HELEN OF TROY LTD
Form 10-Q
October 09, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended August 31, 2008

or

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

For the transition period from ..... to ..

Commission file number: 001-14669

HELEN OF TROY LIMITED

(Exact name of registrant as specified in its charter)

Bermuda (State or other jurisdiction of incorporation or organization)	**74-2692550** (I.R.S. Employer Identification No.)
Clarenden House **Church Street** **Hamilton, Bermuda** (Address of principal executive offices)	
1 Helen of Troy Plaza **El Paso, Texas** (Registrant s United States Mailing Address)	**79912** (Zip Code)

(915) 225-8000

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No 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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	**Outstanding at October 3, 2008**
Common Shares, $0.10 par value per share	30,232,241 shares

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HELEN OF TROY LIMITED AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HELEN OF TROY LIMITED AND SUBSIDIARIES

Consolidated Condensed Balance Sheets

(in thousands, except shares and par value)

	August 31, 2008 (unaudited)	February 29, 2008
Assets		
Current assets:		
Cash and cash equivalents	**$ 58,249**	$ 57,851
Temporary investments	**-**	63,825
Trading securities, at market value	**29**	36
Receivables - principally trade, less allowance of $1,027 and $1,331	**116,059**	105,615
Inventories	**166,393**	144,867
Prepaid expenses	**5,532**	6,290
Income taxes receivable	**6,414**	861
Deferred income tax benefits	**10,979**	16,419
Total current assets	**363,655**	395,764
Property and equipment, net of accumulated depreciation of $48,500 and $44,524	**87,765**	91,611
Goodwill	**212,621**	212,922
Trademarks, net of accumulated amortization of $237 and $235	**154,656**	161,922
License agreements, net of accumulated amortization of $17,892 and $17,343	**23,927**	24,972
Other intangible assets, net of accumulated amortization of $7,425 and $6,432	**14,749**	15,544
Long-term investments	**45,025**	**-**
Other assets, net of accumulated amortization of $3,152 and $2,865	**9,514**	9,258
Total assets	**$ 911,912**	$ 911,993

Liabilities and Stockholders Equity

Current liabilities:		
Current portion of long-term debt	**$ 78,000**	$ 3,000
Accounts payable, principally trade	**38,891**	42,763
Accrued expenses and other current liabilities	**64,353**	73,697
Total current liabilities	**181,244**	119,460
Long-term compensation and other liabilities	**2,520**	2,566
Long-term income taxes payable	**8,300**	9,181
Deferred income tax liability	**6**	410
Long-term debt, less current portion	**134,000**	212,000

Total liabilities	**326,070**	343,617

The Company completed a follow-on public offering in July 2007. As part of that offering, 4,189,460 shares of the Company's common stock were sold, resulting in proceeds of approximately $72.2 million, net of issuance costs.

The Company completed a follow-on public offering in February 2008. As part of that offering, 3,712,000 shares of the Company's common stock were sold, resulting in proceeds of approximately $74.6 million, net of issuance costs.

In February 2008, the Company acquired certain assets from Neurorecovery, Inc. (NRI). These assets will enable Acorda to explore additional therapeutic indications for its investigational compound Fampridine-SR, as well as provide access to pre-clinical compounds that may have utility in nervous system disorders. Under the terms of the purchase agreement, Acorda was assigned two key licensing and research agreements relating to the use of aminopyridines in peripheral neuropathies and two early stage development candidates. Acorda also acquired NRI's pre-clinical and clinical data, regulatory filings (including Orphan Drug designations), copyrights, trademarks and domain names relating to the three products. Acorda issued 100,000 shares of its Common Stock as the purchase price for these assets. The transaction was accounted for as an acquisition of in-process research and development assets and, as such, resulted in a non-cash expense in the first quarter of 2008 of approximately $2.7 million.

The Company finances its operations through a combination of issuance of equity securities, revenues from Zanaflex Capsules and tablets, loans and, to a lesser extent, grants. There are no assurances that the Company will be successful in obtaining an adequate level of financing needed to fund its development and commercialization efforts. The Company believes that its current financial resources and sources of liquidity will be sufficient to fund operations and meet financial obligations into the fourth quarter of 2009 based on the Company's current projected revenue and spending levels. To the extent the Company's capital resources are insufficient to meet future operating requirements, the Company will need to raise additional capital, reduce planned expenditures, or incur indebtedness to fund its operations. The Company may be unable to obtain additional debt or equity financing on

ACORDA THERAPEUTICS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

(unaudited)

(1) Organization and Business Activities (Continued)

acceptable terms, if at all. If adequate funds are not available, the Company may be required to curtail its sales and marketing efforts, delay, reduce the scope of or eliminate some of its research and development programs or obtain funds through arrangements with collaborative partners or others that may require us to relinquish rights to certain product candidates that it might otherwise seek to develop or commercialize independently.

(2) Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and include the results of operations of the Company and its majority owned subsidiary. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include research and development (clinical trial accrual) and share-based compensation accounting, which are largely dependent on the fair value of the Company's equity security. In addition, the Company recognizes revenue based on estimated prescriptions filled. The Company adjusts its inventory value based on an estimate of inventory that may be returned. Actual results could differ from those estimates.

Revenue Recognition

The Company applies the revenue recognition guidance in Statement of Financial Accounting Standards (SFAS) No. 48, *Revenue Recognition When the Right of Return Exists*, which among other criteria requires that future returns can be reasonably estimated in order to recognize revenue. The amount of future tablet returns is uncertain due to generic competition and customer conversion to Zanaflex Capsules. Zanaflex Capsules has limited historical return data. Due to the uncertainty of returns for both products, the Company is accounting for these product shipments using a deferred revenue

recognition model. Under the deferred revenue model, the Company does not recognize revenue upon product shipment. For these product shipments, the Company invoices the wholesaler, records deferred revenue at gross invoice sales price, and classifies the cost basis of the product held by the wholesaler as a component of inventory. The Company recognizes revenue when prescribed to the end-user, on a first-in first-out basis. The Company's revenue to be recognized is based on (1) the estimated prescription demand-based on pharmacy sales for its products, and (2) the Company's analysis of third-party information, including third-party market research data. The Company's estimates are subject to the inherent limitations of estimates that rely on third-party data, as certain third-party information was itself in the form of estimates, and reflect other limitations. The Company's sales and revenue recognition reflects the Company's estimates of actual product prescribed to the

(2) Summary of Significant Accounting Policies (Continued)

end-user. The Company expects to be able to recognize revenue upon shipment to the customer when it has sufficient data to develop reasonable estimates of expected returns based upon historical returns.

The Company's net revenues represent total revenues less allowances for customer credits, including estimated discounts, rebates, and chargebacks. Product shipping and handling costs are included in cost of sales. These reserves are recorded in accordance with Emerging Issues Task Force (EITF) Issue No. 01-9, *Accounting for Consideration Given by a Vendor to a Customer*, which states that cash consideration given by a vendor to a customer is presumed to be a reduction of the selling prices of the vendor's products or services and, therefore, should be characterized as a reduction of revenue when recognized in the vendor's income statement. At the time product is shipped to wholesalers, an adjustment is recorded for estimated chargebacks, rebates, and discounts. These reserves are established by management as its best estimate based on available information and are adjusted to reflect known changes in the factors that impact such reserves. Reserves for chargebacks, rebates and discounts are established based on the contractual terms with customers, analysis of historical levels of discounts, chargebacks and rebates, communications with customers and the levels of inventory remaining in the distribution channel, as well as expectations about the market for each product and anticipated introduction of competitive products. In addition, the Company records a charge to cost of goods sold for the cost basis of the estimated product returns the Company believes may ultimately be realized at the time of product shipment to wholesalers. The Company has recognized this charge at the date of shipment since it is probable that it will receive a level of returned products; upon the return of such product it will be unable to resell the product considering its expiration dating; and it can reasonably estimate a range of returns. This charge represents the cost basis for an estimated rate of the Company's expected returns.

Concentration of Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of investments in cash and cash equivalents, restricted cash, accounts receivable and debt securities. The Company maintains cash and cash equivalents, restricted cash and debt securities with approved financial institutions. The Company is exposed to credit risks in the event of default by the financial institutions or issuers of investments in excess of FDIC insured limits. The Company performs periodic evaluations of the relative credit

standing of these financial institutions and limits the amount of credit exposure with any institution.

Earnings per Share

Net loss per share is computed in accordance with SFAS No. 128, *Earnings Per Share*, by dividing the net loss by the weighted average number of shares of common stock outstanding. The Company has stock options and restricted stock (see Note 3), which have not been used in the calculation of diluted net loss per share because to do so would be anti-dilutive. As such, the numerator and the denominator used in computing both basic and diluted net loss per share for each year are equal.

