423	16,402
Total current assets	241,177	295,830
Fixed assets, net	27,537	27,331
Intangible assets, net	16,056	16,349
In-process research and development	67,200	
Goodwill	27,154	
Restricted cash	8,004	5,000
Deferred tax assets	12,428	37,657
Other assets	5,328	5,237
Total assets	$ 404,884	$ 387,404
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 6,621	$ 12,968
Accrued expenses	65,549	61,028
Deferred revenue	5,044	9,612
Total current liabilities	77,214	83,608
Contingent purchase price	22,000	
Other liabilities	5,627	5,771
Total liabilities	104,841	89,379
Commitments and contingencies		
Stockholders equity:		
Preferred stock, $1.00 par value per share, 5,000,000 shares authorized; no shares issued and outstanding		
Common stock, $0.001 par value per share, 125,000,000 shares authorized; 52,743,274 and 52,280,006 issued and outstanding at March 31, 2009 and December 31, 2008, respectively	53	52
Additional paid-in capital	571,351	565,083

Accumulated deficit	(271,296)	(267,948)
Accumulated other comprehensive (loss) income	(65)	838
Total stockholders equity	300,043	298,025
Total liabilities and stockholders equity	$ 404,884	$ 387,404

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2009	**2008**
Net revenue	$ 99,217	$ 79,427
Operating expenses:		
Cost of revenue	28,297	19,092
Research and development	24,436	18,663
Selling, general and administrative	53,595	35,350
Total operating expenses	106,328	73,105
(Loss) income from operations	(7,111)	6,322
Other income	1,170	2,381
(Loss) income before income taxes	(5,941)	8,703
Benefit from (provision for) income taxes	2,593	(3,850)
Net (loss) income	$ (3,348)	$ 4,853
Basic (loss) earnings per common share	$ (0.06)	$ 0.09
Shares used in computing basic (loss) earnings per common share	52,141	51,749
Diluted (loss) earnings per common share	$ (0.06)	$ 0.09
Shares used in computing diluted (loss) earnings per common share	52,141	52,274

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2009	**2008**
Cash flows from operating activities:		
Net (loss) income	$ (3,348)	$ 4,853
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization	1,350	543
Amortization of net premiums and discounts on available for sale securities	415	(261)
Unrealized foreign currency transaction losses, net	99	
Non-cash stock compensation expense	5,443	4,562
Loss on disposal of fixed assets	11	
Gain on sales of available for sale securities		(43)
Deferred tax (benefit) provision	(2,570)	3,003
Tax effect of option exercises	(63)	13
Changes in operating assets and liabilities:		
Accrued interest receivable	95	312
Accounts receivable	(1,045)	(4,446)
Inventory	3,961	2,381
Prepaid expenses and other current assets	597	(2,094)
Other assets		(43)
Accounts payable	(9,442)	(3,984)
Accrued expenses	3,699	(11,883)
Deferred revenue	(4,535)	
Other liabilities	(557)	
Net cash used in operating activities	(5,890)	(7,087)
Cash flows from investing activities:		
Purchases of available for sale securities	(39,330)	(42,205)
Maturities and sales of available for sale securities	47,786	38,538
Purchases of fixed assets	(5,712)	(833)
Acquisition of business, net of cash acquired	(37,168)	
Increase in restricted cash	(3,004)	
Net cash used in investing activities	(37,428)	(4,500)
Cash flows from financing activities:		
Proceeds from issuances of common stock, net	890	1,298
Net cash provided by financing activities	890	1,298
Effect of exchange rate changes on cash	(388)	2
Decrease in cash and cash equivalents	(42,816)	(10,287)
Cash and cash equivalents at beginning of period	81,018	88,127
Cash and cash equivalents at end of period	$ 38,202	$ 77,840

Supplemental disclosure of cash flow information:		
Interest paid	$	$
Taxes paid	$ 58	$ 551
Supplemental disclosure of non-cash investing activities:		
Fixed asset additions included in current liabilities	$	$ 35

See accompanying notes to unaudited condensed consolidated financial statements.

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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 global pharmaceutical company focused on advancing the treatment of critical care patients through the delivery of innovative, cost-effective medicines to the worldwide hospital marketplace. The Company has two marketed products, Angiomax® (bivalirudin) and Cleviprex® (clevidipine butyrate) injectable emulsion, two products in late-stage development, cangrelor and oritavancin, and one compound, CU2010, scheduled to enter clinical development in 2009. The Company believes that Angiomax, Cleviprex and its three product candidates share common features valued by hospital practitioners, including a high level of pharmacological specificity, potency and predictability. The Company believes that Angiomax, Cleviprex and its three product candidates possess favorable attributes that competitive products do not provide, can satisfy unmet medical needs in the critical care hospital product market and offer improved performance to hospital businesses.

The Company markets Angiomax, an intravenous direct thrombin inhibitor, primarily in the United States and Europe (under the name Angiox ® (bivalirudin)) to interventional cardiology customers for its approved uses in patients undergoing percutaneous coronary intervention (PCI), including in 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, multi- organ failure and death. In Europe, the Company also markets Angiomax for use in adult patients with acute coronary syndrome (ACS). The Company markets Cleviprex to anesthesiology/surgery, critical care and emergency department practitioners in the United States for its approved use for the reduction of blood pressure when oral therapy is not feasible or not desirable. Cleviprex is not approved for use outside of the United States. During the first quarter of 2009, the Company submitted via the Decentralized Procedure marketing authorization applications (MAA) for Cleviprex in the European Union for the reduction of blood pressure when rapid and predictable control is required. The Company intends to continue to develop Angiomax and Cleviprex for use in additional patient populations.

In addition to Angiomax and Cleviprex, the Company is currently developing three other pharmaceutical products as potential critical care hospital products. The first of these, 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 is currently conducting Phase III clinical trials of cangrelor. The second, oritavancin, is a novel intravenous antibiotic which the Company is developing for the treatment of serious gram-positive bacterial infections, including complicated skin and skin structure infections (cSSSI), bacteremia, which is an infection of the bloodstream, and other possible indications. The Company acquired oritavancin in February 2009 in connection with its acquisition of Targanta Therapeutics Corporation (Targanta). The Company plans to consult with regulatory authorities with a view to initiating a confirmatory Phase III study of oritavancin given as a single dose infusion as well as the daily dosing regimen examined in a previous Phase III trial conducted by Targanta. The third potential product, CU2010, is a small molecule serine protease inhibitor that the Company is developing for the prevention of blood loss during surgery. The Company acquired CU2010 in August 2008 in connection with its acquisition of Curacyte Discovery GmbH (Curacyte Discovery). The Company expects to initiate Phase I clinical trials of CU2010 in 2009.

The Company has historically focused its commercial sales and marketing resources on the U.S. hospital market, with revenues to date being generated primarily from sales of Angiomax in the United States. Prior to July 1, 2007, the Company relied on third-party distributors to market and distribute Angiomax outside the United States. On July 1, 2007, the Company entered into a series of agreements with Nycomed Danmark ApS (Nycomed), pursuant to which the Company terminated its distribution agreement with Nycomed and reacquired all rights held by Nycomed with respect to the distribution and marketing of Angiox in the European Union (excluding Spain, Portugal and Greece) and the former Soviet republics (the Nycomed territory). Under these arrangements, the Company assumed control of the marketing of Angiox immediately and control of the distribution of Angiox in the Nycomed territory in the second half of 2008. The Company s initial focus outside the United States is on the four largest markets in Europe, Germany, France, Italy and the United Kingdom, which, like the United States, have a concentration of hospitals that

conduct a large percentage of critical care procedures. Prior to reacquiring the rights to Angiox in the Nycomed territory, the Company initiated research to understand the PCI market, as well as the hypertension market, on a global basis, including profiling hospitals and identifying key opinion leaders. Since reacquiring these rights, the Company has developed a business infrastructure to conduct the international sales and marketing of Angiox, including the formation of subsidiaries in the Netherlands, Switzerland, Germany, France, Italy and Sweden in addition to the Company s pre-existing subsidiary in the United Kingdom. The Company also obtained the licenses and

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authorizations necessary to distribute the products in the various countries in Europe, hired new personnel and entered into third-party arrangements to provide services, such as importation, packaging, quality control and distribution. The Company believes that by establishing operations in Europe for Angiox, the Company will be positioned to commercialize its pipeline of critical care product candidates, including Cleviprex, cangrelor, oritavancin and CU2010, in Europe, if and when they are approved.

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 (GAAP) for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all the information and footnotes required by GAAP 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 condensed 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 months ended March 31, 2009 are not necessarily indicative of the results that may be expected for the entire fiscal year or any other quarter of the fiscal year ending December 31, 2009. 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, 2008, filed with the Securities and Exchange Commission (SEC).

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 original maturities at the date of purchase of three months or less to be cash equivalents. Cash and cash equivalents included cash of $34.3 million and $46.9 million at March 31, 2009 and December 31, 2008, respectively. Cash and cash equivalents at March 31, 2009 and December 31, 2008 included investments of $3.9 million and $34.1 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, 2009 and December 31, 2008, the Company held available for sale securities with a fair value totaling $126.1 million and $135.2 million, respectively. These available for sale securities included various U.S. government agency notes, corporate debt securities and asset backed securities. At March 31, 2009 and December 31, 2008, all of the Company s available for sale securities had maturities within one year.

Fair Value Measurements

On January 1, 2008, the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurement (SFAS No. 157) for financial assets and liabilities. As permitted by Financial Accounting Standards Board (FASB) Staff Position 157-2 (FSP 157-2), the Company elected to defer until January 1, 2009 the adoption of SFAS No. 157 for all

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nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. SFAS No. 157 provides a framework for measuring fair value under GAAP and requires expanded disclosures regarding fair value measurements. SFAS No. 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS No. 157 also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs, where available, and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities. The Company s Level 1 assets and liabilities include investments in available for sale securities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. At March 31, 2009, the Company did not have any Level 2 assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The Company s Level 3 assets and liabilities consist of the contingent purchase price associated with the Targanta acquisition (Note 7). The fair value of the contingent purchase price was determined utilizing a probability weighted discounted financial model.

The following table sets forth the Company s assets and liabilities that were measured at fair value on a recurring basis at March 31, 2009 by level within the fair value hierarchy. As required by SFAS No. 157, assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability:

Assets and Liabilities	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at March 31, 2009
		(in thousands)		
Assets:				
Available for sale securities	$126,110	$	$	$ 126,110
Liabilities:				
Contingent purchase price	$	$	$ 22,000	$ 22,000

Restricted Cash

On October 11, 2007, the Company entered into a new lease for office space in Parsippany, New Jersey. The Company relocated its principal executive offices to the new space in the first quarter of 2009. Restricted cash of $8.0 million and $5.0 million at March 31, 2009 and December 31, 2008, respectively, collateralizes outstanding letters of credit associated with such lease. The funds are invested in certificates of deposit. Under the lease, the Company agreed to increase the amount of the letter of credit on the Phase I Estimated Commencement Date, as defined in the lease, by an additional $3.0 million for a total letter of credit of $8.0 million. The Phase I Commencement Date occurred during the fourth quarter of 2008 and the Company increased the letter of credit to

$8.0 million in the first quarter of 2009. The letter of credit permits draws by the landlord to cure defaults by the Company. The amount of the letter of credit is subject to reduction upon the achievement of certain regulatory and operational milestones relating to the Company s products. However, in no event will the amount of the letter of credit be reduced below approximately $1.0 million.

