IMARX THERAPEUTICS INC
Form S-1/A
June 28, 2007

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As filed with the Securities and Exchange Commission on June 28, 2007
Registration No. 333-142646

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

AMENDMENT NO. 2
TO
FORM S-1

REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

ImaRx Therapeutics, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**2834**	**86-0974730**
(State or Other Jurisdiction of Incorporation or Organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

1635 East 18th Street
Tucson, AZ 85719
(520) 770-1259
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant s Principal Executive Offices)

Bradford A. Zakes
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Tucson, AZ 85719
(520) 770-1259
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. o _____

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o _____

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o _____

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o _____

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Number of Shares to be Registered	Proposed Maximum Offering Price per Share	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(3
Common Stock, par value $0.0001 per share	3,450,000(2)	$7.50	$25,875,000	$794.36

(1) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(a) under the Securities Act of 1933.

(2) Represents 3,450,000 shares of the registrant s common stock being offered pursuant to the registrant s initial public offering, including 450,000 shares subject to the underwriters over-allotment option.

(3) A registration fee of $8,025 has been paid previously by ImaRx Therapeutics, Inc. on May 19, 2006 in connection with Registration No. 333-134311. Pursuant to Rule 457(p), such previous filing fee offsets the filing fee due herewith.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JUNE 28, 2007

PRELIMINARY PROSPECTUS

3,000,000 Shares

Common Stock

$ per share

We are selling 3,000,000 shares of our common stock. This is the initial public offering of our common stock and no public market currently exists for our common stock. We currently expect the initial public offering price to be between $6.50 and $7.50 per share. We have applied to have our common stock approved for listing on The NASDAQ Capital Market under the symbol IMRX.

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

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

	Per Share	Total
Public offering price	$	$
Underwriting discounts	$	$
Proceeds to us (before offering-related expenses)	$	$

We expect total costs and expenses of this offering to be approximately $1.8 million, which will include a non-accountable expense allowance of 2.0% of the gross proceeds of this offering, or $420,000, payable to the representative of the underwriters. We have granted the underwriters a 45-day option to purchase up to 450,000 shares of common stock on the same terms and conditions as set forth above, solely to cover over-allotments, if any. Upon completion of this offering we will issue warrants to purchase up to 210,000 shares of our common stock at an exercise price equal to 115% of the initial public offering price per share to the representative of the underwriters, or representative s warrants, as additional compensation for its services in connection with this offering.

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

Maxim Group LLC **I-Bankers Securities, Inc.**

Sole Bookrunner

The date of this prospectus is , 2007

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

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Summary

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

ImaRx Therapeutics, Inc.

Overview

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

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

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

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

Our Commercial and Development Stage Products

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

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

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

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

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

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

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

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

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

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expect hospitals to purchase, approximately 64% as of March 31, 2007 will no longer be saleable after October 2007 based on their current expiration dates. All of these vials are currently unlabeled and therefore eligible for expiration date extension. In order to facilitate obtaining an extension of current expiration dates, we intend to continue the stability testing program started by Abbott Laboratories, which has been ongoing for over four years. Based on the testing to date, which has shown that the product changes very little from year to year, we believe it is probable that the stability data will support extension of the inventory expiration dates. In connection with our Abbokinase acquisition, we issued a $15.0 million non-recourse promissory note that matures in December 2007. If we are unable to satisfy this debt obligation when due, Abbott Laboratories will have the right to reclaim our remaining inventory of Abbokinase, along with a portion of the cash we have received from our sales of Abbokinase. In April 2007 we sold approximately $9.0 million of Abbokinase, net of discounts and fees, to two of our primary wholesalers, of which, approximately $4.1 million has been placed into an escrow account as security for repayment of our $15.0 million non-recourse promissory note due in December 2007. If the escrowed amount were to be applied to the outstanding balance of principal and accrued interest on that note, the remaining balance due under the note would be approximately $11.9 million as of May 31, 2007.

Our Research Stage Product Candidates

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

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

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

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

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

Oxygen Delivery. We are investigating the potential use of our proprietary MRX-804 emulsion/microbubbles, which we call NanO_2, to carry oxygen to parts of the body as a potential treatment for a broad variety of disorders in which reduced blood flow results in oxygen-deprived tissues, such as

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

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

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

Our Business Strategy

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

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

sell our Abbokinase inventory and benefit from our commercial relationships;

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

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

Risks Related to Our Business and Business Strategy

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

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

we will need substantial additional capital to fund our operations;

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

failure to comply with various government regulations in connection with the development, manufacture and commercialization of our product candidates, and post-approval manufacturing and