Segment Information

The Company is managed and operated as one business. The entire business is managed by a single management team that reports to the chief executive officer. The Company does not operate

(2) Summary of Significant Accounting Policies (Continued)

separate lines of business with respect to any of its product candidates. Accordingly, the Company does not prepare discrete financial information with respect to separate product candidates or by location and does not have separately reportable segments as defined by SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*.

Recent Accounting Pronouncements

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, which permits an entity to measure certain financial assets and financial liabilities at fair value on an instrument by instrument basis. Under SFAS No. 159, entities that elect the fair value option will report unrealized gains and losses in earnings at each subsequent reporting date. For the Company, SFAS No. 159 is effective as of January 1, 2008, but we did not elect to measure any additional financial instruments at fair value as a result of this statement. Therefore, the adoption of SFAS No. 159 has not had an impact on our consolidated financial statements.

In June 2007, the Emerging Issues Task Force (EITF) issued EITF Issue No. 07-3, *Accounting for Nonrefundable Advance Payments for Goods or Services to be Used in Future Research and Development Activities*. EITF Issue No. 07-3 provides guidance concerning the accounting for non-refundable advance payments for goods and services that will be used in future R&D activities and requires that they be expensed when the research and development activity has been performed and not at the time of payment. The Company adopted EITF No. 07-3 as of January 1, 2008. The adoption has not had an impact on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141R, *Business Combinations*. This statement, which addresses the accounting for business acquisitions, is effective for fiscal years beginning on or after December 15, 2008, with early adoption prohibited, and generally applies to business acquisitions completed after December 31, 2008. Among other things, the new standard requires that all acquisition-related costs be expensed as incurred, and that all restructuring costs related to acquired operations be expensed as incurred. This new standard also addresses the current and subsequent accounting for assets and liabilities arising from contingencies acquired or assumed and, for acquisitions both prior and subsequent to December 31, 2008, requires the acquirer to recognize changes in the amount of its deferred tax benefits that are recognizable because of a

business combination either in income from continuing operations in the period of the combination or directly in contributed capital, depending on the circumstances. The Company is currently assessing the impact of SFAS No. 141R on our consolidated financial statements.

In April 2008, the FASB issued FASB Staff Position (FSP), FAS 142-3, *Determination of the Useful Life of Intangible Assets,* which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets*. This FSP shall be effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The Company is currently assessing the impact of FSP FAS No. 142-3 on our consolidated financial statements.

ACORDA THERAPEUTICS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

(unaudited)

(3) Share-based Compensation

The Company accounts for share-based compensation, including options and restricted stock, according to the provisions of SFAS No. 123R, *Share Based Payment*. During the three-month periods ended June 30, 2008 and 2007, the Company recognized share-based compensation expense of $2.4 million and $1.9 million respectively. During the six-month periods ended June 30, 2008 and 2007, the Company recognized share-based compensation expense of $4.4 million and $4.1 million, respectively. Activity in options and restricted stock during the six-month period ended June 30, 2008 and related balances outstanding as of that date are reflected below. The weighted average fair value per share of options granted to employees for the three-month periods ended June 30, 2008 and 2007 was approximately $14.78 and $16.16, respectively. The weighted average fair value per share of options granted to employees for the six-month periods ended June 30, 2008 and 2007 was approximately $29.35 and $13.07, respectively.

A summary of share-based compensation activity for the six-month period ended June 30, 2008 is presented below:

Stock Option Activity

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Intrinsic Value
Balance at January 1, 2008	2,999,513	$ 10.18		
Granted	691,492	20.24		
Forfeited	(33,912)	16.84		
Exercised	(386,928)	7.25		
Balance at June 30, 2008	3,270,165	$ 12.58	7.8	$66,222,749
Vested and expected to vest at June 30, 2008	3,124,327	$ 12.38	7.8	$63,896,245
Vested and exercisable at June 30, 2008	1,503,578	$ 8.10	6.7	$37,180,689

Restricted Stock Activity

Restricted Stock	Number of Shares
Nonvested at January 1, 2008	39,722
Granted	200,000
Vested	(39,645)

Forfeited	(93)
Nonvested at June 30, 2008	199,984

As of June 30, 2008, there was $21.2 million of total unrecognized compensation costs related to unvested options and restricted stock awards that the Company expects to recognize over a weighted average period of approximately 2.5 years.

ACORDA THERAPEUTICS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

(unaudited)

(4) Income Taxes

In July 2006, the FASB issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109, Accounting for Income Taxes*. In addition, in May 2007, the FASB issued FASB Staff Position FIN 48-1 which provided guidance on how an enterprise should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. The Interpretation and Staff Position establishes criteria for recognizing and measuring the financial statement tax effects of positions taken on a company's tax returns. A two-step process is prescribed whereby the threshold for recognition is a more likely-than-not test that the tax position will be sustained upon examination and the tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. The Company adopted FIN 48 as of January 1, 2007. The adoption of this Interpretation had no impact on the Company's results of operations or financial position. The Company has no reserves for uncertain tax positions.

The Company had available net operating loss carry-forwards ("NOL") of approximately $215.7 million and $179.9 million as of June 30, 2008 and December 31, 2007, respectively, for federal and state income tax purposes, which are available to offset future federal and state taxable income, if any, and expire between 2010 and 2026. The Company also has research and development tax credit carryforwards of approximately $1.4 million as of June 30, 2008 and December 31, 2007 for federal income tax reporting purposes that are available to reduce federal income taxes, if any, and expire in future years beginning in 2018.

At June 30, 2008 and December 31, 2007, the Company had a deferred tax asset of $109.6 million and $97.8 million, respectively, offset by a full valuation allowance. Since inception, the Company has incurred substantial losses and expects to incur substantial losses in future periods. The Tax Reform Act of 1986 (the "Act") provides for a limitation of the annual use of NOL and research and development tax credit carryforwards (following certain ownership changes, as defined by the Act) that could significantly limit the Company's ability to utilize these carryforwards. The Company has experienced various ownership changes, as a result of past financings and its initial public offering in February 2006, private placement in October 2006, and follow-on public offerings in June 2007 and February 2008. Accordingly, the Company's ability to utilize the aforementioned carryforwards may be limited. Additionally, because U.S. tax laws limit the time during which these carryforwards may be applied against future taxes, the Company may not be able to take full advantage of these attributes for federal income tax purposes. Because of the above mentioned factors, the Company has not recognized its net deferred tax assets as of and for all periods presented. Accordingly, the

Company has provided a full valuation allowance against its net deferred tax assets and no tax benefit has been recognized relative to its pretax losses.

(5) Elan Milestones

In July 2004, we acquired all of Elan's research, development, distribution, sales and marketing rights to Zanaflex Capsules and Zanaflex tablets in the United States. We made an upfront payment to Elan of $2.0 million and are obligated to pay royalties on sales and to make milestone payments upon achievement of specified sales levels. During the three-month period ended March 31, 2008, the Company reached the fifth and final cumulative product sale milestone threshold and accordingly, accrued a payment of $5.0 million, which was made to Elan during the three-month period ending

ACORDA THERAPEUTICS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

(unaudited)

(5) Elan Milestones (Continued)

June 30, 2008. As of June 30, 2008, the Company has made a total of $19.5 million of these milestone payments.

(6) Fair Value Measurements

Effective January 1, 2008, we adopted SFAS No. 157, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value and expands required disclosures about fair value measurements. Under the standard, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. The standard clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability. The impact of adopting SFAS No. 157 as of January 1, 2008 was not material to our consolidated financial statements.

FSP FAS No. 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13*, removed leasing transactions accounted for under SFAS No. 13, *Accounting for Leases*, and related guidance from the scope of SFAS No. 157. FSP FAS No. 157-2, *Effective Date of FASB Statement No. 157* deferred the effective date of SFAS No. 157 for the Company in relation to all nonfinancial assets and nonfinancial liabilities to January 1, 2009.

SFAS No. 157 establishes a fair value hierarchy which requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. We primarily apply the market approach for recurring fair value measurements. 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.

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.

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 following table presents information about our assets and liabilities measured at fair value on a recurring basis as of June 30, 2008 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value.

(in thousands)	Level 1	Level 2	Level 3
Assets Carried at Fair Value:			
Cash equivalents	$ 33,915	$	$
Short-term investments	114,757		
Liabilities Carried at Fair Value:			
Put/call liability			413

ACORDA THERAPEUTICS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

(unaudited)

(6) Fair Value Measurements (Continued)

The following table presents additional information about assets and/or liabilities measured at fair value on a recurring basis and for which we utilize Level 3 inputs to determine fair value.