Revenue Recognition

Product Sales. The Company distributes Angiomax and Cleviprex in the United States through a sole source distribution model. Under this model, the Company sells Angiomax and Cleviprex to its sole source distributor, which then sells Angiomax and Cleviprex 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. Outside of the United States, the Company sells Angiomax either directly to hospitals or to

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wholesalers or international distributors, which then sell Angiomax to hospitals. At March 31, 2009 and December 31, 2008, the Company had deferred revenue of $0.2 million and $0.4 million, respectively, associated with sales of Angiomax to wholesalers outside of the United States. The Company recognizes revenue from such sales when hospitals purchase the product.

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 the sale of the product, the amount of returns can be reasonably estimated and collectability is reasonably assured.

The Company began selling Cleviprex in the United States in September 2008. Initial gross wholesaler orders of Cleviprex in the United States in the third quarter of 2008 totaled $10.0 million. The Company recorded this amount as deferred revenue as the Company could not estimate certain adjustments to gross revenue, including returns. Under this deferred revenue model, the Company does not recognize revenue upon product shipment to its sole source distributor. Instead, upon product shipment, the Company invoices its sole source distributor, records deferred revenue at gross invoice sales price, classifies the cost basis of the product held by the sole source distributor as finished goods inventory held by others and includes such cost basis amount within prepaid expenses and other current assets on its consolidated balance sheets. The Company currently recognizes the deferred revenue when hospitals purchase product and will do so until such time that it has sufficient information to develop reasonable estimates of expected returns and other adjustments to gross revenue. When such estimates are developed, the Company expects to recognize Cleviprex revenue upon shipment to its sole source distributor in the same manner as it recognizes Angiomax revenue. The Company recognized $0.5 million of revenue associated with Cleviprex during the first quarter of 2009 related to purchases by hospitals. The Company recorded an adjustment of approximately $3.6 million to deferred revenue during the first quarter of 2009 to reflect the Company s current contracting strategy.

The Company records allowances for chargebacks and other discounts or 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 wholesalers and by its sole source distributor. Making these determinations involves estimating whether trends in past wholesaler and hospital buying patterns will predict future product sales. The Company receives data periodically from its sole source distributor and wholesalers on inventory levels and levels of hospital purchases and the Company considers this data in determining the amounts 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 and wholesalers regarding inventory levels, measured hospital demand as reported by third-party sources and internal sales data. The Company also considers the past buying patterns of the sole source distributor and wholesalers, the estimated remaining shelf life of product previously shipped and the expiration dates of product currently being shipped.

At March 31, 2009 and December 31, 2008, the Company s accrual for product returns was $1.0 million. Included within the accrual at March 31, 2009 and December 31, 2008 is a reserve of $0.8 million that the Company established for existing inventory at Nycomed that Nycomed has the right to return at any time. A

10% change in the Company s accrual for Angiomax product returns would have had an approximate $0.1 million effect on the Company s reported net revenue for the three months ended March 31, 2009.

Chargebacks and rebates. Although the Company primarily sells products to a sole source distributor in the United States, the Company typically enters into agreements with hospitals, either directly or through group purchasing

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organizations acting on behalf of their hospital members, in connection with the hospitals purchases of products. Based on these agreements, most of the Company s hospital customers have the right to receive a discounted price for products and volume-based rebates on product purchases. In the case of discounted pricing, the Company typically 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. In the case of the volume-based rebates, the Company typically pays the rebate directly to the hospitals.
As a result of these agreements, at the time of product shipment, the Company estimates the likelihood that product sold to the sole source distributor might be ultimately sold to a contracting hospital or group purchasing organization. The Company also estimates the contracting hospital s or group purchasing organization s volume of purchases.

The Company bases its estimates on certain industry data, hospital purchases and 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.

The Company s allowance for chargebacks was $1.4 million and $1.2 million at March 31, 2009 and December 31, 2008, respectively. A 10% change in the Company s allowance for chargebacks would have had an approximate $0.1 million effect on the Company s reported net revenue for the three months ended March 31, 2009. The Company s accrual for rebates was $0.5 million and $0.4 million at March 31, 2009 and December 31, 2008, respectively. A 10% change in the Company s accrual for rebates would have had an approximate $0.1 million effect on the Company s reported net revenue for the three months ended March 31, 2009.

Fees-for-service. The Company offers discounts to certain wholesalers and its sole source distributor based on contractually determined rates for certain services. The Company estimates its fee-for-service accruals and allowances based on historical sales, wholesaler and distributor inventory levels and the applicable discount rate. The Company s discounts are accrued at the time of the sale and are typically settled with the wholesalers or sole source distributor within 60 days after the end of each respective quarter. The Company s fee-for-service accruals and allowances were $2.3 million and $2.0 million at March 31, 2009 and December 31, 2008, respectively. A 10% change in the Company s fee-for-service accruals and allowances would have had an approximate $0.2 million effect on the Company s reported net revenue for the three months ended March 31, 2009.

The Company has adjusted its allowances for chargebacks and accruals for product returns, rebates and fees-for-service 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 Angiomax to these distributors at a fixed transfer price. The established transfer price is typically determined once per year, prior to the first shipment of Angiomax to the distributor each year. The minimum selling price used in determining the transfer price is 50% of the average net unit selling price.

Revenue from Collaborations. Under the terms of the transitional distribution agreement with Nycomed, the Company was entitled to receive a specified percentage of Nycomed s net sales of Angiox to third parties. In the event the Angiox sold was purchased by Nycomed from the Company prior to July 1, 2007, the amount the Company was entitled to receive in connection with such sale was reduced by the amount previously paid by Nycomed to the Company for such product. Accordingly, revenue related to the transitional distribution agreement with Nycomed entered into in 2007, under which Nycomed provided product distribution services through the second half of 2008, was not recognized until the product was sold by Nycomed to a hospital customer. For the three months ended March 31, 2008, the Company recorded $1.3 million of net revenue from sales made by Nycomed of approximately

$2.9 million under the transitional distribution agreement. Such amount was recorded as revenue from collaborations and is included in net revenue on the Company s consolidated statements of operations. Because the Company assumed control of the distribution of Angiox in all countries in the Nycomed territory by December 31, 2008, the Company did not have any revenue from collaborations during the three months ended March 31, 2009.

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Inventory

The Company records inventory upon the transfer of title from the Company s vendors. Inventory is stated at the lower of cost or market value and valued using first-in, first-out methodology. Angiomax and Cleviprex bulk substance is classified as raw materials and its costs are determined using acquisition costs from the Company s contract manufacturers. The Company records work-in-progress costs of filling, finishing and packaging against specific product batches. The Company obtains all of its Angiomax bulk drug substance from Lonza Braine, S.A. Under the terms of the Company s agreement with Lonza Braine, the Company provides forecasts of its annual needs for Angiomax bulk substance 18 months in advance. The Company also has a separate agreement with Ben Venue Laboratories, Inc. for the fill-finish of Angiomax drug product. As of March 31, 2009, the Company had inventory-related purchase commitments totaling $21.8 million during 2009 and $26.1 million during 2010 for Angiomax bulk drug substance. The Company obtains all of its Cleviprex bulk drug substance from Johnson Matthey Pharma Services and also has a separate agreement with Hospira, Inc. for the fill-finish of Cleviprex drug product.

The major classes of inventory were as follows:

Inventory	March 31, 2009	December 31, 2008
	(in thousands)	
Raw materials	$ 4,609	$ 10,003
Work-in-progress	10,811	10,334
Finished goods	8,805	7,892
Total	$ 24,225	$ 28,229

The Company reviews inventory, including inventory purchase commitments, 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. As of March 31, 2009 and December 31, 2008, the Company had an inventory obsolescence reserve of $0.5 million related to Cleviprex. If annual revenues are less than expected, the Company may be required to make additional 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.

Impairment of Long-Lived Assets

The Company evaluates the recoverability of its long-lived assets, including amortizable intangible assets, if circumstances indicate an impairment may have occurred pursuant to SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. This analysis is performed by comparing the respective carrying values of the assets to the current and expected future cash flows, on an undiscounted basis, to be generated from such assets. If such analysis indicates that the carrying value of these assets is not recoverable, the carrying value of such assets is reduced to fair value through a charge to the consolidated statements of income.

Goodwill and Indefinite-lived Intangible Assets

With regard to the goodwill and other indefinite-lived intangible assets recorded in connection with business combinations, the Company annually or, more frequently if circumstances indicate impairment may have occurred that would more likely than not reduce the fair value below its carrying amount, reviews carrying values as required by SFAS No. 142, Goodwill and Other Intangible Assets.

Research and Development

Research and development costs are expensed as incurred.

Stock-Based Compensation

In accordance with FASB Statement No. 123 (revised 2004) Share-Based Payment (SFAS No. 123(R)), the Company measures all employee stock-based compensation awards using a fair value method and recognizes expense

using the accelerated expense

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attribution method specified in FASB Interpretation No. (FIN) 28, Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans . SFAS No. 123(R) requires companies to recognize compensation expense in an amount equal to the fair value of all share-based awards granted to employees.

In accordance with SFAS No. 123(R), the Company recorded approximately $5.4 million and $4.6 million of stock-based compensation expense for the three months ended March 31, 2009 and 2008, respectively. As of March 31, 2009, there was approximately $24.3 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 1.41 years.

During the three months ended March 31, 2009, the Company issued a total of 463,268 shares of its common stock upon the exercise of stock options, pursuant to restricted stock grants and pursuant to purchases under its employee stock purchase plan (the ESPP). During the three months ended March 31, 2008, the Company issued a total of 136,073 shares of its common stock upon the exercise of stock options, pursuant to restricted stock grants and pursuant to purchases under the ESPP. Cash received from exercise of stock options and purchases through the ESPP during the three months ended March 31, 2009 and 2008 was approximately $0.9 million and $1.3 million, respectively, and is included within the financing activities section of the consolidated statements of cash flows.

At March 31, 2009, there were 2,943,527 shares of common stock reserved for future issuance under the ESPP and for future grants under the Company s amended and restated 2004 stock incentive plan and 2009 equity inducement plan.

Translation of Foreign Currencies

The functional currencies of the Company s foreign subsidiaries are the local currencies: Euro, Swiss franc, Canadian dollar and British pound sterling. In accordance with SFAS No. 52 Foreign Currency Translation, the Company s assets and liabilities are translated using the current exchange rate as of the balance sheet date. Stockholders equity is translated using historical rates at the balance sheet date. Expenses and items of income are translated using a weighted average exchange rate over the period ended on the balance sheet date. Adjustments resulting from the translation of the financial statements of the Company s foreign subsidiaries into U.S. dollars are excluded from the determination of net earnings (loss) and are accumulated in a separate component of stockholders equity. Foreign exchange transaction gains and losses are included in the Company s results of operations.

Segments and Geographic Information

The Company manages its business and operations as one segment and is focused on advancing the treatment of critical care patients through the delivery of innovative, cost-effective medicines to the worldwide hospital marketplace. Revenues reported to date are derived primarily from the sales of Angiomax in the United States.

The geographic segment information provided below is classified based on the major geographic regions in which the Company operates.

	Three Months Ended March 31,	
	2009	**2008**
	(In thousands)	
Net revenues:		
United States	$ 96,011	$ 76,883
Europe	2,509	1,333
Other	697	1,211
Total net revenue	$ 99,217	$ 79,427
Long-lived assets:		
United States	$ 141,291	$ 47,308
Europe	1,537	1,609

Other	447	
Total long-lived assets	$ 143,275	$ 48,917

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Income Taxes

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

FIN 48 requires the use of a two-step approach for recognizing and measuring tax benefits taken or expected to be taken in a tax return and disclosures regarding uncertainties in income tax positions. The first step is recognition: the Company determines whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, the Company presumes that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. The second step is measurement: a tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Company does not anticipate a significant change in its unrecognized tax benefits in the next twelve months. The Company is no longer subject to federal, state or foreign income tax audits for tax years prior to 2005, however such taxing authorities can review any net operating losses utilized by the Company in years subsequent to 2005.