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marketing of our products, could result in significant interruptions or delays in our development and commercialization activities;

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

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

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

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

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

Our Corporate Information

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

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

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The Offering

Common stock offered	3,000,000 shares
Common stock to be outstanding after this offering	9,054,928 shares
Estimated initial public offering price	Between $6.50 and $7.50 per share
Use of proceeds	To continue the development of our product candidates, including clinical trials, to fund our commercialization efforts, to fund our research and preclinical development activities, and for working capital and other general corporate purposes including a possible partial repayment of debt. See Use of Proceeds.
Proposed NASDAQ Capital Market symbol	Currently no market for our common stock exists. We have applied to have our common stock listed on The NASDAQ Capital Market under the symbol IMRX .

The number of shares to be outstanding immediately after this offering as shown above is based on 6,054,928 shares outstanding as of May 31, 2007 and excludes:

- 550,959 shares of common stock issuable upon the exercise of options outstanding having a weighted average exercise price of $18.43 per share, and 84,433 shares of common stock reserved for future grants, under our 2000 Stock Plan;
- 226,655 shares of common stock issuable upon the exercise of options to be granted under our 2000 Stock Plan upon completion of this offering, having an exercise price equal to the public offering price per share in this offering;
- 24,997 shares of common stock to be issued pursuant to restricted stock grants under our 2000 Stock Plan upon completion of this offering;
- 352,324 shares of common stock issuable upon the exercise of warrants outstanding, having a weighted average exercise price of $15.79 per share;
- 210,000 shares of common stock issuable upon the exercise of the representative s warrant and 496,589 shares of common stock issuable upon the exercise of other warrants to be granted upon completion of this offering, having an exercise price equal to 115% of the public offering price per share in this offering; and
- 850,000 shares of common stock reserved for future issuance under our 2007 Performance Incentive Plan, which will become effective immediately upon the signing of the underwriting agreement for this offering.

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

- the conversion of all our outstanding shares of preferred stock into 3,448,189 shares of common stock upon the closing of this offering, assuming a 1-to-0.84 conversion ratio of our Series F preferred stock. See Conversion of Series F Preferred Stock ;

a one-for-three reverse stock split of our common stock that was effected on May 4, 2007;

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

no exercise of the underwriters over-allotment option.

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Summary Consolidated Financial Data

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

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

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

on an actual basis;

on a pro forma basis to reflect the conversion of all outstanding shares of preferred stock, valued on our balance sheet at approximately $40.3 million, into 3,448,189 shares of common stock upon the closing of this offering; and

on a pro forma as adjusted basis to reflect our receipt of the estimated net cash proceeds from our sale of 3,000,000 shares of common stock in this offering at an assumed initial public offering price of $7.00, the midpoint of the range on the front cover of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

	At March 31, 2007		
	Actual	**Pro Forma**	**Pro Forma as Adjusted**
		(In thousands) (Unaudited)	
Consolidated Balance Sheet Data:			
Cash and cash equivalents	$ 2,748	$ 2,748	$ 20,493
Working capital(1)	583	583	18,328
Total assets	23,384	23,384	41,129
Redeemable convertible preferred stock	36,297		
Total stockholders equity (deficit)	$ (36,676)	$ 3,621	$ 21,366

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

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Risk Factors

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

Risks Relating to Our Business

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

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

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

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

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

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

additional costs for intellectual property protection and enforcement; and

expenses as a result of being a public company.

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

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

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

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

We incurred significant indebtedness in connection with our acquisition of Abbokinase assets from Abbott Laboratories. If we are unable to satisfy this obligation in December 2007, Abbott Laboratories will have a right to reclaim our remaining inventory of Abbokinase, along with a portion of the cash we have received from our sales of Abbokinase.

In connection with our April 2006 acquisition of the remaining inventory of and certain rights related to Abbokinase, we issued to Abbott Laboratories a $15.0 million non-recourse note that is secured by the inventory and rights acquired and matures in December 2007. Although we have commenced selling Abbokinase to obtain near-term revenue that will help fund our cash needs, the asset purchase agreement provides that after we have received initial net revenue of $5.0 million from the sale of Abbokinase, we are then required to deposit 50% of the cash receipts we receive from further sales of Abbokinase into an escrow account to secure the repayment of the note. As of March 31, 2007, our net cash received from sales of Abbokinase to wholesalers and customers totaled approximately $2.6 million and we had not deposited any funds in escrow as security for the note. If the escrow amount is not adequate to repay the note and we are otherwise unable to repay the note by its maturity date, Abbott Laboratories has the right to reclaim our remaining inventory of Abbokinase, along with the portion of the cash we have received from our sales of Abbokinase that is in the escrow account.