(in thousands)	Balance as of December 31, 2007	Realized (gains) losses included in net loss	Unrealized losses included in other comprehensive loss	Balance as of June 30, 2008
Liabilities Carried at Fair Value:				
Put/call liability	$ 463	$ (50)	$	$ 413

We evaluate the fair value of positions classified within the Level 3 category based on revenue projections, business, general economic and market conditions that could be reasonably evaluated as of the valuation date.

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

The following discussion and analysis of our consolidated financial condition and results of operations should be read in conjunction with our unaudited consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q.

Background

Since we commenced operations in 1995, we have devoted substantially all of our resources to the identification, development and commercialization of novel therapies that improve neurological function in people with multiple sclerosis (MS), spinal cord injury (SCI) and other disorders of the central nervous system (CNS). Our marketed drug, Zanaflex Capsules, is U.S. Food and Drug Administration (FDA)-approved for the management of spasticity. We announced positive results from a Phase 3 clinical trial of our lead product candidate, Fampridine-SR, for the improvement of walking ability in people with MS in September 2006.

In May 2007, we reached agreement with the FDA on a Special Protocol Assessment (SPA) for a second Phase 3 trial of Fampridine-SR in MS, MS-F204, and we initiated this trial in June 2007. In June 2008, the Company announced positive results from its second Phase 3 clinical trial of Fampridine-SR (MS-F204) on walking ability in people with multiple sclerosis (MS). The objective of this study was to show that individuals treated with Fampridine-SR are significantly more likely to have consistent improvements in their walking than those treated with placebo. The FDA has agreed that this trial, together with our first Phase 3 trial, MS-F203, would be adequate to support a New Drug Application (NDA) for Fampridine-SR. We expect to submit an NDA for Fampridine-SR in the first quarter of 2009. Earlier this year, we submitted a request to the FDA for Fast Track designation for Fampridine-SR, which the FDA did not grant. We plan to request consideration for Priority Review at the time we file our NDA and will submit additional data analyses at that time in support of this request. Fast Track provides for additional interactions with the FDA during drug development and the option of submitting an NDA in sections rather than all components simultaneously. Priority Review provides for a six month rather than a ten month FDA review period for an NDA. A Thorough QT cardiac study was initiated in September 2007 and successful results from that study were released in January 2008. This study evaluated the potential to cause an increase in the electrocardiographic QT interval. Fampridine-SR, at both therapeutic and supratherapeutic doses, was found to be no different than placebo. We believe Fampridine-SR is the first potential therapy in late-stage clinical development for MS that seeks to improve the function of damaged nerve fibers. Our preclinical programs also target MS and SCI, as well as other CNS disorders, including stroke and traumatic brain injury.

On February 1, 2008 the Company acquired certain assets of Neurorecovery, Inc., (NRI). These assets will enable Acorda to explore additional therapeutic indications for its investigational compound Fampridine-SR, as well as gain

access to pre-clinical compounds that may have utility in nervous system disorders. Under the terms of the purchase agreement, Acorda was assigned two key licensing and research agreements relating to the use of aminopyridines in peripheral neuropathies and two early stage development candidates. Acorda also acquired NRI's pre-clinical and clinical data, regulatory filings (including Orphan Drug designations), copyrights, trademarks and domain names relating to the three products. Acorda issued 100,000 shares of its Common Stock as the purchase price for these assets which were valued at $26.86 per share. The transaction was accounted for as an acquisition of in-process research and development assets and, as such, resulted in a non-cash expense in the first quarter of 2008 of $2,686,000.

Our marketing efforts are focused on Zanaflex Capsules, which we launched in April 2005. Zanaflex tablets lost compound patent protection in 2002 and both Zanaflex Capsules and Zanaflex tablets compete with 12 generic tizanidine products. Although we currently distribute Zanaflex tablets, we do not, and do not intend to, actively promote Zanaflex tablets. As a result, prescriptions for

Zanaflex tablets have declined and we expect that they will continue to decline. Our goal is to convert as many sales of Zanaflex tablets and generic tizanidine tablets to sales of Zanaflex Capsules as possible. We believe that sales of Zanaflex Capsules will constitute a significant portion of our total revenue for the foreseeable future.

Our U.S. patent on Zanaflex Capsules expires in 2021. In September 2007, we received a Paragraph IV Certification Notice from Apotex Inc. advising that it filed an ANDA with the FDA for generic versions of each of the three Zanaflex Capsules dosage strengths marketed by us. In response to the filing of the ANDA, in October 2007, we filed a lawsuit against Apotex Corp. and Apotex Inc. in the United States District Court for the District of New Jersey asserting infringement of our U.S. Patent No. 6,455,557 relating to multiparticulate tizanidine compositions, including those sold by us as Zanaflex Capsules. The defendants have answered our complaint, asserting patent invalidity and non-infringement and counterclaiming, seeking a declaratory judgment of patent invalidity and non-infringement. We have denied those counterclaims. If the ANDA were approved by the FDA and Apotex Corp. and Apotex Inc. were successful in challenging the validity of the patent, Apotex Corp. and Apotex Inc. could be permitted to sell a generic tizanidine hydrochloride capsule in competition with Zanaflex Capsules.

We have established our own specialty sales force in the United States, which consisted of 65 sales professionals as of July 1, 2008. This sales force has targeted neurologists and other prescribers who specialize in treating people with conditions that involve spasticity. Members of this sales force also call on managed care organizations, pharmacists and distribution customers. In addition, we retain TMS Professional Markets Group, LLC to provide a small, dedicated sales force of pharmaceutical telesales professionals who contact primary care, specialist physicians and pharmacists.

Results of Operations

Three-Month Period Ended June 30, 2008 Compared to June 30, 2007

Gross Sales

We recognize product sales using a deferred revenue recognition model where shipments to wholesalers are recorded as deferred revenue and only recognized as revenue when end-user prescriptions of the product are reported. We recognized revenue from the sale of Zanaflex Capsules and Zanaflex tablets of $13.1 million for the three-month period ended June 30, 2008, as compared to $10.5 million for the three-month period ended June 30, 2007. The increase is the result of an increase in prescriptions written for our products that we believe is the result of our expanding our sales force in 2006 and 2007.

Discounts and Allowances

We recorded discounts and allowances of $1.7 million for the three-month period ended June 30, 2008 as compared to $1.0 million for the three-month period ended June 30, 2007. Discounts and allowances are recorded when Zanaflex Capsules and Zanaflex tablets are shipped to wholesalers. Discounts and allowances for the three-month period ended June 30, 2008 consisted of $585,000 in allowances for chargebacks and rebates, $584,000 in cash discounts and patient program rebates, and $571,000 in fees for services paid to wholesalers. Discounts and allowances for the three-month period ended June 30, 2007 consisted of $352,000 in allowances for chargebacks and rebates, $250,000 in cash discounts and $413,000 for fees for services to wholesalers.

Grant Revenue

Grant revenue for the three-month period ended June 30, 2008 was $27,000 compared to $10,000 for the three-month period ended June 30, 2007. Grant revenue is recognized when the related

research expenses are incurred and our performance obligations under the terms of the respective contract are satisfied.

Cost of Sales

We recorded cost of sales of $2.8 million for the three-month period ended June 30, 2008 as compared to $2.0 million for the three-month period ended June 30, 2007. The increase was primarily due to the increase in gross sales. Cost of sales for the three-month period ended June 30, 2008 consisted of $1.3 million in inventory costs related to recognized revenues, $856,000 in royalty fees based on net product shipments, $596,000 in amortization of intangible assets, which is unrelated to either the volume of shipments or the amount of revenue recognized, and $108,000 in period costs related to freight and stability testing. We expect Zanaflex cost of sales to be approximately 24% of gross sales for the remainder of 2008. Cost of sales for the three-month period ended June 30, 2007 consisted of $925,000 in inventory costs related to recognized revenue, $787,000 in royalty fees based on net product shipments, $227,000 in amortization of intangible assets, which is unrelated to either the volume of shipments or the amount of revenue recognized, and $72,000 in period costs related to packaging, freight, and stability testing. Payments to and interest expense related to our Paul Royalty Fund, or PRF, transaction discussed below in the section titled "Liquidity and Capital Resources" do not impact our cost of sales.