In accordance with SFAS No. 109, 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.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Recent Accounting Pronouncements

In April 2009, the FASB issued FASB Staff Position No. FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments, which requires disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This Staff Position is effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The Company does not expect the adoption of this accounting pronouncement to have a material impact on its financial statements.

In April 2009, the FASB issued FASB Staff Position No. FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments, which amends the other-than-temporary impairment guidance in U.S. GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. This Staff Position is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The Company does not expect the adoption of this accounting pronouncement to have a material impact on its financial statements.

3. Net (Loss) Income per Share

The following table sets forth the computation of basic and diluted net (loss) income per share for the three months ended March 31, 2009 and 2008:

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	Three Months Ended March 31,	
	2009	2008
	(in thousands, except per share amounts)	
Basic and diluted		
Net (loss) income	$ (3,348)	$ 4,853
Weighted average common shares outstanding, basic	52,470	51,923
Less: unvested restricted common shares outstanding	329	174
Net weighted average common shares outstanding, basic	52,141	51,749
Plus: net effect of dilutive stock options and restricted common shares		525
Weighted average common shares outstanding, diluted	52,141	52,274
(Loss) earnings per share, basic	$ (0.06)	$ 0.09
(Loss) earnings per share, diluted	$ (0.06)	$ 0.09

Basic (loss) earnings 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 shares of restricted common stock. The table below provides details of the weighted average number of outstanding options and restricted stock that were included in the calculation of diluted (loss) earnings per share for the three months ended March 31, 2009 and 2008. The number of dilutive common stock equivalents was calculated using the treasury stock method.

	Three Months Ended March 31,	
	2009	2008
	(in thousands)	
Weighted average options outstanding	11,102	8,998
Weighted average options included in computation of diluted earnings per share		1,970
Weighted average options considered anti-dilutive and excluded from the computation of diluted earnings per share	11,102	7,028
Weighted average restricted shares outstanding	328	174
Weighted average restricted shares included in computation of diluted earnings per share		174
Weighted average restricted shares considered anti-dilutive and excluded from the computation of earnings per share	328	

4. Comprehensive (Loss) Income

The Company reports comprehensive (loss) income and its components in accordance with the provisions of SFAS No. 130, Reporting Comprehensive Income . Comprehensive (loss) income includes net (loss) income, unrealized gain (loss) on available for sale securities and currency translation adjustments. Comprehensive (loss) income for the three months ended March 31, 2009 and March 31, 2008 is detailed below.

	Three Months Ended March 31,	
	2009	2008
	(in thousands)	
Net (loss) income	$ (3,348)	$ 4,853
Unrealized (loss) gain on available for sale securities	(604)	491
Currency translation adjustment	(299)	(7)
Comprehensive (loss) income	$ (4,251)	$ 5,337

5. Income Taxes

The Company recorded a benefit from income taxes of $2.6 million for the three months ended March 31, 2009 based on loss before taxes of $5.9 million compared to a $3.9 million provision for taxes based on income before taxes of $8.7 million for the three months ended March 31, 2008. This resulted in an effective tax rate of 44% for the three months ended March 31, 2009 and 2008.

The Company will continue to evaluate the realizability of its 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, the progress of ongoing tax audits, the regulatory approval of products currently under development, extension of the patent rights relating to Angiomax, failure to achieve future anticipated revenues or the implementation of tax planning strategies in connection with the Company s European expansion. If the Company further reduces or increases the valuation allowance of deferred tax assets in future years, the Company would recognize a tax benefit or expense.

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6. Investment

On July 2, 2008, the Company made a short term convertible loan of $5.0 million to a specialty pharmaceutical company with expertise in drug development. This loan converted into 2.7 million shares of convertible preferred stock in the third quarter of 2008. The $5.0 million has been classified as investments and is included in other assets on the Company s consolidated balance sheets. The Company holds less than 20% of the issued and outstanding shares of the specialty pharmaceutical company and does not have significant influence over the company. Accordingly, the Company has accounted for the investment under the cost method.

7. Acquisitions

Targanta Therapeutics

In February 2009, the Company acquired Targanta, a biopharmaceutical company focused on developing and commercializing innovative antibiotics to treat serious infections in the hospital and other institutional settings. Targanta s product pipeline included an intravenous version of oritavancin and a program to develop an oral version of oritavancin for the possible treatment of Clostidium difficile-related infection.

Under the terms of the Company s agreement with Targanta, it paid Targanta shareholders $2.00 in cash at closing for each common share of Targanta common stock tendered, or approximately $42.0 million in aggregate, and agreed to pay contingent cash payments up to an additional $4.55 per share as described below:

If the Company or a MDCO Affiliated Party (meaning an affiliate of the Company, a successor or assigns of the Company, or a licensee or collaborator of the Company) obtains approval from the European Agency for the Evaluation of Medical Products (EMEA) for a MAA for oritavancin for the treatment of cSSSI on or before December 31, 2013, then former Targanta shareholders will be entitled to receive a cash payment equal to (1) $1.00 per share if such approval is granted on or before December 31, 2009, (2) $0.75 per share if such approval is granted between January 1, 2010 and June 30, 2010, or (3) $0.50 per share if such approval is granted between July 1, 2010 and December 31, 2013, a payment of approximately $21.0 million in the aggregate, approximately $15.8 million in the aggregate, or approximately $10.5 million in the aggregate, respectively.

If the Company or a MDCO Affiliated Party obtains final approval from the FDA for a new drug application (NDA), for oritavancin for the treatment of cSSSI (1) within 40 months after the date the first patient is enrolled in a Phase III clinical trial of cSSSI that is initiated by the Company or a MDCO Affiliate Party after the date of the Company s merger agreement with Targanta and (2) on or before December 31, 2013, then former Targanta shareholders will be entitled to receive a cash payment equal to $0.50 per share, or approximately $10.5 million in the aggregate.

If the Company obtains final FDA approval for an NDA for the use of oritavancin for the treatment of cSSSI administered by a single dose intravenous infusion (1) within 40 months after the date the first patient is enrolled in a Phase III clinical trial of cSSSI that is initiated by the Company or a MDCO Affiliated Party after the date of the Company s merger agreement with Targanta and (2) on or before December 31, 2013, then former Targanta shareholders will be entitled to receive a cash payment equal to $0.70 per share, or approximately $14.7 million in the aggregate. This payment may become payable simultaneously with the payment described in the previous bullet above.

If aggregate net sales of oritavancin in four consecutive calendar quarters ending on or before December 31, 2021 reach or exceed $400 million, each former Targanta shareholder will be entitled to receive a cash payment equal to $2.35 per share, or approximately $49.4 million in the aggregate.

The Company accounted for this transaction in accordance with SFAS 141(R) Business Combinations (SFAS 141(R)) and expects to complete the allocation of the purchase price within one year from the date of the acquisition. In accordance with SFAS 141(R) transactions costs were expensed as incurred, the value of acquired in-process research and development was capitalized as an indefinite lived intangible asset and contingent payments were recorded at their estimated fair value. The results of Targanta s operations since the acquisition date have been

included in the Company s consolidated financial statements. The purchase price of

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approximately $64 million, which includes $42 million of cash paid upon acquisition and $22 million that represents the fair market value of the contingent purchase price, was allocated to the net tangible and intangible assets of Targanta based on their estimated fair values. Below is a summary which details the assets and liabilities acquired as a result of the acquisition:

		(in thousands)
Acquired Assets:		
Cash and cash equivalents	$	4,815
Available for sale securities		397
Prepaid expenses & other current assets		999
Fixed assets, net		1,960
In-process research and development		67,200
Goodwill		27,154
Other assets		69
Total assets		102,594
Liabilities Assumed:		
Accounts payable		3,280
Accrued expenses		6,976
Contingent purchase price		22,000
Deferred tax liability		27,799
Other liabilities		556
Total liabilities		60,611
Total cash purchase price paid upon acquisition	$	41,983

The purchase price was allocated to the estimated fair value of assets acquired and liabilities assumed based on a preliminary valuation and management estimates. The Company recorded a deferred tax liability for the difference in basis of the identifiable intangible assets. If the Company elects a different tax planning strategy changes prior to the completion of the final purchase price allocation, the actual deferred tax liabilities recorded at the date of the acquisition could be significantly different.

If the acquisition of Targanta had occurred as of the beginning of 2008, the Company s pro forma results for the three months ended March 31, 2009 and 2008 would have been as follows:

	Three months ended March 31,	
(in thousands, except per share data)	**2009**	**2008**
Net revenue	$ 99,217	$ 79,427
Loss from operations	(17,782)	(11,575)
Net loss	(14,465)	(12,504)
Basic and diluted loss per share:		
Basic and diluted loss per share	$ (0.28)	$ (0.24)
Shares used in computing basic and diluted loss per common share	52,141	51,749

The above pro forma information was determined based on historical GAAP results adjusted for the elimination of interest foregone on net cash and cash equivalents used to pay the closing consideration and transaction related costs. Such amount was offset by the elimination of interest expense on third party debt that is assumed to be repaid in full

prior to the completion of the acquisition.

Curacyte Discovery

In August 2008, the Company acquired Curacyte Discovery, a wholly owned subsidiary of Curacyte AG. Curacyte Discovery, a German limited liability company, was primarily engaged in the discovery and development of small molecule serine protease inhibitors. Its lead compound, CU2010, is being developed for the prevention of blood loss during surgery. In connection with the acquisition, the Company paid Curacyte AG an upfront payment of 14.5 million (approximately $22.9 million) and agreed to pay a

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contingent milestone payment of 10.5 million if the Company elects to continue to proceed with clinical development of CU2010 and possible future sales royalty payments and a commercial milestone payment.

The total cost of the acquisition was approximately $23.7 million, which included a purchase price of approximately $22.9 million and direct acquisition costs of $0.8 million. The results of Curacyte Discovery s operations since the acquisition date have been included in the Company s consolidated financial statements. Below is a summary that details the assets and liabilities acquired as a result of the acquisition:

		(in thousands)
Acquired Assets:		
Total current assets	$	1,970
Fixed assets		1,273
Other assets		51
In-process research and development		21,373
Total acquired assets		24,667
Acquired Liabilities:		
Total current liabilities		(1,004)
Total purchase price	$	23,663

The purchase price was allocated to the estimated fair value of assets acquired and liabilities assumed based on a third-party valuation and management estimates. Approximately $21.4 million of the purchase price was allocated to in-process research and development and was expensed upon completion of the acquisition. The Company recorded this amount as research and development expenses in its consolidated statements of operations during the three months ended September 30, 2008. The Company allocated the remaining portion of the purchase price to net tangible assets.

8. Nycomed Agreements

On July 1, 2007, the Company entered into a series of agreements with Nycomed (collectively, the Agreements) pursuant to which the Company terminated its prior distribution agreement with Nycomed and reacquired all rights to develop, distribute and market the Company s product Angiox in the Nycomed Territory. Prior to entering into the Agreements, Nycomed served as the exclusive distributor of Angiox in the Nycomed Territory pursuant to a sales, marketing and distribution agreement, dated March 25, 2002, as amended. The Nycomed Territory does not include Spain, Greece and Portugal, which are covered by another third-party distributor.

Pursuant to the Agreements, the Company and Nycomed agreed to transition to the Company the Angiox rights held by Nycomed. Under these arrangements, the Company assumed control of the marketing of Angiox immediately and Nycomed agreed to provide, on a transitional basis, sales operations services, which ended December 31, 2007, and product distribution services through 2008. The Company assumed control of the distribution of Angiox in the majority of countries in the Nycomed Territory during the third quarter of 2008 and assumed control of the distribution in the remaining countries in the Nycomed Territory by December 31, 2008.