We will need substantial additional capital to fund our operations. If we are unable to raise capital when needed, we may be forced to delay, reduce or eliminate our research and development programs or commercialization efforts, and we may be unable to timely pay our debts or may be forced to sell or license assets or otherwise terminate further development of one or more of our programs.

Since our inception, we have financed our operations principally through the private placement of shares of our common and preferred stock and convertible notes and the receipt of government grants. Upon completion of this offering we believe that we will have working capital sufficient to meet our anticipated cash needs through December 2008, assuming our projected sales of Abbokinase to wholesalers occur within a timeframe adequate to repay the $15.0 million note due to Abbott Laboratories on December 31, 2007. We expect our expenses to increase substantially following this offering, and we will require substantial additional financing at various times in the future as we expand our operations and as our debt obligations mature.

Our funding requirements will, however, depend on numerous factors, including:

- the timing, scope and results of our preclinical studies and clinical trials;
- the timing and amount of revenue from sales of Abbokinase;

our ability to refinance our $15.0 million secured non-recourse note due to Abbott Laboratories on December 31, 2007, if sales of Abbokinase are insufficient to repay the note;

the timing and amount of revenue from grants and other sources;

the timing of initiation of manufacturing for our product candidates;

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the timing of, and the costs involved in, obtaining regulatory approvals;

our ability to establish and maintain collaborative relationships;

personnel, facilities and equipment requirements; and

the costs involved in preparing, filing, prosecuting, maintaining and enforcing patent claims and other patent-related costs, including litigation costs, if any, and the result of any such litigation.

We intend to seek additional funding from a variety of sources, which may include collaborations involving our technology, technology licensing, grants and public or private equity and debt financings. We cannot be certain that any additional funding will be available on terms acceptable to us, or at all. Accordingly, we may not be able to secure the substantial funding that is required to maintain and continue our commercialization and development programs at levels that may be required in the future. We may be forced to accept funds on terms or pricing that are highly dilutive or otherwise disadvantageous to our existing stockholders. We are restricted from granting any additional security interest in our Abbokinase assets that we acquired in 2006. Raising additional funds through debt financing, if available, may involve covenants that restrict our business activities. To the extent that we raise additional funds through collaborations and licensing arrangements, we may have to relinquish valuable rights and control over our technologies, research programs or product candidates, or grant licenses on terms that may not be favorable to us. If we are unable to secure adequate financing, we could be required to sell or license assets, delay, scale back or eliminate one or more of our development programs or enter into licenses or other arrangements with third parties to commercialize products or technologies that we would otherwise seek to develop and commercialize ourselves.

We have expanded our business strategy to include the sale of Abbokinase and this exposes us to additional risks which we may not be able to overcome.

Until September 2005, our business strategy focused on the development of microbubbles for the treatment of blood clots and various vascular disorders. In October 2006 we began selling Abbokinase, a thrombolytic drug that we acquired in April 2006. Abbokinase is approved by the FDA for marketing in the U.S. for acute massive pulmonary embolism. We have limited experience in marketing or selling Abbokinase, and we may not be successful in these undertakings. Use of Abbokinase in general involves significant risks, such as bleeding. In addition, adding Abbokinase to our business places additional burdens on our management and technical staff to undertake commercialization activities and may distract them from development activities. Furthermore, our customers may return outdated, short dated or damaged product that is in its original, unopened cartons and received by us prior to 12 months past the expiration date. Finally, the FDA must formally approve the release of each lot of Abbokinase we wish to sell. We must submit a request for each lot we intend to ship to our product wholesalers prior to shipment. If the FDA does not release these lots for shipment in a timely manner or at all, our sales of Abbokinase may be adversely affected.

We may be unable to sell our existing inventory of Abbokinase before product expiration, and even if we are able to sell the existing inventory, the product may be returned prior to use by hospitals and clinics. Additionally, even if we are successful in extending the product expiration dates, we will need to re-brand the product.