Research and Development

Research and development expenses for the three-month period ended June 30, 2008 were $8.1 million as compared to $4.0 million for the three-month period ended June 30, 2007, an increase of approximately $4.1 million, or 101%. Pre-clinical research contracts increased $1.0 million or 100% to $1.0 million for the three-month period ended June 30, 2008 due to development of two of our preclinical pipeline products for potential IND filings in late 2009. MS clinical development program expense increased $937,000 or 64% to $2.4 million for the three-month period ended June 30, 2008 primarily due to the continuation of our second Phase 3 clinical trial of Fampridine-SR which began in June 2007.

Operating expenses for clinical development, preclinical research and development and regulatory were $4.1 million for the three-month period ended June 30, 2008, compared to $1.9 million for the three-month period ended June 30, 2007, an increase of $2.2 million, or 121%. This increase was primarily attributable to an increase in regulatory expenses of $1.7 million, including $1.3 million for the preparation of an NDA for Fampridine-SR and related consulting fees, and approximately $713,000 in increased research and development salaries and benefits.

Sales and Marketing

Sales and marketing expenses for the three-month period ended June 30, 2008 were $11.7 million compared to

$7.1 million for the three-month period ended June 30, 2007, an increase of approximately $4.6 million or 65%. This increase was primarily attributable to an increase of $2.5 million attributable to pre-marketing activities associated with the possible commercialization of Fampridine-SR, if approved, an increase of $844,000 in Zanaflex sales and marketing initiatives, and an increase in staff and compensation of $1.1 million.

General and Administrative

General and administrative expenses for the three-month period ended June 30, 2008 were $5.8 million compared to $4.5 million for the three-month period ended June 30, 2007, an increase of approximately $1.4 million, or 30%. This increase was primarily the result of an increase in staff and compensation of $865,000 and an increase in legal fees of $517,000.

Other Income (Expense)

Other expense was $1.8 million for the three-month period ended June 30, 2008 compared to other expense of $46,000 for the three-month period ended June 30, 2007, an increase of approximately $1.7 million or 3709%. The increase was primarily due to an increase in interest expense of $2.0 million. This increase was the result of a $570,000 increase in interest expense under the Paul Royalty Fund (PRF) revenue interest agreement as a result of increased shipments and the impact of a $1.4 million out-of-period adjustment made during the second quarter of 2008 to correct an error identified in the previously recorded effective interest expense recognized related to the November 2006 amended revenue interests assignment with PRF. This out-of-period adjustment will not increase the total interest expense associated with this agreement, but has corrected its timing of recognition. The increase in interest expense was partially offset by a $340,000 increase in interest income as a result of the investment of net proceeds from our follow-on public offerings in June 2007 and February 2008.

Six-Month Period Ended June 30, 2008 Compared to June 30, 2007

Gross Sales

We recognize product sales using a deferred revenue recognition model where shipments to wholesalers are recorded as deferred revenue and only recognized as revenue when end-user prescriptions of the product are reported. We recognized revenue from the sale of Zanaflex Capsules and Zanaflex tablets of $25.8 million for the six-month period ended June 30, 2008, as compared to $19.3 million for the six-month period ended June 30, 2007. The increase is the result of an increase in prescriptions written for our products that we believe is the result of our expanding our sales force in 2006 and 2007.

Discounts and Allowances

We recorded discounts and allowances of $2.9 million for the six-month period ended June 30, 2008 as compared to $1.5 million for the six-month period ended June 30, 2007. Discounts and allowances are recorded when Zanaflex Capsules and Zanaflex tablets are shipped to wholesalers. Discounts and allowances for the six-month period ended June 30, 2008 consisted of $1.0 million in allowances for chargebacks and rebates, $932,000 in cash discounts and patient program rebates, and $956,000 in fees for services paid to wholesalers. Discounts and allowances for the six-month period ended June 30, 2007 consisted of $542,000 in allowances for chargebacks and rebates, $418,000 in cash discounts and $549,000 for fees for services to wholesalers.

Grant Revenue

Grant revenue for the six-month period ended June 30, 2008 was $53,000 compared to $16,000 for the six-month period ended June 30, 2007. Grant revenue is recognized when the related research expenses are incurred and our performance obligations under the terms of the respective contract are

satisfied.

Cost of Sales

We recorded cost of sales of $5.8 million for the six-month period ended June 30, 2008 as compared to $3.6 million for the six-month period ended June 30, 2007. The increase was due to the increase in gross sales as well as an increase in amortization of intangible assets resulting from our achieving the final two Elan sales milestones during the three-month periods ended September 30, 2007 and March 31, 2008. Cost of sales for the six-month period ended June 30, 2008 consisted of $2.7 million in inventory costs related to recognized revenues, $1.8 million in royalty fees based on net product shipments, $1.2 million in amortization of intangible assets, which is unrelated to either the

volume of shipments or the amount of revenue recognized, and $165,000 in period costs related to freight and stability testing. We expect Zanaflex cost of sales to be approximately 24% of gross sales for the remainder of 2008. Cost of sales for the six-month period ended June 30, 2007 consisted of $1.7 million in inventory costs related to recognized revenue, $1.3 million in royalty fees based on net product shipments, $455,000 in amortization of intangible assets, which is unrelated to either the volume of shipments or the amount of revenue recognized, and $157,000 in period costs related to packaging, freight, and stability testing. Payments to and interest expense related to our Paul Royalty Fund, or PRF, transaction discussed below in the section titled "Liquidity and Capital Resources" do not impact our cost of sales.

Research and Development

Research and development expenses for the six-month period ended June 30, 2008 were $17.7 million as compared to $7.3 million for the six-month period ended June 30, 2007, an increase of approximately $10.4 million, or 143%. The Company's acquisition of certain in-process research and development assets of NRI resulted in a non-cash expense of approximately $2.7 million in accordance with SFAS No. 2 *Accounting for Research and Development Expenses*. Pre-clinical research contracts increased $1.4 million or 100% to $1.4 million for the six-month period ended June 30, 2008 due to development of two of our preclinical pipeline products for potential IND filings in late 2009. MS clinical development program expense increased $2.1 million or 72% to $4.9 million for the six-month period ended June 30, 2008 primarily due to the continuation of our second Phase 3 clinical trial of Fampridine-SR which began in June 2007.

Operating expenses for clinical development, preclinical research and development and regulatory were $7.9 million for the six-month period ended June 30, 2008, compared to $3.5 million for the six-month period ended June 30, 2007, an increase of $4.3 million, or 121%. This increase was primarily attributable to an increase in regulatory expenses of $3.3 million, including $2.0 million for the preparation of an NDA for Fampridine-SR and related consulting fees, and approximately $1.2 million in increased research and development salaries and benefits.

Sales and Marketing

Sales and marketing expenses for the six-month period ended June 30, 2008 were $21.9 million compared to $14.1 million for the six-month period ended June 30, 2007, an increase of approximately $7.8 million or 56%. This increase was primarily attributable to an increase of $4.6 million attributable to pre-marketing activities associated with the possible commercialization of Fampridine-SR, if approved, an increase of $1.2 million in Zanaflex sales and marketing initiatives, and an increase in staff and compensation of $1.8 million.

General and Administrative

General and administrative expenses for the six-month period ended June 30, 2008 were $10.9 million compared to $8.8 million for the six-month period ended June 30, 2007, an increase of approximately $2.1 million, or 23%. This increase was primarily the result of an increase in staff and compensation of $1.2 million and an increase in legal fees of $763,000.

Other Income (Expense)

Other expense was $1.9 million for the six-month period ended June 30, 2008 compared to other income of $210,000 for the six-month period ended June 30, 2007, an increase of approximately $2.1 million or 982%. The increase was primarily due to an increase in interest expense of $2.9 million. This increase was the result of a $1.5 million increase in interest expense under the PRF revenue interest agreement as a result of increased shipments and the impact of a $1.4 million out-of-period

adjustment made during the second quarter of 2008 to correct an error identified in the previously recorded effective interest expense recognized related to the November 2006 amended revenue interests assignment agreement with PRF. This out-of-period adjustment will not increase the total interest expense associated with this agreement, but has corrected its timing of recognition. The increase in interest expense was partially offset by a $902,000 increase in interest income as a result of the investment of net proceeds from our follow-on public offerings in June 2007 and February 2008.

Liquidity and Capital Resources

We have incurred annual operating losses since inception and, as of June 30, 2008, we had an accumulated deficit of approximately $305.3 million. We have financed our operations primarily through private placements of our securities, public offerings of our common stock, and, to a lesser extent, from loans, government grants and our financing arrangement with PRF.

We completed a follow-on public offering in July 2007 in which approximately 4.2 million shares of our common stock were sold, resulting in proceeds to us of approximately $72.2 million, net of issuance costs.