Under the terms of the transitional distribution agreement with Nycomed, upon the sale by Nycomed to third parties of vials of Angiox purchased by Nycomed from the Company prior to July 1, 2007 (the existing inventory), Nycomed was required to pay the Company a specified percentage of Nycomed s net sales of Angiox, less the amount previously paid by Nycomed to the Company for the existing inventory. In addition, under the transitional distribution agreement, Nycomed had the right to return any existing inventory for the price paid by Nycomed to the Company for such inventory. Included within the Company s accrual for product return is a reserve of $0.8 million at March 31, 2009 and December 31, 2008 for existing inventory at Nycomed that Nycomed has the right to return at any time. The Company will reimburse Nycomed $0.8 million for the final amount of inventory held by Nycomed at December 31, 2008. The transitional distribution agreement terminated on December 31, 2008.

Under the transitional services agreement the Company had entered into with Nycomed, Nycomed agreed to perform detailing and other selling, sales management, product/marketing management, medical advisor, international marketing and certain pharmacovigilance services in accordance with an agreed upon marketing plan through December 31, 2007. The Company agreed to pay Nycomed s personnel costs, plus an agreed upon markup, for the performance of the services, in accordance with a budget detailed by country and function. In addition, the Company agreed to pay Nycomed s costs, in accordance with a specified budget, for performing specified promotional activities during the term of the transitional services agreement. These amounts were included in selling, general and administrative expense on the consolidated statements of operations as the Company received an identifiable benefit from these services and could reasonably estimate their fair value. This agreement terminated on December 31, 2007.

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The Company incurred total costs of $45.7 million in connection with the reacquisition of the rights to develop, distribute and market Angiox in the Nycomed Territory. This total costs amount includes transaction fees of approximately $0.7 million and agreed upon milestone payments of $20.0 million paid to Nycomed on July 2, 2007, $15.0 million paid to Nycomed on January 15, 2008 and $5.0 million paid to Nycomed on July 8, 2008, as well as an additional $5.0 million paid to Nycomed on July 8, 2008 in connection with the Company s obtaining European Commission approval to market Angiox for ACS in January 2008.

In the third quarter of 2007, the Company recorded approximately $30.8 million as expense attributable to the termination of the prior distribution agreement with Nycomed. The $30.8 million expense was offset in part by the write-off of approximately $2.7 million of deferred revenue, which amount represented the unamortized portion of deferred revenue related to milestone payments received from Nycomed in 2004 and 2002. The Company allocated to intangible assets approximately $14.9 million of the costs associated with the reacquisition of the rights to develop, distribute and market Angiox in the European Union. The Company is amortizing these intangible assets over the remaining patent life of Angiox, which expires in 2015. The period in which amortization expense will be recorded reflects the pattern in which the Company expects the economic benefits of the intangible assets to be consumed.

9. Intangible Assets and Goodwill

The following information details the carrying amounts and accumulated amortization of the Company s amortizing intangible assets:

		As of March 31, 2009			As of December 31, 2008		
	Weighted Average Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
		(in thousands)					
Identifiable intangible assets							
Customer relationships	8 years	$ 7,457	$ 431	$ 7,026	$ 7,457	$ 288	$ 7,169
Distribution agreement	8 years	4,448	257	4,191	4,448	171	4,277
Trademarks	8 years	3,024	175	2,849	3,024	116	2,908
Cleviprex milestones	13 years	2,000	10	1,990	2,000	5	1,995
Total	9 years	$ 16,929	$ 873	$ 16,056	$ 16,929	$ 580	$ 16,349

The Company expects amortization expense related to these intangible assets to be $0.9 million for the remainder of 2009. The Company expects annual amortization expense related to these intangible assets to be $1.8 million, $2.4 million, $2.4 million, $3.0 million and $3.6 million for the years ending December 31, 2010, 2011, 2012, 2013 and 2014, respectively, with the balance of $2.0 million being amortized thereafter. Amortization of customer relationships, distribution agreements and trademarks will be recorded in selling, general and administrative expense on the consolidated statements of operations. Amortization of Cleviprex milestones will be recorded in cost of revenue on the consolidated statements of operations.

The following information details the carrying amounts of the Company s intangible assets not subject to amortization:

	As of March 31, 2009			As of December 31, 2008		
	Gross Carrying	Accumulated	Net Carrying	Gross Carrying	Accumulated	Net Carrying

	Amount	Amortization	Amount	Amount	Amortization	Amount
			(in thousands)			
Intangible assets not subject to amortization:						
In-process research and development	$ 67,200	$	$ 67,200	$	$	$
Total	$ 67,200	$	$ 67,200	$	$	$

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The changes in goodwill for the three months ended March 31, 2009 and for the year ended December 31, 2008 are as follows:

	March 31, 2009	December 31, 2008
	(in thousands)	
Balance at beginning of period	$	$
Goodwill acquired during the year	27,154	
Balance at end of period	$ 27,154	$

The goodwill acquired during the year is solely attributable to the Targanta acquisition (Note 7).

10. Relocation of Principal Offices

On January 12, 2009, the Company moved its principal executive offices to new office space in Parsippany, New Jersey. The lease for the Company s previous office facility expires in January 2013. As a result of vacating the previous facility, the Company triggered a cease-use date on January 12, 2009 and estimated lease termination costs in accordance with SFAS 146, Accounting for Costs Associated with Exit or Disposal Activities . Estimated lease termination costs include the net present value of future minimum lease payments from the cease-use date to the end of the remaining lease term net of estimated sublease rental income. The Company incurred an expense of approximately $2.3 million during the first quarter of 2009 for its initial estimate of the net present value of these estimated lease termination costs. Additionally, certain other costs such as leasing commissions and legal fees will be expensed as incurred in conjunction with the sublease of the vacated office space.

11. 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, Accounting for Contingencies , 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 Operations

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

Our Business

We are a global pharmaceutical company focused on advancing the treatment of critical care patients through the delivery of innovative, cost-effective medicines to the worldwide hospital marketplace. We have two marketed products, Angiomax® (bivalirudin) and Cleviprex® (clevidipine butyrate) injectable emulsion, two products in late-stage development, cangrelor and oritavancin, and one compound, CU2010, scheduled to enter clinical development in 2009. We market Angiomax primarily in the United States and Europe (where we market Angiomax under the name Angiox ® (bivalirudin)) to interventional cardiologists and other key decision makers in cardiac catherization laboratories for its approved uses in patients undergoing percutaneous coronary intervention, or PCI, including in patients with or at risk of heparin induced thrombocytopenia and thrombosis syndrome, or HIT/HITTS.

In Europe, we also market Angiox for use in adult patients with ACS. We market Cleviprex to anesthesiology/surgery, critical care and emergency department practitioners in the United States for its approved use for the reduction of blood pressure when oral therapy is not feasible or not desirable. Cleviprex is not approved for sale outside the United States. During the first quarter of

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2009, we submitted via the Decentralized Procedure marketing authorization applications, or MAA, for Cleviprex in the European Union for the reduction of blood pressure when rapid and predictable control is required. We intend to continue to develop Angiomax and Cleviprex for use in additional patient populations.

We market and sell Angiomax and Cleviprex in the United States with a joint sales force that, as of March 31, 2009, consisted of 191 representatives and managers experienced in selling to hospital customers. In Europe, we market and sell Angiox with a sales force that, as of March 31, 2009, consisted of 22 representatives and managers experienced in selling to hospital customers. Our revenues to date have been generated primarily from sales of Angiomax in the United States. We are increasing our sales force in Europe in connection with the expansion of our sales and marketing efforts in Europe and the approval of the label expansion for Angiox for ACS in Europe that occurred in January 2008.

Research and development expenses represent costs incurred for product acquisition, clinical trials, 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 expense, selling, general and administrative expense and cost of revenue 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 net losses on an annual basis since our inception. As of March 31, 2009, we had an accumulated deficit of approximately $271.3 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 2009, we were not profitable in 2008 primarily as a result of the costs incurred in connection with our acquisition of Curacyte Discovery in August 2008 and were not profitable in 2007, primarily as a result of the costs incurred in connection with the Nycomed transaction. We will likely need to generate significantly greater revenue in future periods to achieve and maintain profitability in light of our planned expenditures.

Distribution and Sales

We distribute Angiomax and Cleviprex in the United States through a sole source distribution model. Under this model, we sell Angiomax and Cleviprex to our sole source distributor, which then sells Angiomax and Cleviprex 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. Outside the United States, we sell Angiomax either directly to hospitals or to wholesalers or international distributors, which then sell Angiomax to hospitals.

The reacquisition of all development, commercial and distribution rights for Angiox from Nycomed in 2007 was our first step directly into international markets and gives us a direct presence in European markets. In July 2007, we entered into a series of agreements with Nycomed pursuant to which we terminated the prior distribution agreement with Nycomed and re-acquired all development, commercial and distribution rights for Angiox in the European Union (excluding Spain, Portugal and Greece) and the former Soviet republics, which we refer to as the Nycomed territory. Prior to entering into the 2007 Nycomed agreements, Nycomed served as the exclusive distributor of Angiox in the Nycomed territory pursuant to a sales, marketing and distribution agreement, dated March 25, 2002, as amended. Pursuant to the 2007 Nycomed agreements, we and Nycomed agreed to transition the Angiox rights held by Nycomed to us. Under these arrangements, including a transitional distribution agreement, we assumed control of the marketing of Angiox immediately and Nycomed provided, on a transitional basis, sales operations services, until December 31, 2007 and product distribution services until the second half of 2008. We assumed control of the distribution of Angiox in the Nycomed territory during the second half of 2008.

Under the terms of the transitional distribution agreement with Nycomed, upon the sale by Nycomed to third parties of vials of Angiox purchased by Nycomed from us prior to July 1, 2007, which we refer to as existing inventory, Nycomed agreed to pay us a specified percentage of Nycomed s net sales of Angiox, less the amount previously paid by Nycomed to us for the existing inventory. Under the transitional distribution agreement, upon the termination of the agreement, Nycomed had the right to return any existing inventory for the price paid by Nycomed

to us for such inventory. We recorded a reserve of $3.0 million in the fourth quarter of 2007 for the existing inventory at Nycomed which we did not believe would be sold prior to the termination of the transitional distribution agreement and would be subject to purchase in accordance with the agreement. During 2008, we reduced the reserve by $2.2 million as Nycomed sold a portion of its existing inventory during the year. Included within our accrual for product return is a reserve of $0.8 million at March 31, 2009 and December 31, 2008 for existing inventory at Nycomed that Nycomed has the right to return at any

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time. We will reimburse Nycomed $0.8 million for the final amount of inventory held by Nycomed at December 31, 2008. The transitional distribution agreement terminated on December 31, 2008.

Under the transitional services agreement we entered into with Nycomed, Nycomed performed detailing and other selling, sales management, product/marketing management, medical advisor, international marketing and certain pharmacovigilance services in accordance with an agreed upon marketing plan through December 31, 2007. Nycomed remained responsible for safety reporting as long as it sold Angiox in the Nycomed territory. Pursuant to the agreement, we agreed to pay Nycomed s personnel costs, plus an agreed upon markup, for the performance of the services, in accordance with a budget detailed by country and function. In addition, we agreed to pay Nycomed s costs, in accordance with a specified budget, for performing specified promotional activities during the term of the services agreement. The transitional services agreement terminated on December 31, 2007.