In our acquisition of Abbokinase, we received approximately 153,000 vials of Abbokinase manufactured between 2003 and 2005. At the time of our acquisition of Abbokinase, we estimated that hospitals would purchase, and we would thereby recognize revenue for, approximately 111,000 vials, or approximately 72% of the total vials we acquired, which we believe represented approximately a four-year supply of inventory. We also estimated that, due to

expiration of the vials or for other reasons, hospitals would not purchase approximately 42,000 vials, or approximately 28% of the vials we acquired. Approximately $16.7 million of the $20.0 million purchase price for Abbokinase was allocated to the vials we expect hospitals to purchase. Of our vials of Abbokinase held in inventory either by us or by our wholesalers as of March 31, 2007, approximately 64% of the vials we expect hospitals to purchase, or approximately $10.7 million in inventory value, are unlabeled and will expire by October 2007 based on current stability data. The remaining approximately 36% of the vials we expect to sell to hospitals, or approximately $6.1 million in inventory

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value, are labeled and will expire at various times between December 2008 and August 2009. We commenced sales of Abbokinase in October 2006. We may or may not be able to sell the entire inventory we acquired before the product expires, and we are not permitted to sell this inventory after its expiration dates. We will continue our ongoing stability program to potentially extend the expiration dates for this inventory. Our license to use the Abbokinase trademark does not cover any inventory with extended expiration dates. Accordingly, if we are successful in demonstrating extended stability and shelf life, we would need to re-brand the inventory to commercialize it. We cannot be certain that we will be successful in establishing an alternate brand name for Abbokinase and obtaining market acceptance. Even if we are able to sell the Abbokinase inventory to wholesalers prior to expiration, the product may be returned to us if outdated or short dated, and our sales could be significantly reduced.

The thrombolytic drug market is highly competitive and dominated by products from Genentech. We have limited sales and marketing capabilities and depend on drug wholesalers to distribute our Abbokinase product.

The market for thrombolytic drugs is currently dominated by thrombolytic drugs offered by Genentech, Inc., in particular alteplase, or tPA, which is approved for treatment of ischemic stroke and pulmonary emboli, among other indications. We cannot be certain that we have sufficient resources to effectively market or sell Abbokinase. We have a limited sales and marketing staff and depend on the efforts of third parties for the sale and distribution of Abbokinase to hospitals and clinics. If we are unable to maintain effective third party distribution on commercially reasonable terms, we may be unable to market and sell Abbokinase in commercial quantities. Drug wholesale companies may be unwilling to continue selling Abbokinase, or we may be forced to accept lower prices or other unfavorable terms or to expend significant additional resources to sell our Abbokinase inventory. Additionally, even if we are able to market and sell Abbokinase in commercial quantities, we do not expect sales of Abbokinase to generate enough revenue for us to achieve profitability.

Our competitors generally are larger than we are, have greater financial resources available to them than we do and may have a superior ability to develop and commercialize competitive products. In addition, if our competitors have products that are approved in advance of ours, marketed more effectively or demonstrated to be safer or more effective than ours, our commercial opportunity will be reduced or eliminated and our business will be harmed.

Our industry sector is intensely competitive, and we expect competition to continue to increase. Many of our actual or potential competitors have substantially longer operating histories and greater financial, research and development and marketing capabilities than we do. Many of them also have substantially greater experience than we have in undertaking preclinical studies and clinical trials, obtaining regulatory approvals and manufacturing and distributing products. Smaller companies may also prove to be significant competitors, particularly through collaborative arrangements with large pharmaceutical companies. In addition, academic institutions, government agencies and other public and private research organizations also conduct research, seek patent protection and establish collaborative arrangements for product development and marketing. We may not be able to develop products that are more effective or achieve greater market acceptance than our competitors products. Any company that brings competitive products to market before us may achieve a significant competitive advantage.

We believe that the primary competitive factors in the market for treatments of vascular disorders include safety and efficacy, access to and acceptance by leading physicians, cost-effectiveness, physician relationships and sales and marketing capabilities. We may be unable to compete successfully on the basis of any one or more of these factors, which could have a material adverse effect on our business, financial condition and results of operations.

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If we are unable to develop, manufacture and commercialize our product candidates, we may not generate sufficient revenue to continue our business.

We currently have only one product, urokinase, currently marketed as Abbokinase, that has received regulatory approval, and we have limited experience commercializing Abbokinase. The process to develop, obtain regulatory approval for and commercialize potential drug candidates is long, complex and costly. Our proprietary SonoLysis microbubble technology has not been used in clinical trials other than our ongoing Phase I/II clinical trial of our SonoLysis+*tPA* therapy. We do not expect to have the results of any clinical trials using our proprietary MRX-801 microbubbles until at least 2008. As a result, our business in the near term is substantially dependent upon our ability to sell Abbokinase and to complete development, obtain regulatory approval for and commercialize our SonoLysis product candidates in a timely manner. If we are unable to further develop, commercialize or license our SonoLysis product candidates, we may not be able to earn sufficient revenue to continue our business.

If we want to sell urokinase beyond our existing inventory of Abbokinase, we would need to undertake manufacturing and secure regulatory approval for a new manufacturing process and facility.