We completed a follow-on public offering in February 2008 in which approximately 3.7 million shares of our common stock were sold, resulting in proceeds to us of approximately $74.6 million, net of issuance costs.

Financing Arrangements

In January 1997, Elan International Services, Ltd. (EIS) loaned us an aggregate of $7.5 million pursuant to two convertible promissory notes to partly fund our research and development activities. On December 23, 2005, Elan transferred these promissory notes to funds affiliated with Saints Capital. As of June 30, 2008, $5.0 million of these promissory notes were outstanding. In January 2005, we entered into a $6.0 million senior secured term loan, which is collateralized by all of our personal property and fixtures, other than the property that secures our revenue interests assignment arrangement with PRF, which has been repaid during the three-month period ended March 31, 2008.

On December 23, 2005, we entered into a revenue interests assignment agreement with PRF, a dedicated healthcare investment fund, pursuant to which we assigned to PRF the right to a portion of our net revenues (as defined in the agreement) from Zanaflex Capsules, Zanaflex tablets and any future Zanaflex products. To secure our obligations to PRF, we also granted PRF a security interest in substantially all of our assets related to Zanaflex. Our agreement with PRF covers all Zanaflex net revenues generated from October 1, 2005 through and including December 31, 2015, unless the agreement terminates earlier. In November 2006, we entered into an amendment to the revenue interest assignment agreement with

PRF. Under the terms of the amendment, PRF paid us $5.0 million in November 2006 and an additional $5.0 million in February 2007 as our net revenues during the fiscal year 2006 exceeded $25.0 million. Under the terms of the amendment, we are required to pay PRF $5.0 million on December 1, 2009 and an additional $5.0 million on December 1, 2010.

Under the agreement and the amendment, PRF is entitled to the following portion of Zanaflex net revenues:

with respect to Zanaflex net revenues up to and including $30.0 million for each fiscal year during the term of the agreement, 15% of such net revenues;

with respect to Zanaflex net revenues in excess of $30.0 million but less than and including $60.0 million for each fiscal year during the term of the agreement, 6% of such net revenues; and

with respect to Zanaflex net revenues in excess of $60.0 million for each fiscal year during the term of the agreement, 1% of such net revenues.

Notwithstanding the foregoing, once PRF has received and retained payments under the agreement that are at least 2.1 times the aggregate amount PRF has paid us under the agreement, PRF will only be entitled to 1% of Zanaflex net revenues. In connection with the transaction, we have a liability recorded, referred to as the revenue interest liability, of approximately $20.3 million in accordance with EITF 88-18, *Sales of Future Revenues*. We impute interest expense associated with this liability using the effective interest rate method and record a corresponding accrued interest liability. The effective interest rate is calculated based on the rate that would enable the debt to be repaid in full over the life of the arrangement. The interest rate on this liability may vary during the term of the agreement depending on a number of factors, including the level of Zanaflex sales. During the three-month period ended June 30, 2008, we recorded a $1.4 million out-of-period adjustment to the effective interest expense recognized related to the November 2006 amended revenue interests assignment agreement with PRF. This out-of-period adjustment will not increase the total interest expense associated with this agreement, but has converted its timing of recognition. We currently estimate that the imputed interest rate associated with this liability will be approximately 5.9%. Payments made to PRF as a result of Zanaflex sales levels are allocated between interest expense recognized and the reduction of the principal amount included in the revenue interest liability.

Investment Activities

At June 30, 2008, cash and cash equivalents and short-term investments were approximately $149.0 million, as compared to $95.1 million at December 31, 2007. As of June 2008, our cash and cash equivalents consist of highly liquid investments in a Treasury money market fund. Our cash and cash equivalents were $34.3 million as of June 30, 2008, as compared to $16.8 million as of December 31, 2007. Our short-term investments consist of US Treasuries, commercial paper and corporate debt securities with remaining maturities from one month to less than one year. The balance of these investments was $114.8 million as of June 30, 2008, as compared to $78.3 million as of December 31, 2007.

Net Cash Used in Operations

Net cash used in operations was $18.1 million and $10.9 million for the six-month period ended June 30, 2008 and 2007, respectively. Cash used in operations for the six-month period ended June 30, 2008 was primarily attributable to a net loss of $35.3 million, amortization of the discount on short-term investments of $1.5 million, an increase in accounts receivable of $692,000, an increase in inventory held by others of $340,000, and a gain on our put/call liability of $50,000. Cash used in operations for the six-month period ended June 30, 2008, was partially offset by an increase in accounts payable, accrued expenses, and other current liabilities of $6.4 million, a

non-cash share-based compensation expense of $4.4 million, an increase in Zanaflex Capsules deferred product revenues of $2.9 million, a non-cash expense for the acquisition of NRI assets of $2.7 million, depreciation and amortization of $1.7 million, and a decrease in inventory held by the Company of $1.6 million. Net cash used by operations for the six-month period ended June 30, 2007 was primarily attributable to a net loss of $15.7 million, amortization of the discount on short-term investments of $818,000, and a decrease in Zanaflex tablets and Capsules deferred product revenues of $716,000 and $690,000, respectively. Cash used in operations for the six-month period ended June 30, 2007, was partially offset by a non-cash stock compensation expense of $4.1 million, an increase in accounts payable, accrued expenses, and other current liabilities of $1.0 million, depreciation and amortization of $871,000, a decrease in accounts receivable of $752,000, a decrease in inventory of $225,000, and a decrease in prepaid expenses and other current assets of $135,000.

Net Cash Used in/Provided by Investing

Net cash used in investing activities for the six-month period ended June 30, 2008 was $40.8 million, primarily due to $95.4 million in net purchases of short-term investments and a $5 million payment to Elan for the final Zanaflex milestone, partially offset by $60.3 million in proceeds from maturities of short-term investments.

Net Cash Used in/Provided by Financing

Net cash provided by financing activities for the six-month period ended June 30, 2008 was $76.3 million, primarily due to $77.4 million in net proceeds from the issuance of common stock and option exercises which was partially offset by $886,000 in repayments to PRF and $188,000 in repayments for notes payable.

Future Capital Needs

Our future capital requirements will depend on a number of factors, including the amount of revenue generated from sales of Zanaflex Capsules, the continued progress of our research and development activities, the timing and outcome of regulatory approvals, the amount and timing of milestone or other payments made under collaborative agreements, the costs involved in preparing, filing, prosecuting, maintaining, defending and enforcing patent claims and other intellectual property rights and the acquisition of licenses to new products or compounds. We expect to incur losses from operations for at least the next several years as we continue to support our sales and marketing infrastructure and increase our marketing efforts to support the commercialization of Zanaflex Capsules, continue our clinical development and pre-launch planning for Fampridine-SR, and advance our preclinical programs.

We believe that our current financial resources and sources of liquidity will be sufficient to fund operations and meet financial obligations into the fourth quarter of 2009 based on our current projected revenue and spending levels. To the extent our capital resources are insufficient to meet future operating requirements, we will need to raise additional capital, reduce planned expenditures, or incur indebtedness to fund our operations. We may be unable to obtain additional debt or equity financing on acceptable terms, if at all. If adequate funds are not available, we may be required to curtail our sales and marketing efforts, delay, reduce the scope of or eliminate some of our research and development programs or obtain funds through arrangements with collaborative partners or others that may require us to relinquish rights to certain product candidates that we might otherwise seek to develop or commercialize independently.

Contractual Obligations and Commitments

In January 2005, we entered into a $6.0 million senior secured term loan with GE Capital. In December 2005, we used a portion of the initial payment we received under our revenue interest assignment arrangement with PRF to repay approximately $3.0 million of this loan. We were required to

pay monthly installments until February 2008, with interest-only payments for the first six months followed by principal and interest payments for the remaining 29 months. Interest was fixed at the rate of 9.93% per annum. The loan was secured by all of our personal property and fixtures, other than the property that secures our arrangement with PRF and was fully satisfied during the three-month period ended March 31, 2008.

In January 1997, EIS loaned us an aggregate of $7.5 million pursuant to two convertible promissory notes. One promissory note in the principal amount of $5.0 million bears interest at a rate of 3% which began on the first anniversary of the note. The other promissory note in the amount of $2.5 million was non-interest bearing. On December 23, 2005, EIS transferred these promissory notes to funds affiliated with Saints Capital. In December 2006, Saints Capital exercised the conversion option of the $2.5 million convertible promissory note at an exercise price of $11.856 per share and

received 210,863 shares of common stock. The remaining $5.0 million convertible promissory note is convertible into 67,476 shares of common stock. Principal and interest are repayable, if not converted, ratably over a seven-year period, beginning one year after we receive regulatory approval for certain products to be developed, subject to limitations related to gross margin on product sales. If we and Saints Capital determine that regulatory approval will not likely occur, the $5.0 million promissory note will automatically convert into the underlying common stock unless Saints Capital elects to have the amount due on the note cancelled. If our license and supply agreements with Elan are terminated for any other reason, the principal and interest is repayable ratably over 15 years. The $5.0 million promissory note restricts our ability to incur indebtedness that is senior to the note, subject to certain exceptions, including for our revenue interests assignment arrangement with PRF.