We incurred total costs of $45.7 million in connection with the reacquisition of the rights to develop, distribute and market Angiox in the Nycomed territory. This total costs amount includes transaction fees of approximately $0.7 million and agreed upon milestone payments of $20.0 million paid to Nycomed on July 2, 2007, $15.0 million paid to Nycomed on January 15, 2008 and $5.0 million paid to Nycomed on July 8, 2008, as well as an additional $5.0 million paid to Nycomed on July 8, 2008 in connection with our obtaining European Commission approval to market Angiox for ACS in January 2008.

During the third quarter of 2007, we allocated $30.8 million of these costs as expense attributable to the termination of the prior distribution agreement with Nycomed and $14.9 million to intangible assets. The $30.8 million expense was offset in part by the write-off of approximately $2.7 million of deferred revenue, which amount represented the unamortized portion of deferred revenue related to milestone payments received from Nycomed in 2004 and 2002. We included such amounts in selling, general and administrative expense on the consolidated statements of operations for the year ended December 31, 2007. We allocated approximately $14.9 million of the costs associated with the reacquisition of the rights to develop, distribute and market Angiox in the European Union to intangible assets. We are amortizing these intangible assets over the remaining patent life of Angiox, which expires in 2015. The period in which amortization expense will be recorded reflects the pattern in which we expect the economic benefits of the intangible assets to be consumed.

To support the marketing, sales and distribution efforts of Angiomax, we are taking the necessary steps to develop our business infrastructure outside the United States. We initiated research to understand the PCI market, as well as the hypertension market, on a global basis, including profiling hospitals and identifying key opinion leaders. Since reacquiring these rights, we have formed subsidiaries in the Netherlands, Switzerland, Germany, France, Italy and Sweden, in addition to our pre-existing subsidiary in the United Kingdom, in connection with the development of a business infrastructure to conduct the international sales and marketing of Angiox. We also obtained all the licenses and authorizations necessary to distribute the product in the various countries in Europe, hired new personnel and entered into third-party arrangements to provide services, such as importation, packaging, quality control and distribution. We believe that by establishing operations in Europe for Angiox, we will be positioned to commercialize our pipeline of critical care product candidates, including Cleviprex, cangrelor, oritavancin and CU2010, if and when they are approved.

Targanta Acquisition

In February 2009, we acquired Targanta Therapeutics Corporation, or Targanta. Under the terms of our agreement with Targanta, we paid Targanta shareholders $2.00 in cash at closing for each common share of Targanta common stock tendered, or approximately $42.0 million in aggregate, and agreed to pay contingent cash payments up to an additional $4.55 per share as described below:

> If we or a MDCO Affiliated Party (meaning an affiliate of ours, a successor or assigns of ours, or a licensee or collaborator of ours) obtain approval from the European Agency for the Evaluation of Medical Products, or EMEA for a MAA for oritavancin for the treatment of cSSSI on or before December 31, 2013, then former Targanta shareholders will be entitled to receive a cash payment equal to (1) $1.00 per share if such approval is granted on or before December 31, 2009, (2) $0.75 per share if such approval is granted between January 1, 2010 and June 30, 2010, or (3) $0.50 per share if such approval is granted between July 1, 2010 and December 31, 2013, a payment of approximately $21.0 million in the aggregate, approximately

$15.8 million in the aggregate, or approximately $10.5 million in the aggregate, respectively.

If we or a MDCO Affiliated Party obtain final approval from the FDA for a NDA for oritavancin for the treatment of cSSSI (1) within 40 months after the date the first patient is enrolled in a Phase III clinical trial of cSSSI that is initiated by us or a MDCO Affiliated Party after the date of our merger agreement with Targanta and (2) on or before December 31, 2013, then former Targanta shareholders will be entitled to receive a cash payment equal to $0.50 per

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share, or approximately $10.5 million in the aggregate.

If we obtain final FDA approval for an NDA for the use of oritavancin for the treatment of cSSSI administered by a single dose intravenous infusion (1) within 40 months after the date the first patient is enrolled in a Phase III clinical trial of cSSSI that is initiated by us or a MDCO Affiliated Party after the date of our merger agreement with Targanta and (2) on or before December 31, 2013, then former Targanta shareholders will be entitled to receive a cash payment equal to $0.70 per share, or approximately $14.7 million in the aggregate. This payment may become payable simultaneously with the payment described in the previous bullet above.

If aggregate net sales of oritavancin in four consecutive calendar quarters ending on or before December 31, 2021 reach or exceed $400 million, then former Targanta shareholders will be entitled to receive a cash payment equal to $2.35 per share, or approximately $49.4 million in the aggregate.

We accounted for this transaction in accordance with SFAS No. 141(R) and expect to complete the allocation of the purchase price within one year from the date of the acquisition.

As a result of our acquisition of Targanta, we are a party to an asset purchase agreement with InterMune, Inc., or InterMune. Under the agreement, we are obligated to use commercially reasonable efforts to develop oritavancin and to make a $5.0 million cash payment to InterMune if and when we receive from the FDA all approvals necessary for the commercial launch of oritavancin. We have no other milestone or royalty obligations to InterMune in connection with Targanta s December 2005 acquisition of the worldwide rights to oritavancin from InterMune.

Curacyte Acquisition

In August 2008, we acquired Curacyte Discovery GmbH, or Curacyte Discovery, a wholly owned subsidiary of Curacyte AG. Curacyte Discovery was primarily engaged in the discovery and development of small molecule serine protease inhibitors including CU2010. In connection with the acquisition, we paid Curacyte AG an initial payment of 14.5 million (approximately $22.9 million) and agreed to pay a contingent milestone payment of 10.5 million if we elect to proceed with clinical development of CU2010 at the earlier of four months after enrollment and follow-up of the last subject of a Phase I clinical program or October 31, 2009. In addition, our agreement with Curacyte AG provides for possible future sales royalty payments and a commercial milestone payment.

The total cost of the acquisition was approximately $23.7 million, which consisted of a purchase price of approximately $22.9 million and direct acquisition costs of $0.8 million. Since the acquisition date, we have included results of Curacyte Discovery s operations in our consolidated financial statements. We allocated the purchase price to the estimated fair value of assets acquired and liabilities assumed based on a third-party valuation and management estimates. We allocated approximately $21.4 million of the purchase price to in-process research and development, which we expensed upon completion of the acquisition. We recorded this amount as research and development expenses in our consolidated statements of operations for the three months ended September 30, 2008. We allocated the remaining portion of the purchase price to net tangible assets.

Application of Critical Accounting Estimates

The discussion and analysis of our financial condition and results of operations is based on our unaudited condensed consolidated financial statements, which have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. 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.

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Our significant accounting policies are more fully described in note 2 of our unaudited condensed consolidated financial statements in this quarterly report and note 2 of our consolidated financial statements in our annual report on Form 10-K for the year ended December 31, 2008. 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, 2008 are critical accounting estimates.

Results of Operations

Three Months Ended March 31, 2009 and 2008

Net Revenue. Net revenue increased 25% to $99.2 million for the three months ended March 31, 2009 as compared to $79.4 million for the three months ended March 31, 2008. The following table reflects the components of net revenue for the three months ended March 31, 2009 and 2008:

Net Revenue

	Three Months Ended March 31,			
	2009 (in thousands)	% of Total Revenue	2008 (in thousands)	% of Total Revenue
Net Revenue				
Angiomax and Cleviprex				
United States net revenue	$ 96,011	97%	$ 76,883	97%
Angiomax				
International net revenue	3,206	3%	1,211	1%
Revenue from collaborations, net			1,333	2%
Total net revenue	$ 99,217	100%	$ 79,427	100%

Net revenue for the three months ended March 31, 2009 increased compared to the three months ended March 31, 2008 primarily due to the increase in United States sales of Angiomax. Sales of Angiomax in the United States increased $18.6 million, or 24%, primarily due to increased demand by existing hospital customers and the addition of new hospital customers. The increase in United States sales in the first quarter of 2009 also included $0.5 million of net revenue from Cleviprex sales.

International net revenue increased $2.0 million during the three months ended March 31, 2009 compared to the three months ended March 31, 2008 primarily as a result of the direct sales we made after assuming control of the distribution of Angiox in the Nycomed territory during the second half of 2008.

During the first quarter of 2008, we recognized as revenue from collaborations approximately $1.3 million of net revenue from sales made by Nycomed of approximately $2.9 million under our transitional distribution agreement with Nycomed. Under the terms of this transitional distribution agreement, upon the sale by Nycomed to third parties of vials of Angiox, Nycomed paid us a specified percentage of Nycomed s net sales of Angiox, less the amount previously paid by Nycomed to us for the existing inventory.

Cost of Revenue. As shown in the table below, cost of revenue during the three months ended March 31, 2009 was $28.3 million, or 29% of net revenue, compared to $19.1 million, or 24% of net revenue, for the three months ended March 31, 2008. The increase in cost of revenues as a percentage of net revenue is driven by a higher projected effective royalty rate for sales of Angiomax under our agreement with Biogen Idec. Cost of revenue consisted of expenses in connection with the manufacture of Angiomax and Cleviprex sold, royalty expenses under our agreements with Biogen Idec, Health Research Inc. and AstraZeneca and the logistics costs of selling Angiomax and Cleviprex,

such as distribution, storage, and handling. Cost of revenue increased $9.2 million during the three months ended March 31, 2009 compared to the three months ended March 31, 2008 primarily related to higher Angiomax sales and an increase in royalty expense due to a higher projected effective royalty rate for sales of Angiomax under our agreement with Biogen Idec.

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Cost of Revenue

	Three Months Ended March 31,			
	2009 (in thousands)	% of Total Cost	2008 (in thousands)	% of Total Cost
Cost of Revenue				
Manufacturing	$ 6,195	22%	$ 4,838	25%
Royalty	19,190	68%	12,257	64%
Logistics	2,912	10%	1,997	11%
Total Cost of Revenue	$ 28,297	100%	$ 19,092	100%

Research and Development Expenses. Research and development expenses increased by 31% to $24.4 million for the three months ended March 31, 2009, from $18.7 million for the three months ended March 31, 2008. The increase in research and development expenses resulted primarily from increased expenditures in connection with the continued development efforts of Angiomax and Cleviprex and an increase in business development expenses. The increase in research and development expenses is also attributable to the acquisition of Curacyte in August 2008 and the acquisition of Targanta in February 2009. The results of operations of Curacyte and Targanta are included within our consolidated financial statements as of the dates of acquisition.

The following table identifies, for each of our major research and development projects, our spending for the three months ended March 31, 2009 and 2008. Spending for past periods is not necessarily indicative of spending in future periods.