As part of our acquisition of Abbokinase, we acquired cell lines that could be used to manufacture urokinase. If we want to sell urokinase beyond our existing inventory of acquired Abbokinase, we would need to undertake manufacturing and to demonstrate that our manufactured material is comparable to the urokinase we purchased from Abbott Laboratories. To demonstrate this, we would need to have our manufacturing process validated by the FDA and may be required to conduct additional preclinical studies, and possibly additional clinical trials, to demonstrate its safety and efficacy. In addition, the manufacturing process for Abbokinase involves a roller bottle production method that is used infrequently today and is available only from a limited number of manufacturers worldwide. We do not currently intend to undertake any efforts required for manufacturing and regulatory approval of additional urokinase in the near term, and even if we were to undertake these efforts in the future, we cannot be certain that we would be able to manufacture and receive regulatory approval for additional sales of urokinase beyond our existing inventory.

We do not plan to manufacture any of our product candidates and will depend on commercial contract manufacturers to manufacture our products.

We do not have our own manufacturing facilities, have no experience in large-scale product manufacturing, and do not intend to develop such facilities or capabilities. Our ability to conduct clinical trials and commercialize our product candidates will depend, in part, on our ability to manufacture our products through contract manufacturers. For all of our product candidates, we or our contract manufacturers will need to have sufficient production and processing capacity to support human clinical trials, and if those clinical trials are successful and regulatory approvals are obtained, to produce products in commercial quantities. Delays in providing or increasing production or processing capacity could result in additional expense or delays in our clinical trials, regulatory submissions and commercialization of our products. In addition, we will be dependent on such contract manufacturers to adhere to the FDA s current Good Manufacturing Practices, or cGMP, and other regulatory requirements.

Establishing contract manufacturing is costly and time-consuming and we cannot be certain that we will be able to engage contract manufacturers who can meet our quantity and quality requirements in a timely manner and at competitive costs. The manufacturing processes for our product candidates have not yet been tested at commercial levels, and it may not be possible to manufacture such materials in a cost-effective manner. Further, there is no guarantee that the components of our proposed drug product candidates will be available to our manufacturers when needed on terms acceptable to us. If we are unable to obtain contract manufacturing on commercially reasonable terms, we may not be able to conduct or complete planned or necessary clinical trials or commercialize our product candidates.

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If our clinical trials are not successful, or if we are unable to obtain regulatory approvals, we will not be able to commercialize our products and we will continue to incur significant operating losses.

Abbokinase is our only product approved for commercial sale. The sale of all of our product candidates in the U.S. requires approval from the FDA and from foreign regulatory agencies for sales outside the U.S. To gain regulatory approval for the commercial sale of our product candidates, we must demonstrate the safety and efficacy of each product candidate in human clinical trials. This process is expensive and can take many years, and failure can occur at any stage of the testing process. There are many risks associated with our clinical trials. For example:

- the only completed clinical trials related to our development of SonoLysis therapy or SonoLysis+*tPA* therapy have not utilized our proprietary MRX-801 microbubbles and may not be indicative of the safety and effectiveness of our product candidates;
- if the clinical trial is not conducted in accordance with current Good Clinical Practices, or cGCP, it may not be possible to complete the trial and the FDA may not accept the results of the clinical trial;
- clinicians, physicians and regulators may not favorably interpret the results of our preclinical studies and clinical trials;
- some patients in our clinical trials may experience unforeseen adverse medical events related or unrelated to the use of our product candidates;
- we may be unable to secure a sufficient number of clinical trial sites or patients to enroll in our clinical trials;
- we may experience delays in securing the services of, or difficulty scheduling, clinical investigators for our clinical trials;
- third parties who conduct our clinical trials may not fulfill their obligations;
- we may in the future experience, and have in the past experienced, deviations from the approved clinical trial protocol by our clinical trial investigators;
- the FDA or the local institutional review board, or IRB, at one or more of our clinical trial sites may interrupt, suspend or terminate a clinical trial or the participation of a particular site in a clinical trial; and
- the FDA or other regulatory bodies may change the policies and procedures we are required to follow in connection with our clinical trials.

Any of these or other unexpected events could cause us to delay or terminate our ongoing clinical trials, increase the costs associated with our clinical trials or affect the statistical analysis of the safety and efficacy of our product candidates. If we fail to adequately demonstrate the safety and efficacy of our product candidates, we will not obtain regulatory approval to commercialize our products. Significant delays in clinical development could materially increase our product development costs or impair our competitive position. In addition, any approvals we may obtain may not cover all of the clinical indications for which we seek approval, or an approval may contain significant limitations in the form of narrow labeling and warnings, precautions or contraindications with respect to limitations on use. Accordingly, we may not be able to obtain our desired product registration or marketing approval for any of our product candidates.