In July 2004, we acquired all of Elan's research, development, distribution, sales and marketing rights to Zanaflex Capsules and Zanaflex tablets in the United States. Under our Zanaflex purchase agreement with Elan, we are obligated to make milestone payments to Elan of up to $19.5 million based on cumulative gross sales of Zanaflex tablets and Zanaflex Capsules. As of June 30, 2008, we have made $19.5 million of these milestone payments including a $5.0 million milestone which was reached upon the achievement of $105.0 million in cumulative sales during the first quarter of 2008 and was paid as of June 30, 2008.

Under our Zanaflex supply agreement with Elan, we are required to provide to Elan an 18-month rolling forecast at the beginning of each month and a two-year forecast not later than July 1 of each year. We are required to order 100% of the forecast required quantities for each five-month period immediately following each monthly forecast report. At June 30, 2008, the forecast requirement for the five-month period following June 30, 2008 amounted to approximately $1.3 million.

Under our Fampridine-SR license agreement with Elan, we are obligated to make milestone payments to Elan of up to $15.0 million over the life of the contract and royalty payments as a percentage of product sales. We have not made any payments under this agreement to date. In addition, under our various other research, license and collaboration agreements with other parties we are obligated to make milestone payments of up to an aggregate of approximately $16.8 million over the life of the contracts.

In December 2005, we entered into a revenue interests assignment agreement with PRF pursuant to which we assigned PRF the right to receive a portion of our net revenues (as defined in the agreement, which definition is different from our net revenues as determined in accordance with generally accepted accounting principles) from Zanaflex Capsules, Zanaflex tablets and any future Zanaflex products. The agreement covers all such Zanaflex net revenues generated from October 1, 2005 through and including December 31, 2015,

unless the agreement is terminated earlier. In consideration for the assignment, PRF paid us $15.0 million at signing. Under our agreement with PRF, we are required to use the net proceeds to support commercialization, sales, marketing, clinical and regulatory activities and other financial obligations related specifically and solely to our Zanaflex operations.

In November 2006, we entered into an amendment to the revenue interest assignment agreement with PRF. Under the amendment, PRF is entitled to a royalty consisting of certain specified percentages of Zanaflex net revenues, based upon the level of net revenues. Previously, once PRF had received and retained payments under the agreement that are at least twice the aggregate amount PRF paid us under the Agreement, the royalty rate would drop to 1% of Zanaflex net revenues. The amendment provides that the royalty rate will drop to 1% upon PRF's receipt of 2.1 times the aggregate amount PRF has paid us under the agreement, as amended. Under the terms of the amendment, PRF paid us $5.0 million in November 2006 and agreed that we would be entitled to an additional $5.0 million is due if our net revenues during the fiscal year 2006 equaled or exceeded $25.0 million. This milestone was met and the payment was received in February 2007. Under the terms of the amendment, we are required to pay PRF $5.0 million on December 1, 2009 and an additional $5.0 million on December 1, 2010.

We have employment agreements with our chief executive officer, Dr. Ron Cohen, our chief scientific officer, Dr. Andrew Blight, our chief financial officer, David Lawrence and our general counsel, Jane Wasman.

Under the terms of Dr. Cohen's employment agreement, in the event that we terminate the agreement with Dr. Cohen without cause, or if Dr. Cohen voluntarily terminates the agreement with good reason, we are obligated to make severance payments equal to 15 months' base annual salary and COBRA premium payments for the severance period plus a bonus equal to his prior year's bonus pro rated for the number of days worked prior to termination. This amount would be paid in a lump sum in the seventh month after such termination. In such event, all of Dr. Cohen's stock awards will become immediately vested, with all options and stock appreciation rights exercisable for 48 months following termination.

If Dr. Cohen's employment terminates for death or disability, we are obligated to pay his base salary for three months and COBRA premiums for the COBRA coverage period and 65% of his outstanding options will become immediately vested and remain exercisable for 48 months following such termination or for a lesser period, to the extent necessary to comply with U.S. tax law.

If Dr. Cohen voluntarily terminates his employment without good reason following a "change in control" (as defined in his employment agreement), we are obligated to make severance payments equal to 12 months' base annual salary and COBRA premium payments for the severance period and he is entitled to receive a bonus equal to his prior year's bonus pro rated for the number of days worked prior to termination. This amount would be paid in a lump sum in the seventh month after such termination. In addition, if the "change in control" constitutes a "reorganization event" (as defined in the Company's 2006 Employee Incentive Plan), 100% of his outstanding options, restricted stock and any other awards will become immediately vested; otherwise 65% of the unvested awards will become immediately and fully vested. Furthermore, all vested options will remain exercisable for 48 months following termination. Following his termination of employment, Dr. Cohen will remain subject to confidentiality, non-competition and non-solicitation covenants for one year in the case of non-competition and non-solicitation and five years in the case of confidentiality.

In the event we terminate our employment agreement with Dr. Blight, Mr. Lawrence or Ms. Wasman without cause, or if one of them voluntarily terminates his or her agreements with good reason, we are obligated to make severance payments equal to nine months base annual salary, in the case of Dr. Blight, and seven months base annual salary, in the case of Mr. Lawrence and Ms. Wasman, as well as COBRA premium payments for the severance period. In such event, all options, stock appreciation rights awards and restricted stock awards that have vested as of the termination date shall remain exercisable for 90 days following such date, or for a lesser period, to the extent necessary to comply with U.S. tax law. All unvested options, stock appreciation rights awards and stock awards will be cancelled on the date of termination.

If Dr. Blight, Mr. Lawrence or Ms. Wasman voluntarily terminates his or her employment with good reason or if we terminate his or her employment without cause within 18 months after a "change in control" (as defined in their employment agreements), we are obligated to make severance payments equal to one year's base annual salary, in the case of Dr. Blight, and nine months base annual salary, in the case of Mr. Lawrence and Ms. Wasman, in each case paid in a lump sum within 30 days after termination, as well as COBRA premium payments for the severance period plus a bonus equal to a prior year's bonus pro rated for the number of days worked prior to termination. We are also obligated to pay salary earned but not paid, vacation and sick leave days that have accrued, and reimbursable business expenses incurred through the date of termination. In addition, upon implementation of the amendment to each executive officer's employment and award agreement(s) as described above, if the "change in control" constitutes a "reorganization event" (as defined in the Company's 2006 Employee Incentive Plan), 100% of the outstanding options and restricted stock and any other awards then held

by each such executive officer will become immediately vested; otherwise, not less than 50% of the unvested awards will become immediately and full vested. Furthermore, all vested options will remain exercisable for 18 months following such date, or for a lesser period, to the extent necessary to comply with U.S. tax law. All unvested options, stock appreciation rights awards and stock awards will be cancelled on the date of termination.

Critical Accounting Policies and Estimates

The following discussion of critical accounting policies identifies the accounting policies that require application of management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. It is not intended to be a comprehensive list of all of our significant accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by generally accepted accounting principles, with no need for management's judgment in their application. There are also areas in which the selection of an available alternative policy would not produce a materially different result. We have identified the following as our areas of critical accounting policies: sales revenue recognition, research and development, income taxes, and stock-based compensation.

Revenue Recognition

We apply the revenue recognition guidance in SFAS No. 48, *Revenue Recognition When the Right of Return Exists*, which among other criteria requires that future returns can be reasonably estimated in order to recognize revenue. Under SFAS No. 48 we are not permitted to recognize revenue until we can reasonably estimate the likely return rate for our products. Since we have only limited sales history with Zanaflex Capsules and due to generic competition and customer conversion from Zanaflex tablets to Zanaflex Capsules, we do not believe we can reasonably determine a return rate. As a result, we account for sales of these products using a deferred revenue recognition model. At a future point in time, we expect to be able to reasonably estimate product returns, at which point we believe we will begin to recognize revenue based on shipments of product to our wholesale drug distributors.