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Research and Development Spending

	Three Months Ended March 31,			
	2009 (in thousands)	% of Total R&D	2008 (in thousands)	% of Total R&D
Research and Development				
Angiomax				
Clinical trials	$ 641	3%	$ 918	5%
Manufacturing development	2,364	10%	480	2%
Administrative and headcount costs	1,063	4%	512	3%
Total Angiomax	4,068	17%	1,910	10%
Cleviprex				
Clinical trials	1,680	7%	776	4%
Manufacturing development	286	1%	883	5%
Administrative and headcount costs	1,776	7%	900	5%
Total Cleviprex	3,742	15%	2,559	14%
Cangrelor				
Clinical trials	8,927	37%	9,076	49%
Manufacturing development	1,251	5%	956	5%
Administrative and headcount costs	1,265	5%	1,160	6%
Total Cangrelor	11,443	47%	11,192	60%
CU2010				
Clinical trials		0%		0%
Manufacturing development		0%		0%
Administrative and headcount	1,020	4%		0%
Total CU2010	1,020	4%		0%
Oritavancin				
Clinical trials		0%		0%
Manufacturing development		0%		0%
Administrative and headcount	718	3%		0%
Total Oritavancin	718	3%		0%
Other	3,445	14%	3,002	16%
Total	$ 24,436	100%	$ 18,663	100%

Angiomax

Research and development spending in the three months ended March 31, 2009 related to Angiomax increased approximately $2.2 million primarily due to an increase in manufacturing development expenses driven by product lifecycle management activities. Angiomax clinical trial costs decreased by approximately $0.3 million partially due to decreased expenditures in connection with the investigator initiated trial called HORIZONS AMI to study Angiomax use in adult AMI patients that we supported. During the third quarter of 2008, we incurred $1.5 million in

costs related to the final milestone payment in connection with HORIZONS AMI. Clinical trial expenses also decreased during 2009 due to reduced research and development expenses that we incurred in connection with a study of Angiomax in the pediatric setting that we began in the first half of 2007 in connection with a written request by the FDA. The study consists of a single trial to clarify the pediatric dose that provides a pharmacodynamic response equivalent to that observed in the adult population at the approved adult dose. We completed the enrollment of 110 patients during the third quarter of 2008 and filed a clinical study report for the pediatric extension with the FDA in the second quarter of 2009.

We plan to continue to incur research and development expenses relating to Angiomax in connection with our efforts to further develop Angiomax for use in additional patient populations and to increase our product lifecycle management activities.

Cleviprex

Research and development expenditures for Cleviprex increased by approximately $1.2 million during the first three months of 2009 compared to the same period in 2008. The increase in research and development expenditures primarily related to increased

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clinical trial expenses due to our PRONTO study and our ACCELERATE Phase IV trial and an increase in administrative and headcount costs primarily due to our MAA for Cleviprex in the European Union, which we submitted during the first quarter of 2009.

In 2009, we plan to continue to conduct Phase IV trials of Cleviprex in neurology and cardiology, along with health economics analyses, and to support observational studies and clinical surveys on treatment practices for acute severe hypertension conducted by hospitals and third-party researchers. Our ACCELERATE Phase IV trial evaluates the efficacy and safety of intravenous infusion of Cleviprex for the treatment of acute hypertension in patients with intracerebral hemorrhage (ICH). We are currently enrolling patients in this study in sites across the United States and Germany. Our PRONTO study is a Phase IV trial designed to evaluate the efficacy and safety of an intravenous infusion of Cleviprex as compared with standard-of-care intravenous antihypertensives for blood pressure lowering in patients with acute heart failure and elevated blood pressure. We are currently enrolling patients in this study in sites in the United States and Europe. Our SPRINT study is a Phase IV trial designed to evaluate the pharmacokinetics and pharmacodynamics of a bolus dosing regimen of Cleviprex for the management of blood pressure in cardiac surgery patients. This study is currently enrolling patients at sites in the United States. Our MERCURY study is a retrospective observational study of the use and impact of Cleviprex therapy initiated in the emergency department in the management of patients with acute blood pressure elevations, assessed through the end of the initial hospitalization.

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 in the three months ended March 31, 2009 compared to the same period in 2008 primarily due to an increase in manufacturing and development costs. We continue to conduct our two pivotal Phase III clinical trials 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 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 9,000 patients in the CHAMPION-PCI trial and 6,400 patients in the CHAMPION-PLATFORM trial.

As of March 31, 2009, we enrolled approximately 8,600 patients in our CHAMPION-PCI trial and approximately 4,900 patients in our CHAMPION-PLATFORM trial. We expect to complete patient enrollment in both trials in the second half of 2009.

If we complete these trials on a timely basis and the results of these trials are favorable, we anticipate making submissions for marketing approvals in the United States in 2009 and in the European Union and selected markets thereafter.

CU2010

We acquired CU2010 in August 2008 in connection with our acquisition of Curacyte Discovery. CU2010 is a small molecule serine protease inhibitor that we are developing for the prevention of blood loss during surgery. In preclinical studies, the compound has demonstrated a favorable pharmacokinetic profile for the surgical setting with a rapid onset and offset of effect, due to its short half life. The molecule was designed and is being developed to address a significant unmet medical need that has intensified for clinicians since the recent withdrawal of aprotinin from the market. Costs incurred during the three months ended March 31, 2009 primarily relate to headcount and pre-clinical work in connection with the development of CU2010. We expect to begin Phase I clinical studies in 2009.

Oritavancin

With our acquisition of Targanta in February 2009, we acquired a worldwide exclusive license to oritavancin, which we believe has the potential to provide significant clinical advantages, including superior dosing options over current IV antibiotics that treat serious infections in the hospital setting. We expect that oritavancin will initially be used in critical care settings within the hospital including the ICU, surgical suite and the emergency department, where our sales representatives promote our current products. We plan to consult with regulatory authorities with a

view to initiating a confirmatory Phase III study of oritavancin given as a single dose infusion as well as the daily dosing regimen examined in the previous Phase III trial. Costs incurred during the three months ended March 31, 2009 primarily relate to headcount. The results of Targanta s operations are included in our consolidated financial statements as of the acquisition date.

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Other

Spending in this category consists of infrastructure costs in support of our product development efforts, which includes expenses for data management, statistical analysis, analysis of pre-clinical data, analysis of pharmacokinetic-pharmacodynamic (PK/PD) data and product safety as well as expenses related to business development activities. We also incur business development expenses in connection with our efforts to evaluate early stage and late stage compounds for development and commercialization and other strategic opportunities. Spending in this category increased by $0.4 million during the first quarter of 2009 compared to the same period in 2008, primarily related to an increased headcount in our business development department.

We expect to continue to invest in the development of Angiomax, Cleviprex, cangrelor, CU2010 and oritavancin during 2009. We expect research and development expenses to reflect costs associated with the costs of enrollment of our ongoing Phase III CHAMPION-PCI trial and CHAMPION-PLATFORM trial for cangrelor, our Phase IV trials for Cleviprex, additional manufacturing development costs for Cleviprex and cangrelor, costs of our anticipated Phase I clinical trial of CU2010 and product lifecycle management activities. In addition, we expect to incur additional research and development expenses in 2009 in connection with our anticipated Phase III clinical trial of oritavancin.

Our success in further developing Angiomax, obtaining marketing approval for Cleviprex outside the United States, or developing and obtaining marketing approval for cangrelor, oritavancin and CU2010, is highly uncertain. We cannot predict expenses associated with ongoing data analysis or 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, Cleviprex outside the United States, cangrelor, oritavancin or CU2010 due to the numerous risks and uncertainties associated with developing and commercializing 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 and maintaining sales, marketing and distribution capabilities;
- the cost of establishing and maintaining 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 52% to $53.6 million for the three months ended March 31, 2009, from $35.4 million for the same period in 2008. The increase in selling, general and administrative expenses of $18.2 million was due to a $5.4 million increase in costs related to headcount expansion, including the expansion of medical science, sales management and international operations teams, $5.4 million of U.S. infrastructure costs, one-time transaction costs related to the Targanta acquisition of $4.0 million and $1.3 million in costs associated with our European expansion. The U.S. infrastructure costs include approximately $2.3 million related to vacating our previous office facility in January of 2009 and such amount represents our initial estimate of the net present value of our estimated lease termination costs. The remaining increase in selling, general and administrative expenses is due to stock-based compensation expense and other headcount related costs.

Other Income. Other income, which is primarily comprised of interest income, decreased to $1.2 million for the three months ended March 31, 2009, from $2.4 million for the comparable period in 2008. The decrease in other

income of $1.2 million was primarily due to lower rates of return on our available for sale securities combined with lower levels of cash to invest in 2009.

Benefit (Provision) for Income Tax. We recorded a benefit for income taxes of $2.6 million for the three months ended March 31,

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2009 based on a loss before taxes of $5.9 million compared to a $3.9 million provision for the three months ended March 31, 2008 based on income before taxes of $8.7 million. This resulted in an effective tax rate of 44% for the three months ended March 31, 2009 and 2008.

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, the progress of ongoing tax audits, the regulatory approval of products currently under development, extension of the patent rights relating to Angiomax, failure to achieve future anticipated revenues or the implementation of tax planning strategies in connection with our European expansion. 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 $164.3 million in cash, cash equivalents and available for sale securities as of March 31, 2009.

Cash Flows. As of March 31, 2009, we had $38.2 million in cash and cash equivalents, as compared to $81.0 million as of December 31, 2008. Our decrease in cash and cash equivalents during the three months ended March 31, 2009 included $5.9 million in net cash used in operating activities and $37.4 million in net cash used in investing activities, which was partially offset by $0.9 million of net cash provided by financing activities.

Net cash used in operating activities was $5.9 million for the three months ended March 31, 2009, compared to net cash used in operating activities of $7.1 million for the three months ended March 31, 2008. The net cash used in operating activities during the first three months of 2009 includes a decrease in cash flow from operations because of a net loss of $3.3 million. The decrease in cash flows from operations related to net loss was offset by non-cash items of $4.7 million mainly attributable stock-based compensation expense of $5.4 million and depreciation and amortization of $1.4 million, partially offset by a deferred tax benefit of $2.6 million. Cash used in operating activities included a decrease of $7.3 million due to changes in working capital items.

For the three months ended March 31, 2009, $37.4 million in net cash was used in investing activities. Net cash used in investing activities included the Targanta acquisition for $37.2 million, net, the purchase of $39.3 million of available for sale securities, purchases of $5.7 million of fixed assets, primarily leasehold improvements for our new office facility and an increase of restricted cash of $3.0 million. Such purchases were offset by $47.8 million in proceeds from the maturity and sale of available for sale securities.

For the three months ended March 31, 2009, we received $0.9 million in cash provided by financing activities, which consisted of net proceeds to us related to purchases of our 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 globally;
- the extent to which Cleviprex is commercially successful in the United States;
- the extent to which we can successfully establish a commercial infrastructure outside the United States;
- the expansion of our sales force in connection with the expansion of our sales and marketing efforts in Europe and the sale of Cleviprex in the United States;
- our plan to continue to evaluate possible acquisitions of development-stage products, approved products, or businesses and possible additional strategic or licensing arrangements with companies that fit within our growth strategy, such as our acquisitions of Curacyte Discovery and Targanta;

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the progress, level and timing of our research and development activities related to our clinical trials with respect to Angiomax, Cleviprex, cangrelor, oritavancin and CU2010;

the cost and outcomes of regulatory submissions and reviews, including our efforts to obtain approval of the expansion of the Angiomax product label in the United States to include an additional dosing regimen in the treatment of ACS initiated in the emergency department in the United States, approval of Cleviprex internationally and approval of our product candidates globally;

the continuation or termination of third-party manufacturing or sales and marketing arrangements;

the size, cost and effectiveness of our sales and marketing programs in the United States and internationally;

the status of competitive products;

the success of obtaining regulatory approval of oritavancin and the extent of the commercial success of oritavancin, if and when it is approved, which could result in the cash payment to former Targanta shareholders; and

our ability to defend and enforce our intellectual property rights.

If our existing resources are insufficient to satisfy our liquidity requirements due to slower than anticipated revenues from Angiomax and Cleviprex, or higher than anticipated costs in Europe, if we acquire additional product candidates or businesses, or if we determine 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.

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, milestone payments due under our license agreements, income tax contingencies, operating leases, and selling, general and administrative obligations. A summary of these aggregate contractual obligations was included in our Annual Report on Form 10-K for the year ended December 31, 2008. During the quarter ended March 31, 2009, we incurred additional commitments related to the purchase of inventory. As of March 31, 2009, we have inventory-related purchase commitments totaling $21.8 million during 2009 and $26.1 million during 2010 for Angiomax bulk drug substance.