We rely on third parties to conduct our clinical trials who may not carry out their contractual duties, with resulting negative impacts on our clinical trials.

We depend on contract research organizations, or CROs, for managing some of our preclinical testing and clinical trials. If we are not able to retain CROs in a timely manner and on commercially reasonable terms, we may not be able to conduct or complete clinical trials or commercialize our product candidates and we do not know whether we will be able to develop or attract partners with such capabilities. We have established relationships with multiple CROs for our existing clinical trials, although there is no guarantee that the CROs

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will be available for future clinical trials on terms acceptable to us. We may not be able to control the amount and timing of resources that CROs devote to our clinical trials. In the event that we are unable to maintain our relationship with any of our CROs or elect to terminate the participation of any of these CROs, we may lose the ability to obtain follow-up information for patients enrolled in ongoing clinical trials unless we are able to transfer the care of those patients to another qualified CRO.

Our product candidates may never achieve market acceptance.

We cannot be certain that our products will achieve any degree of market acceptance among physicians and other health care providers and payors, even if necessary regulatory approvals are obtained. We believe that recommendations by physicians and other health care providers and payors will be essential for market acceptance of our products, and we cannot be certain we will ever receive any positive recommendations or reimbursement. Physicians will not recommend our products unless they conclude, based upon clinical data and other factors, that our products are safe and effective. We are unable to predict whether any of our product candidates will ever achieve market acceptance, either in the U.S. or internationally. A number of factors may limit the market acceptance of our products, including:

- the timing and scope of regulatory approvals of our products and market entry compared to competitive products;
- the safety and efficacy of our products, including any inconveniences in administration, as compared to alternative treatments;
- the rate of adoption of our products by hospitals, doctors and nurses and acceptance by the health care community;
- the product labeling and marketing claims permitted or required by regulatory agencies for each of our products;
- the competitive features of our products, including price, as compared to other similar products;
- the availability of sufficient third party coverage or reimbursement for our products;
- the extent and success of our sales and marketing efforts; and
- possible unfavorable publicity concerning our products or any similar products.

If our products are not commercialized, our business will be materially harmed.

Technological change and innovation in our market sector may cause our products to become obsolete shortly after or even before such products reach the market.

New products and technological development in the pharmaceutical and medical device industries may adversely affect our ability to complete required regulatory requirements and introduce our product candidates into the market or may render our products obsolete. The markets into which we plan to introduce our products are characterized by constant and sometimes rapid technological change, new and improved product introductions, changes in regulatory requirements, and evolving industry standards. Our ability to execute our business plan will depend to a substantial extent on our ability to identify new market trends and develop, introduce and support our candidate products on a timely basis. If we fail to develop and commercialize our product candidates on a timely basis, we may be unable to

compete effectively. For example, we are aware of other thrombolytic drugs in development such as ancrod and desmoteplase, which are currently in Phase III clinical trials as treatments for acute ischemic stroke. Since none of our product candidates for treatment of ischemic stroke will be able to achieve regulatory approval for commercial sale in the U.S. any earlier than 2011, if ever, we could by that time find that competitive developments have diminished our product opportunities, which would have an adverse impact on our business prospects and financial condition.

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If we are unable to obtain acceptable prices or adequate reimbursement from third-party payors for any product candidates that we seek to commercialize, our revenue and prospects for profitability will suffer.

The commercialization of our product candidates is substantially dependent on whether third-party coverage and reimbursement is available from governmental payors such as Medicare and Medicaid, private health insurers, including managed care organizations and other third-party payors. The U.S. Centers for Medicare and Medicaid Services, health maintenance organizations and other third-party payors in the U.S. and in other jurisdictions are increasingly attempting to contain health care costs by limiting both coverage and the level of reimbursement for new drugs and medical devices and, as a result, they may not cover or provide adequate payment for our products. Our products may not be considered cost-effective and reimbursement may not be available to consumers or may not be sufficient to allow our products to be marketed on a competitive basis. Large private payors, managed care organizations, group purchasing organizations and similar organizations are exerting increasing influence on decisions regarding the use of, and reimbursement levels for, particular treatments. Such third-party payors, including Medicare, are challenging the prices charged for medical products and services, and many third-party payors limit or delay reimbursement for newly approved medical products and indications. Cost-control initiatives could lower the price we may establish for our products which could result in product revenue lower than anticipated. If the prices for our product candidates decrease or if governmental and other third-party payors do not provide adequate coverage and reimbursement levels, our prospects for profitability could suffer.