Under our deferred revenue model, we do not recognize revenue upon shipment of product to our wholesale drug distributors. Instead, we record deferred revenue at gross invoice sales price, and classify the cost basis of the inventory shipped as inventory held by others. We recognize revenue when prescriptions are filled to an end-user because once a prescription is filled the product cannot be returned. We use monthly prescription data that we purchase to determine the amount of revenue to be recognized. Gross sales data reported in the financial statements in this filing are based on three months of actual prescription data. When we receive the prescription data, we use the number of units of product prescribed to record gross sales. We then reduce deferred revenue and record cost of

goods sold.

We accept returns of products for six months prior to and 12 months after their expiration date. Returns of products sold by us are charged directly against deferred revenue, reducing the amount of deferred revenue that we may recognize.

Research and Development

Research and development expenses include the costs associated with our internal research and development activities including, salaries and benefits, occupancy costs, and research and development conducted for us by third parties, such as sponsored university- based research, and clinical trial vendors. We account for our clinical study costs by estimating the patient cost per visit in each clinical trial and recognizing this cost as visits occur, beginning when the patient enrolls in the trial. This estimated cost includes payments to the trial site and patient-related costs, including laboratory costs related to the conduct of the trial. Cost per patient varies based on the type of clinical trial, the site of

the clinical trial, and the length of the treatment period for each patient. As actual costs become known to us, we adjust our accrual; such changes in estimate may be a material change in our clinical study accrual, which could also materially affect our results of operations. In addition, research and development expenses include expenses related to grant revenue and the cost of clinical trial drug supply shipped to our clinical study vendors.

Income Taxes

As part of the process of preparing our financial statements we are required to estimate our income taxes in each of the jurisdictions in which we operate. We account for income taxes by the asset and liability method. Under this method, deferred income taxes are recognized for tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year-end, based on enacted laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are provided if, based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

We have not recorded any tax provision or benefit for the three and six-month periods ended June 30, 2008 and 2007. We have provided a valuation allowance for the full amount of our net deferred tax assets since realization of any future benefit from deductible temporary differences and net operating loss carry- forwards cannot be sufficiently assured at June 30, 2008.

As of June 30, 2008, we had available net operating loss carry-forwards of approximately $215.7 million for federal and state income tax purposes, which are available to offset future federal and state taxable income, if any, and expire between 2010 and 2026 and research and development tax credit carry-forwards of approximately $1.4 million for federal income tax reporting purposes which are available to reduce federal income taxes, if any, through 2018. Since our inception, we have incurred substantial losses and expect to incur substantial and recurring losses in future periods. The Internal Revenue Code of 1986, as amended, the Code, provides for a limitation of the annual use of net operating loss and research and development tax credit carry forwards (following certain ownership changes, as defined by the Code) that could significantly limit our ability to utilize these carry-forwards. We have experienced various ownership changes, as defined by the Code, as a result of past financings. Accordingly, our ability to utilize the aforementioned carry- forwards may be limited. Additionally, because U.S. tax laws limit the time during which these carry forwards may be applied against future taxes we may not be able to take full advantage of these attributes for federal income tax purposes.

Share-based Compensation

We account for stock options and restricted stock granted to employees according to the provisions of SFAS No. 123R,

Share Based Payment, which requires that the costs resulting from all share-based payment transactions be recognized in the financial statements at their fair values. We adopted SFAS No. 123R using the modified prospective application method under which the provisions of SFAS No. 123R apply to new awards and to awards modified, repurchased, or cancelled after the adoption date of January 1, 2006.

We estimate the fair value of each option on the date of grant using the Black-Scholes closed-form option-pricing model based on assumptions for the expected term of the stock options, expected volatility of our common stock, prevailing interest rates, and an estimated forfeiture rate.

We have based our current assumptions on the following:

Assumption	Method of estimating
Estimated expected term of options	Based on the 50th percentile of our peer companies
Expected volatility	Combination of historic volatility of our common stock since October 1, 2006 and the historic volatility of the stock of our peer companies
Risk-free interest rate	Yields of U.S. Treasury securities corresponding with the expected life of option grants
Forfeiture rates	Historical forfeiture data

Of these assumptions, the expected term of the option and expected volatility of our common stock are the most difficult to estimate since they are based on the exercise behavior of the employees and expected performance of our common stock. Increases in the term and the volatility of our common stock will generally cause an increase in compensation expense.

We account for stock options granted to non-employees on a fair-value basis in accordance with EITF No. 96-18, *Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services*, and FASB Interpretation No. 28, *Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans an Interpretation of APB Opinion No. 15 and 25*.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our financial instruments consist of cash equivalents, short-term investments, convertible notes payable and put/call liability. The estimated fair values of all of our financial instruments approximate their carrying amounts at June 30, 2008.

We have cash equivalents and short-term investments at June 30, 2008, which are exposed to the impact of interest rate changes and our interest income fluctuates as our interest rates change. Due to the short-term nature of our investments in money market funds and corporate debt securities, the carrying value of our cash equivalents and short-term investments approximate their fair value at June 30, 2008. At June 30, 2008, we held $149.0 million in cash and cash equivalents and short-term investments which had an average interest rate of approximately 1.6%.

We maintain an investment portfolio in accordance with our investment policy. The primary objectives of our investment policy are to preserve principal, maintain proper liquidity to meet operating needs and maximize yields. Although our

investments are subject to credit risk, our investment policy specifies credit quality standards for our investments and limits the amount of credit exposure from any single issue, issuer or type of investment. Our investments are also subject to interest rate risk and will decrease in value if market interest rates increase. However, due to the conservative nature of our investments and relatively short duration, interest rate risk is mitigated. We do not own derivative financial instruments. Accordingly, we do not believe that there is any material market risk exposure with respect to derivative or other financial instruments.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

As required by Rule 13a-15 under the Exchange Act, within 90 days prior to filing this report, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and

procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. This evaluation was carried out under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer. Based on that evaluation, these officers have concluded that, as of June 30, 2008, our disclosure controls and procedures were effective and designed to ensure that material information relating to us required to be included in our reports filed under the Exchange Act would be made known to them. There have been no changes in our internal controls over financial reporting (as defined in Rules 13a-15(b) and 15(d)-15(f) under the Exchange Act) or in other factors that has materially affected or is reasonably likely to materially affect internal controls over financial reporting.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and regulations. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our chief executive officer and chief financial officer as appropriate, to allow timely decisions regarding disclosure.

Change in internal control over financial reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the effectiveness of controls

Our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our disclosure control system are met. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the risk factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2007, all of which could materially affect our business, financial condition or future results. Other than the revisions to the following risk factor set forth below, there have been no material changes from the risk factors referred to in the previous sentence. The risks described in the Annual Report and the Quarterly Report are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

If we are unable to obtain regulatory approval for Fampridine-SR, or any approval is unduly limited in scope or delayed, our business prospects will be materially adversely affected.

We have reported positive results from two Phase 3 clinical trials of Fampridine-SR for the improvement of walking in patients with MS, most recently in June 2008. Both trials were conducted pursuant to SPAs from the FDA. The FDA has informed us that positive results from at least two successful Phase 3 clinical trials will be needed to support the filing of an NDA with the FDA. If the FDA determines that there is a new substantial scientific issue regarding walking in the MS population or Fampridine-SR, the FDA may alter its opinion expressed in the prior SPAs regarding the adequacy of the Phase 3 studies. The FDA also required us to execute a Thorough QT study of cardiac safety which was completed in January 2008. Although our QT consultants concluded that this study showed no safety signal for a risk of cardiac QT prolongation with Fampridine-SR at a therapeutic or supra-therapeutic dose, the FDA will make its own evaluation of the data when it is submitted as part of the NDA application and its interpretation of the results may differ.

The FDA may also identify a need for further studies in order to confirm efficacy or to examine safety or other properties or characteristics of Fampridine-SR. For example, in October 2007, we met with the FDA to discuss the completed preclinical studies proposed for the NDA for Fampridine-SR and the FDA asked us to complete a series of bridging studies to bring our older preclinical toxicology studies to current scientific standards. This included a requirement to complete new studies to fully characterize the toxicokinetics of fampridine in the blood of experimental animals given doses that were used in the full range of our previously performed preclinical toxicology studies, so the FDA can evaluate the suitability of those doses and routes of administration of drug in

its evaluation of safety. We may also determine, on our own, to conduct additional studies from time to time to support our filing of an NDA or to otherwise provide additional data regarding the safety or efficacy of Fampridine-SR. If the studies that we are required to conduct, or any studies that we determine, on our own, to conduct, cause us to incur unanticipated expenses or delays, or yield unfavorable results, our ability to obtain regulatory approval of Fampridine-SR could be seriously delayed or impaired, in which case our business prospects will be materially adversely affected.