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 securities, asset backed securities and U.S. government agency notes with maturities of less than two years, which we believe are subject to limited interest rate and credit risk. We currently do not hedge interest rate exposure. At March 31, 2009 we held $164.3 million in cash, cash equivalents and available for sale securities which had an average interest rate of approximately 1.6% and a 10% change in such average interest rate would have had an approximate $0.2 million

impact on our interest income. At March 31, 2009, all of the cash, cash equivalents and available for sale securities were due on demand or within one year.

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

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fluctuations in currency exchange rates. Transactions under certain other of these agreements are conducted in the local foreign currency. As of March 31, 2009, we had receivables denominated in currencies other than the U.S. dollar. A 10% change would have had an approximate $0.1 million impact on our other income and cash.

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, 2009. 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, 2009, 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, 2009 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1A. 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.

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, 2009, we had an accumulated deficit of approximately $271.3 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, we were not profitable in 2008 primarily as a result of the costs incurred in connection with our acquisition of Curacyte Discovery in August 2008 and were not profitable in 2007, primarily as a result of the costs incurred in connection with the Nycomed transaction. We 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 has accounted for substantially all of our revenue since we began selling Angiomax in 2000 and, until the approval of Cleviprex by the FDA for the reduction of blood pressure when oral therapy is not feasible or not desirable in August 2008, Angiomax

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was our only commercial product. We expect revenues from Angiomax to continue to account for substantially all of our revenues in 2009. The commercial success of Angiomax depends 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 further develop Angiomax for use in additional patient populations and the clinical data we generate to support expansion of the product label, including our ability to obtain EMEA approval of Angiox for the treatment of STEMI patients undergoing PCI;
- the overall number of PCI procedures performed;
- our ability sell and market of Angiox in Europe; and
- the extent to which we and our international distributors are successful in marketing Angiomax.

We intend to continue to develop Angiomax for use in additional patient populations. 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.

As of March 31, 2009, our inventory of Angiomax was $21.9 million. In addition, we have inventory-related purchase commitments to Lonza Braine totaling $21.8 million for 2009 and $26.1 million for 2010 for Angiomax bulk drug substance. 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 our sole source distributor and a limited number of domestic wholesalers and international distributors involved in the sale of our products, and such revenue may fluctuate from quarter to quarter based on the buying patterns of such distributor, wholesalers and distribution partners

We distribute Angiomax and Cleviprex in the United States through a sole source distribution model. Under this model, we sell Angiomax and Cleviprex to our sole source distributor, which then sells Angiomax and Cleviprex 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. For the year ended December 31, 2008 and the quarter ended March 31, 2009, the sales to our sole source distributor accounted for all of our U.S. sales. As our revenue from sales of Angiomax in the United States is now, and we anticipate revenue from sales of Cleviprex in the United States will be, exclusively from sales to the sole source distributor, 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 2008, we assumed control of the distribution of Angiox in the countries in which Nycomed distributed Angiox. In other countries, we continue to sell Angiomax to international distributors and these distributors then sell Angiomax to hospitals. Our reliance on a small number of distributors for international sales of Angiomax could cause our revenue to fluctuate from quarter to quarter based on the buying patterns of these distributors, regardless of underlying hospital demand.

If inventory levels at our sole source distributor or at our international distributors become too high, these distributors may seek to reduce their inventory levels by reducing purchases from us, which could have a materially adverse effect on our revenue in periods in which such purchase reductions occur.

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 further development of Angiomax and Cleviprex for use in additional patient populations, the commercialization of Cleviprex and the development of cangrelor, oritavancin and CU2010, including clinical trials, manufacturing development and regulatory approvals, potential milestone payments to our third party licensors, potential obligations to make cash payments to former Targanta shareholders in connection with our acquisition of Targanta, and the acquisition and development of additional product candidates by us, such as oritavancin and CU2010 in 2009 and

2008, respectively, 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:

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the extent to which Angiomax is commercially successful globally;

the extent to which Cleviprex is commercially successful in the United States;

the extent to which we can successfully establish a commercial infrastructure outside the United States;

the expansion of our sales force in connection with the expansion of our sales and marketing efforts in Europe and the sale of Cleviprex in the United States;

our plan to continue to seek possible acquisitions of development-stage products, approved products, or businesses and possible additional strategic or licensing arrangements with companies that fit within our growth strategy, such as our acquisitions of Curacyte Discovery and Targanta;

the progress, level and timing of our research and development activities related to our clinical trials with respect to Angiomax, Cleviprex, cangrelor, oritavancin and CU2010;

the cost and outcomes of regulatory submissions and reviews, approval of Cleviprex internationally and approval of our product candidates globally;

the continuation or termination of third-party manufacturing or sales and marketing arrangements;

the size, cost and effectiveness of our sales and marketing programs in the United States and internationally;

the status of competitive products;

the success of obtaining regulatory approval of oritavancin and the extent of the commercial success of oritavancin, if and when it is approved, which could result in the cash payment to former Targanta shareholders; and

our ability to defend and enforce our intellectual property rights.

If our existing resources are insufficient to satisfy our liquidity requirements due to slower than anticipated sales of Angiomax and Cleviprex, or higher than anticipated costs globally, if we acquire additional product candidates or businesses, or if we determine 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, Angiomax may not obtain widespread use

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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 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.

In addition, if we are unable to secure patent term restoration for Angiomax, we expect the entry of generic competition into the market potentially as early as the third quarter of 2010. Competition from generic equivalents could have a material adverse impact on our financial condition and operating results.

Cleviprex competes with all categories of IV antihypertensive, or IV-AHT, drugs, which may limit the use of Cleviprex

Because different IV-AHT drugs act in different ways on the factors contributing to elevated blood pressure, physicians have several therapeutic options to reduce acutely elevated blood pressure and related conditions. We believe that continued clinical work will be necessary to determine the best combination of drugs for the various patient types and clinical settings. We recognize that Cleviprex competes with other IV-AHT drugs to the extent Cleviprex and any of these IV-AHT drugs are approved for the same or similar indications.

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

Because the IV-AHT market is competitive and many of the IV-AHT drugs with which we expect Cleviprex to compete have been widely used in patient care for many years and are generic, our product may not obtain widespread use

We have positioned Cleviprex as an alternative to multiple older products, almost all of which are inexpensive generics used widely in patients with acute hypertension or requiring acute blood pressure management. Any medicine that competes with generic market-leading medicines must demonstrate compelling advantages in efficacy, convenience, tolerability and/or safety in order to overcome price competition and be commercially successful. Because generic therapies are inexpensive and have been widely used for many years, physicians and decision-makers for hospital resource allocation may be hesitant to adopt Cleviprex. We cannot assure you of the rate of Cleviprex sales growth immediately post launch and the longer-term outlook for future years. While we are not aware of any IV-AHT drugs currently awaiting regulatory approval or in development, this remains a possible scenario, the impact of which on Cleviprex sales we cannot estimate.

The market for Cleviprex will depend significantly on its inclusion on hospital formularies

Many hospitals establish formularies, which are lists of drugs approved for use in the hospital. In those hospitals, if a drug is not included on the formulary, then the ability of our sales representatives to sell the drug in such hospital is limited or denied. If we fail to secure and maintain formulary coverage for Cleviprex on favorable terms or are significantly delayed in doing so, we will have difficultly achieving market acceptance of Cleviprex and our business could be materially adversely affected. We cannot guarantee the extent and uptake rate at which Cleviprex will be accepted on hospital formularies.

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

We believe that the near-term commercial success of Angiomax and Cleviprex will depend upon the extent to which physicians, patients and other key decision-makers accept the results of the 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. Similarly, we cannot be certain of the extent to

which physicians, patients and other key decision-makers will accept the results of the ACUITY and HORIZONS AMI trials. The FDA, in denying our sNDA for an additional dosing regimen in the treatment of ACS initiated in the

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emergency department, indicated that the basis of their decision involved the appropriate use and interpretation of non-inferiority trials such as our ACUITY trial. If physicians, patients and other key decision-makers do not accept clinical trial results, adoption of Angiomax and Cleviprex may suffer, and our business will be materially adversely affected.

We believe that as a result of data from a clinical trial that was published in March 2007 in the New England Journal of Medicine entitled Clinical Outcomes Utilizing Revascularization and Aggressive Drug Evaluation, or COURAGE , and the controversy regarding the use of drug-eluting stents, the number of PCI procedures performed in the United States declined in 2007. The decline in the number of procedures has had a direct impact on our net revenues. PCI procedure volume increased in 2008 from 2007 levels, but has not returned to the level of PCI procedures performed prior to the 2007 decline. PCI procedure volume might decline again and might not return to its previous level. In the event that the number of procedures declines, sales of Angiomax may be impacted negatively.

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.

Our ability to generate future revenue from products will be affected by our ability to develop our international operations

To support the international sales and marketing of Angiomax, and of Cleviprex, cangrelor, oritavancin and CU2010 if and when they are approved for sale outside the United States, we are developing our business infrastructure internationally, with European operations being our initial focus. If we are unable to expand our international operations successfully and in a timely manner, the growth of our business may be limited and our business, operating results and financial condition may be harmed. Such expansion may be more difficult, be more expensive or take longer than we anticipate, and we may not be able to successfully market and sell our products internationally. Future rapid expansion could strain our operational, human and financial resources. In order to manage expansion, we must:

continue to improve operating, administrative, and information systems;

accurately predict future personnel and resource needs to meet contract commitments;

track the progress of ongoing projects; and

attract and retain qualified management, sales, professional, scientific and technical operating personnel.

If we do not take these actions and are not able to manage our international business, then our international operations may be less successful than anticipated, and we may be required to allocate additional resources to the expanded business, which we would have otherwise allocated to another part of our business.

Our future growth depends, in part, on our ability to penetrate foreign markets, particularly in Europe. However, we have limited experience marketing, servicing and distributing our products and otherwise conducting our business outside the United States, where we are subject to additional regulatory burdens and other risks

Our future profitability will depend in part on our ability to grow and ultimately maintain our product sales in foreign markets, particularly in Europe. However, we have limited experience in marketing, servicing and distributing our products outside of the United States. In addition, in August 2008 we acquired Curacyte Discovery and are

conducting research and development activities through this German subsidiary. In connection with our acquisition of Targanta in February 2009, we acquired Targanta s Canadian

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subsidiary and will be conducting research and development activities through this Canadian subsidiary. These foreign operations subject us to additional risks and uncertainties, including:

- our customers ability to obtain reimbursement for procedures using our products in foreign markets;
- the burden of complying with complex and changing foreign legal, tax, accounting and regulatory requirements;
- language barriers and other difficulties in providing long-range customer support and service;
- longer accounts receivable collection times;
- significant currency fluctuations;
- reduced protection of intellectual property rights in some foreign countries; and
- the interpretation of contractual provisions governed by foreign laws in the event of a contract dispute.

Our foreign sales of our products could also be adversely affected by export license requirements, the imposition of governmental controls, political and economic instability, trade restrictions, changes in tariffs and difficulties in staffing and managing foreign operations. In addition, we are subject to the Foreign Corrupt Practices Act, any violation of which could create a substantial liability for us and also cause a loss of reputation in the market.

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, Europe or elsewhere will be available for any products we may develop or, if already available, will not be decreased in the future. We may not get reimbursement or reimbursement may be limited if authorities, private health insurers and other organizations are influenced by existing drugs and prices in determining our reimbursement. For example, the availability of numerous generic antibiotics at lower prices than branded antibiotics, such as oritavancin, if it were approved for commercial sale, may also substantially reduce the likelihood of reimbursement for oritavancin. 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. In addition, in some countries, it may take an extended period of time to collect payment even after reimbursement has been established.