We intend to rely heavily on third parties to implement critical aspects of our business strategy, and our failure to enter into and maintain these relationships on acceptable business terms, or at all, would materially adversely affect our business.

We intend to rely on third parties for certain critical aspects of our business, including:

- manufacturing of our MRX-801 and other proprietary microbubbles;
- conducting clinical trials;
- conducting preclinical studies;
- performing stability and product release testing with respect to Abbokinase;
- preparing, submitting and maintaining regulatory records sufficient to meet the requirements of the FDA; and
- customer logistics and distribution of our products.

We do not currently have many of these relationships in place. Although we use a third party manufacturer to produce MRX-801 microbubbles for our clinical trials on a purchase order basis, that third party does not have the capacity to produce the volume of MRX-801 microbubbles necessary for large-scale clinical trials or commercial sales. We currently have agreements with contract research organizations to manage our clinical trials; audit our clinical trials; help us write protocols and study reports for our clinical trials; store, label, package and distribute our commercial product; and conduct stability and product release testing for our commercialized product. We also have agreements with wholesalers to market and distribute our product, as well as agreements in place with many Group Purchasing Organizations that negotiate prices on behalf of hospitals and clinics. To the extent that we are unable to maintain these relationships or to enter into any one or more of the additional relationships necessary to our business on commercially reasonable terms, or at all, or to eliminate the need for any such relationship by establishing our own capabilities in a particular functional area in a timely manner, we could experience significant delays or cost increases

that could have a material adverse effect on our ability to develop and commercialize our product candidates.

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We rely on third party products, technology and intellectual property, which could negatively affect our ability to sell our MRX-801 microbubbles or other products commercially or could adversely affect our ability to derive revenue from such products.

Our SonoLysis program may require the use of multiple proprietary technologies, including commercially available ultrasound devices and patented technologies. Manufacturing our products or customizing related ultrasound devices may also require licensing technologies and intellectual property from third parties. Obtaining and maintaining licenses for these technologies may require us to make royalty payments or other payments to several third parties, potentially reducing our revenue or making the cost of our products commercially prohibitive. We cannot be certain that we will be able to establish any or all of the partnering relationships and technology licenses that may be necessary for the pursuit of our business strategy, or, even if such relationships can be established, that they will be on terms favorable to us or that they can be managed in a way that will assist us in executing our business plan.

As a highly specialized scientific business enterprise, our ability to execute our business plan is substantially dependent on certain key members of our scientific and management staff, the loss of any of whom could have a material adverse effect on our business.

A small number of key officers and members of our professional staff are responsible for certain critical areas of our business, such as product research and development, clinical trials, regulatory affairs, manufacturing, intellectual property protection and licensing. The services provided by our key personnel, including: Bradford A. Zakes, our President and Chief Executive Officer; Lynne Weissberger, our Vice President, Regulatory Affairs, Quality Assurance and Regulatory Compliance; Walter Singleton, our Chief Medical Officer; Terry Matsunaga, our Vice President, Research; Rajan Ramaswami, our Vice President, Product Development; Reena Zutshi, our Vice President, Operations; John McCambridge, our Vice President, Sales and Marketing; and Greg Cobb, our Chief Financial Officer, would be difficult to replace. Dr. Singleton recently advised us of his decision to leave the employ of the Company to pursue personal interests. He has entered into a one-year consulting agreement with us. We believe that we will be able to continue our drug development activities as planned. All of our employees are employed at will. Our business and future operating results also depend significantly on our ability to attract and retain qualified management, manufacturing, technical, marketing, regulatory, sales and support personnel for our operations, and competition for such personnel is intense. We cannot be certain that our key executive officers and scientific staff members will remain with us or that we will be able to attract or retain such personnel. If we are unable to retain and continue to attract qualified management and technical staff, this could significantly delay and may prevent the achievement of our research, development and business objectives. We do not maintain key-person life insurance on the lives of any of our executive officers or scientific staff and we do not intend to secure any key-person life insurance after the completion of this offering.

We will need to increase the size of our organization, and we may experience difficulties in managing our growth.

As of May 31, 2007, we had 32 full-time employees. In the future, we will need to expand our managerial, operational, financial, clinical, regulatory and other personnel to manage and expand our operations, undertake clinical trials, manufacture our product candidates, continue our research and development and collaborative activities and commercialize our product candidates. In the next 12 months we anticipate hiring between five and eight new employees at an approximate aggregate cost of between $450,000 and $700,000 annually. Our management and scientific personnel, systems and facilities currently in place will not be adequate to support our planned future growth. Our need to effectively manage our operations, growth and various projects requires that we:

- utilize a small sales and marketing organization;

identify and manage third party manufacturers for our products;

manage our clinical trials effectively;

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manage our internal research and development efforts effectively while carrying out our contractual obligations to collaborators and other third parties;

continue to improve our operational, financial and management controls, reporting systems and procedures under increasing regulatory requirements; and

attract and retain sufficient numbers of talented employees.