Earlier this year, we submitted a request to the FDA for Fast Track designation for Fampridine-SR. The FDA did not grant our request, stating that we had not at this time demonstrated that Fampridine-SR addresses an unmet medical need under the criteria for Fast Track designation. We will present additional information on the ways in which Fampridine-SR improves walking ability in patients with MS and differs in its effects from existing MS therapies as part of our request for Priority Review of the NDA under the FDA's standards for designating NDAs for either Priority or Standard review. We may not be able to convince the FDA that Fampridine-SR addresses an unmet medical

need for MS patients, in which case we would not receive Priority Review and our NDA would be subject to FDA's normal 10 month review time under the Prescription Drug User Free Act rather than an expedited review time of six months.

Notwithstanding the results of our clinical trials and pre-clinical studies, the FDA could determine that the overall balance of risks and benefits for Fampridine-SR is not adequate to support approval, or only justifies approval for a narrow set of uses or approval with restricted distribution or other burdensome post-approval requirements and limitations. Subjects taking Fampridine-SR have experienced adverse events, including falls, urinary tract infection, insomnia, dizziness, asthenia, headache, fatigue, nausea and balance disorder. A small number of subjects have also experienced seizures while taking Fampridine-SR, and there is a possibility that additional seizures will occur even at low doses of the drug. If the FDA denies approval of Fampridine-SR in MS, if FDA approval is substantially delayed, if approval is granted on a narrow basis or with restricted distribution or other burdensome post-approval requirements, or if the Fampridine-SR program is terminated, our business prospects will be materially adversely affected.

In March 2004, we completed two Phase 3 clinical trials of Fampridine-SR in SCI in which our results failed to reach their primary endpoints. We may resume development of Fampridine-SR for SCI after we have completed further development of the drug for MS. However, we cannot predict whether future clinical trials of Fampridine-SR in SCI will achieve their primary endpoints, how long these clinical trials will take or how much they will cost.

We may be subject to penalties if we fail to comply with post-approval legal and regulatory requirements and our products could be subject to restrictions or withdrawal from the market.

Any product for which we currently have or may obtain marketing approval, along with the associated manufacturing processes, any post-approval clinical data that we might be required to collect and the advertising and promotional activities for the product, are subject to continual recordkeeping and reporting requirements, review and periodic inspections by the FDA and other regulatory bodies. Regulatory approval of a product may be subject to limitations on the indicated uses for which the product may be marketed or to other restrictive conditions of approval that limit our ability to promote, sell or distribute a product. Furthermore, any approval may contain requirements for costly post-marketing testing and surveillance to monitor the safety or efficacy of the product. For example, we are required to inform the FDA if certain issues arise in manufacturing or packaging of our commercialized products. In December 2007, we filed a field alert with the FDA notifying them that two bottles of Zanaflex Capsules were packaged without the required lot and expiration date information on their labels. We worked with the packager of Zanaflex Capsules to identify and correct any issues that we believe could have caused this, but there can be no assurance that other bottles of

Zanaflex Capsules are or will be labeled properly or that other similar issues will not occur.

We have an outstanding FDA commitment, inherited from Elan, to provide an assessment of the safety and effectiveness of Zanaflex Capsules in pediatric patients. This commitment, which is included in the NDA approval for Zanaflex capsules, was to be satisfied by February 2007.

We provided retrospective pediatric safety data to the FDA in April 2007. However, we were not able to complete the pediatric pharmacokinetic study by the February 2007 deadline due to delays in investigator recruitment and obtaining Institutional Review Board approvals. The study was completed and the final report submitted to the FDA in April 2008. The FDA reviewed our response to the 2002 outstanding pediatric commitments based on the new standards set out in the 2007 FDA Act Amendments and found that it does not fulfill them. We have withdrawn our submission and plan to meet with FDA to determine how best to bring our submission into compliance with the revised standards. This could include conducting additional studies. Such additional studies could be more

extensive and more costly than the recently completed studies. We also may be subject to penalties for non-compliance with PREA, including fines, seizure of product and loss of product approval.

Our advertising and promotion are subject to stringent FDA rules and oversight. In particular, the claims in our promotional materials and activities must be consistent with the FDA approvals for our products, and must be appropriately substantiated and fairly balanced with information on the safety risks and limitations of the products. Any free samples we distribute to physicians must be carefully monitored and controlled, and must otherwise comply with the requirements of the Prescription Drug Marketing Act, as amended, and FDA regulations. We must continually review adverse event information that we receive concerning our drugs and make expedited and periodic adverse event reports to the FDA and other regulatory authorities.

In addition, the research, manufacturing, distribution, sale and promotion of drug and biological products are potentially subject to regulation by various federal, state and local authorities in addition to the FDA, including the Centers for Medicare and Medicaid Services, other divisions of the U.S. Department of Health and Human Services, the U.S. Department of Justice and individual U.S. Attorney offices within the Department of Justice, and state and local governments. For example, sales, marketing and scientific/educational grant programs must comply with the anti-kickback and fraud and abuse provisions of the Social Security Act, as amended, the False Claims Act, as amended, the privacy provisions of the Health Insurance Portability and Accountability Act and similar state laws. Pricing and rebate programs must comply with the Medicaid rebate requirements of the Omnibus Budget Reconciliation Act of 1990, as amended, and the Veterans Health Care Act of 1992, as amended. If products are made available to authorized users of the Federal Supply Schedule of the General Services Administration, additional laws and requirements apply. All of these activities are also potentially subject to federal and state consumer protection and unfair competition laws.

We may be slow to adapt, or we may not be able to adapt, to changes in existing regulatory requirements or adoption of new legal or regulatory requirements or policies. Later discovery of previously unknown problems with our products, manufacturing processes, or failure to comply with regulatory requirements, may result in:

- voluntary or mandatory recalls;
- voluntary or mandatory patient or physician notification;
- withdrawal of product approvals;

- product seizures;
- restrictions on, or prohibitions against, marketing our products;
- restrictions on importation of our product candidates;
- fines and injunctions;
- civil and criminal penalties;
- exclusion from participation in government programs; and
- suspension of review or refusal to approve pending applications.

In addition, the FDA or another regulatory agency may conduct periodic unannounced inspections. If they determine that we or any of our manufacturing or other partners are not in compliance with applicable requirements, they may issue a notice of inspectional observations. If the observations are significant, we may have to devote significant resources to respond and undertake appropriate corrective and preventive actions, which could adversely affect our business prospects.

Item 4. Submission of Matters to a Vote of Security Holders

Our Annual Meeting of Stockholders was held on May 21, 2008. Holders of an aggregate of 32,659,012 shares of our common stock at the close of business on April 7, 2008 were entitled to vote at the meeting, of which 24,373,472 were present in person or represented by proxy. At the Annual Meeting, our stockholders voted as follows:

Proposal One. To elect three Class III directors to serve until the 2011 Annual Meeting of Stockholders.

Name of Nominee	Total Votes For	Total Votes Withheld
Ron Cohen, MD	24,368,235	5,237
Lorin J. Randall	22,996,479	1,376,993
Steven M. Rauscher	22,645,109	1,728,363

Dr. Cohen and Messrs. Randall and Rauscher were elected to serve as Class III directors as noted above. Our Class II directors, whose term of office expires at the 2009 Annual Meeting of Stockholders, are: Messrs. Barclay Phillips, Barry Green and Ian Smith. Our Class II directors, whose term of office expires at the 2010 Annual Meeting of Stockholders, are: Drs. Sandra Panem and Wise Young. No other persons were nominated, or received votes, for election as directors of Acorda Therapeutics at our 2008 Annual Meeting of Stockholders. There were no broker non-votes with respect to this proposal.

Proposal Two. To ratify the appointment of KPMG LLP as our independent auditors for the fiscal year ending December 31, 2008.

Total Shares Voted	Total Votes For	Total Votes Against	Total Votes Abstained
24,373,472	24,339,476	33,137	859

The appointment of KPMG LLP was ratified. There were no broker non-votes with respect to this proposal.

Item 6. Exhibits

31.1 Certification by the Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.

31.2 Certification by the Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.

32.1 Certification Pursuant to 18 USC. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Acorda Therapeutics, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the State of New York, on this 5th day of August 2008.

ACORDA THERAPEUTICS, INC.

By: /s/ RON COHEN

Ron Cohen
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ RON COHEN Ron Cohen, M.D.	President, Chief Executive Officer and Director (Principal Executive Officer)	August 5, 2008
/s/ DAVID LAWRENCE David Lawrence, M.B.A.	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	August 5, 2008

Exhibit Index

Exhibit No.	Description
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QuickLinks