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, and the governments of the states and foreign countries in which we may conduct our business. In the United States, the laws that directly or indirectly affect our ability to operate our business include the following:

the Federal 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

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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.

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 product 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 and Cleviprex, we do not have any other product approved for sale in the United States or any foreign market. Angiomax 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, for sale in the European Union for indications similar to those approved by the FDA and for adult patients with ACS and for sale in other countries for indications similar to those approved by the FDA. Cleviprex has been approved for sale in the United States for the reduction of blood pressure when oral therapy is not feasible or not desirable. 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 regulatory 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 applicable

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regulatory authority 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 indication 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 in the United States and internationally 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. For example, the FDA issued a complete response letter to Targanta in December 2008 before it was acquired by us with respect to the oritavancin NDA indicating that the FDA could not approve the NDA in its present form and that it would be necessary for Targanta to perform an additional adequate and well-controlled study to demonstrate the safety and efficacy of oritavancin in patients with cSSSI before the application could be approved.

We cannot expand the indications for which we are marketing Angiomax unless we receive regulatory 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. Angiox is approved for patients undergoing PCI and for adult patients with ACS in the European Union. One of our key objectives is to expand the indications for which Angiomax is approved. For example, in December 2008, we submitted an application to the EMEA for the approval of Angiox in the treatment of STEMI patients undergoing PCI. In order to market Angiomax for expanded indications, we will need to conduct appropriate clinical trials, obtain positive results from those trials and obtain regulatory approval for such proposed indications. Obtaining regulatory 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 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 might not be successful in obtaining regulatory approval for this indication in a timely manner or at all. In addition, in May 2008, we received a non-approvable letter from the FDA with respect to an sNDA that we submitted to the FDA seeking approval of an additional indication for Angiomax for the treatment of patients with ACS. In its letter, the FDA indicated that the basis of their decision involved the appropriate use and interpretation of non-inferiority trials, including the ACUITY trial. We disagree with the FDA on these issues and have initiated discussions with the FDA to address them. We might not be successful in obtaining regulatory approval for these indications or any other indications in a timely manner or at all. 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:

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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 or other regulatory authorities, 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, we have in the past voluntarily suspended enrollment in one of our clinical trials 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

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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, cangrelor and oritavancin bulk drug substance and a limited number of 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 commercial 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 also plan to rely on different suppliers, Baxter Pharmaceutical Solutions LLC and Ben Venue Laboratories, Inc., for the manufacture of all finished cangrelor drug product for all Phase III clinical trials and to carry out release testing.

All bulk drug substance of oritavancin is currently obtained from Abbott under an agreement originally entered into between Targanta and Abbott for use in clinical trials and for commercial supply. We obtain oritavancin final drug product from contract fill/finish providers, Catalent Pharma Solutions, Inc. (formerly known as Cardinal Health PTS, LLC) and Ben Venue. The Catalent agreement requires the purchase of a minimum number of batches of oritavancin final drug product.

A limited number of manufacturers are capable of manufacturing Angiomax, Cleviprex, cangrelor and oritavancin. 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 any of Lonza Braine, Johnson Matthey, Hospira, Ben Venue, Baxter or Abbott is unable or unwilling to carry out its respective manufacturing obligations or terminates or refuses to renew its 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 need to satisfy various regulatory requirements, which could cause us to experience significant delays in receiving an adequate supply of Angiomax, Cleviprex, cangrelor or oritavancin. 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 or Cleviprex on a timely basis and supply product for clinical trials of Angiomax, Cleviprex, cangrelor or oritavancin.

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 and Cleviprex or establish and maintain arrangements to develop, manufacture and commercialize cangrelor, oritavancin, CU2010 or any additional product candidates or products we may acquire on terms that are acceptable to us. Any current or future arrangements for

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development and commercialization may not be successful. If we are not able to establish or maintain agreements relating to Angiomax, Cleviprex, cangrelor, oritavancin, CU2010 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 reevaluate 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, oritavancin, CU2010 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 Cleviprex and our other 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, cangrelor, oritavancin and CU2010, 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, Cleviprex, cangrelor, oritavancin, CU2010 and our other product candidates.

In order to satisfy regulatory authorities, we may need to reformulate the way in which our oritavancin bulk drug substance is created to remove animal source product

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Oritavancin bulk drug substance is manufactured using animal-sourced products, namely porcine-sourced products. Some non-U.S. regulatory authorities have historically objected to the use of animal-sourced products, particularly bovine-sourced products, during the preparation of finished drug product. As a result and in order to best position oritavancin for approval in foreign jurisdictions, under the agreement with Abbott, we and Abbott are seeking to develop a manufacturing process for oritavancin bulk drug substance that does not rely on the use of any animal-sourced products.

If we are unable to develop a manufacturing process for oritavancin bulk drug substance that does not rely on the use of animal-sourced product, it is possible that we will be unable to receive regulatory approval for oritavancin in certain foreign jurisdictions, which would likely have a negative impact on our ability to achieve our business objectives.

If we use hazardous and biological materials in a manner that causes injury or violates applicable law, we may be liable for damages

In connection with our acquisitions of Curacyte Discovery and Targanta, we now conduct research and development activities. These research and development activities involve the controlled use of potentially hazardous substances, including chemical, biological and radioactive materials and viruses. In addition, our operations produce hazardous waste products. Federal, state and local laws and regulations in each of the United States, Canada and Germany govern the use, manufacture, storage, handling and disposal of hazardous materials. Although we believe that our procedures for use, handling, storing and disposing of these materials comply with legally prescribed standards, we may incur significant additional costs to comply with applicable laws in the future. Also, even if we are in compliance with applicable laws, we cannot completely eliminate the risk of contamination or injury resulting from hazardous materials and we may incur liability as a result of any such contamination or injury. In the event of an accident, we could be held liable for damages or penalized with fines, and the liability could exceed our resources. We have only limited insurance for liabilities arising from hazardous materials. Compliance with applicable environmental laws and regulations is expensive, and current or future environmental regulations may restrict our research, development and production efforts, which could harm our business, operating results and financial condition.

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., relating to Cleviprex and cangrelor from AstraZeneca and, through our acquisition of Targanta, oritavancin from Eli Lilly and InterMune. Under these agreements, we are subject to commercialization and development, sublicensing, royalty, patent prosecution and maintenance, insurance and other obligations. For example, we are required under our license for cangrelor to file an NDA for cangrelor by December 31, 2009. 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;

secure patent term extension for the patents covering our approved products;

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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, and we may not be able to obtain patent term extension to prolong the terms of the principal patents covering our approved 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.

As of May 1, 2009, we exclusively licensed patents and patent applications for Angiomax, Cleviprex, cangrelor and oritavancin. The U.S. patents licensed by us are currently set to expire at various dates. In the case of Angiomax, the principal patent is set to expire in March 2010; in the case of Cleviprex, its principal patent is set to expire in January 2016; in the case of cangrelor, the principal patent is set to expire in February 2014, and in the case of oritavancin, the principal patent is set to expire in November 2015. We are seeking patent term extension for the principal patent for Cleviprex.

In connection with our acquisition of Targanta, we obtained an exclusive license to a portfolio of patents and patent applications covering oritavancin and its analogs. These patents and patent applications include those patents and patent applications exclusively licensed by Targanta from Eli Lilly, and also include a number of patent applications subsequently filed by Targanta. In connection with our acquisition of Curacyte Discovery, we also acquired a portfolio of patents and patent applications covering CU2010, its analogs or other similar protease inhibitors. We plan to prosecute and defend these patents and 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.

On June 23, 2008, the United States House of Representatives passed a bill that, if enacted, would have provided the PTO with discretion to consider patent extension applications filed late unintentionally under the Hatch-Waxman Act. The United States Senate, however, adjourned without considering this bill. While we are hopeful that, in the current session, Congress will consider legislation similar to that passed by the House in June 2008, we can provide no assurance that a bill will be introduced or enacted or that, if it is enacted, the PTO will consider our application.

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, which is currently scheduled to occur in September 2010, but is subject to automatic renewals of consecutive three-year periods unless either party provides notice of non-renewal within one year prior to the

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expiration of the initial term or any renewal term. 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 sell and generate revenue from two products, Angiomax and Cleviprex. In order to generate additional revenue, we intend to acquire and develop additional product candidates or approved products. For example, in August 2008, we acquired Curacyte Discovery and its lead product candidate, CU2010, for the prevention of blood loss during surgery and in February 2009, we acquired Targanta and its lead product candidate, oritavancin. 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 have only the limited internal scientific research capabilities that we acquired in our acquisitions of Curacyte Discovery and Targanta, and we do not anticipate establishing additional 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. For example, CU2010 is a pre-clinical product candidate, for which we plan to commence clinical testing during 2009. With respect to oritavancin,

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the FDA issued a complete response letter to Targanta with respect to its oritavancin NDA indicating that the FDA could not approve the NDA in its present form and that it would be necessary for Targanta to perform an additional adequate and well-controlled study to demonstrate the safety and efficacy of oritavancin in patients with cSSSI before the application could be approved. We expect to meet with the FDA in 2009 to discuss the FDA s issues with the NDA filed by Targanta and to commence a Phase III trial in 2009 based on guidance we receive from the FDA.

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, our President and Chief Operating Officer, John P. Kelley, our Executive Vice President and Chief Financial Officer, Glenn P. Sblendorio, 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 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.

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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, 2008 to May 7, 2009, the last reported sale price of our common stock ranged from a high of $27.68 per share to a low of $8.99 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 5. Other Information

On February 11, 2009, the compensation committee of our board of directors established the following 2009 base salaries for our named executive officers, effective as of January 1, 2009, and awarded the following annual cash bonus payments to our named executive officers for 2008, which were paid in February 2009.

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Name and Title	2009 Annual Base Salary	2008 Annual Cash Bonus Payments
Clive A. Meanwell *Chief Executive Officer*	$588,640	$357,599
John P. Kelley *President and Chief Operating Officer*	$463,500	$173,813
Glenn P. Sblendorio *Executive Vice President and Chief Financial Officer*	$434,531	$170,859
Paul M. Antinori *Senior Vice President and General Counsel*	$381,150	$103,950
Catharine Newberry(1) *Former Senior Vice President and Chief Human Strategy Officer*	$	$ 53,865

(1) Ms. Newberry s employment with us terminated January 26, 2009.

Item 6. Exhibits

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.

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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 11, 2009

By: /s/ Glenn P. Sblendorio
Glenn P. Sblendorio
Executive Vice President and Chief Financial
Officer (Principal Financial and Accounting Officer)

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EXHIBIT INDEX

Exhibit Number	Description
2.1	Agreement and Plan of Merger among the registrant, Boxford Subsidiary Corporation, and Targanta Therapeutics Corporation, dated as of January 12, 2009 (filed as Exhibit 2.1 of the registrant s current report on Form 8-K, filed on January 14, 2009)
10.1	2009 Equity Inducement Plan (filed as Exhibit 10.1 to the registration statement on Form S-8 filed February 24, 2009 (registration number 333-157499))
10.2	Form of stock option agreement under 2009 Equity Inducement Plan
10.3	Form of stock option agreement for employees in Italy under 2009 Equity Inducement Plan
10.4	Form of restricted stock agreement under 2009 Equity Inducement Plan
10.5	Severance Agreement, dated February 17, 2009 by and between Catharine Newberry and the registrant (filed as Exhibit 10.42 of the registrant s annual report on Form 10-K, filed on March 2, 2009)
10.6	Contingent Payment Rights Agreement dated February 25, 2009 between the registrant and American Stock Transfer & Trust Company (filed as Exhibit 99.1 of the registrant s current report on Form 8-K, filed on March 2, 2009)
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