We may be unable to implement and manage many of these tasks on a larger scale or in a timely manner and, accordingly, may not achieve our research, development and commercialization goals.

We depend on patents and other proprietary rights, some of which are uncertain and unproven. Further, our patent portfolio and other intellectual property rights are expensive to maintain, protect against infringement claims by third parties, and enforce against third party infringements, and are subject to potential adverse claims.

Because we are developing product candidates that rely on advanced and innovative technologies, our ability to execute our business plan will depend in large part on our ability to obtain and effectively use patents and licensed patent rights, preserve trade secrets and operate without infringing upon the proprietary rights of others. Our Abbokinase product has no patent protection and we have a one-half interest in a patent related to the manufacturing process for Abbokinase. Some of our intellectual property rights are based on licenses that we have entered into with owners of patents.

Although we have rights to 143 issued U.S. patents, plus some foreign equivalents and numerous pending patent applications, the patent position of pharmaceutical, medical device and biotechnology companies in general is highly uncertain and involves complex legal and factual questions. Effective intellectual property protection may also be unavailable or limited in some foreign countries. We have not pursued foreign patent protection in all jurisdictions or for all of our patentable intellectual property. As a result, our patent protection for our intellectual property will likely be less comprehensive if and when we commence international sales.

There are also companies that are currently commercializing FDA approved microbubbles-based products for diagnostic uses. These companies may promote these products for off-label uses which may directly compete with our products when and if approved. Additionally, physicians may prescribe the use of such products for off-label indications which could have the impact of reducing our revenues for our product candidates when and if approved.

In the U.S. and internationally, enforcing intellectual property rights against infringing parties is often costly. Pending patent applications may not issue as patents and may not issue in all countries in which we develop, manufacture or sell our products or in countries where others develop, manufacture and sell products using our technologies. Patents issued to us may be challenged and subsequently narrowed, invalidated or circumvented. We have been notified that, in February 2005, a third party filed an opposition claim to one of our patents in Europe that relates to targeted bubbles for therapeutic and diagnostic use. The third party has agreed to voluntarily dismiss and terminate this claim, but other such conflicts could occur and could limit the scope of the patents that we may be able to obtain or may result in the denial of our patent applications. If a third party were to obtain intellectual property protection for any of the technologies upon which our business strategy is based, we could be required to challenge such protections, terminate or modify our programs that rely on such technologies or obtain licenses for use of these technologies. For example, in July 2003 we received a notice from a third party who owns a patent relating to the administration of ultrasound to break up blood clots indicating that we may need a license to its patent if we intend to administer our therapies according to its patented method. Although we do not intend to administer our therapies according to the third party s patented method, other similar third party patents, if valid, could require us to seek a license that may not

be available on terms acceptable to us or at all, could impose limitations on how we administer our therapies, and may require us to adopt restrictions or requirements as to the manner of administration of our products that we might not otherwise adopt to avoid infringing patents of others. Moreover, we may not have the financial resources to protect our patent and other intellectual property rights and, in that event, our patents may not afford meaningful protection for our technologies or product candidates, which would materially

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adversely affect our ability to develop and market our product candidates and to generate licensing revenue from our patent portfolio.

Additional risks related to our patent rights and other proprietary rights include:

- challenge, invalidation, circumvention or expiration of issued patents already owned by or licensed to us;
- claims by our consultants, key employees or other third parties that our products or technologies are the result of technological advances independently developed by them and, therefore, not owned by us;
- our failure to pay product development costs, license fees, royalties, milestone payments or other compensation required under our technology license and technology transfer agreements, and the subsequent termination of those agreements;
- failure by our licensors or licensees to comply with the terms of our license agreements;
- misrepresentation by technology owners of the extent to which they have rights to the technologies that we purport to acquire or license from them;
- a potentially shorter patent term as a result of legislation which sets the patent termination date at 20 years from the earliest effective filing date of the patent application instead of 17 years from the date of the grant; and
- loss of rights that we have licensed due to our failure or decision not to fund further research or failure to achieve required development or commercialization milestones or otherwise comply with our obligations under the license and technology transfer agreements.

If any of these events occurs, our business may be harmed.

We have limited patent protection for Abbokinase, and third parties likely could develop urokinase without a license from us, which could decrease the market opportunity for Abbokinase.

We own a one-half interest in a patent related to the manufacturing process for Abbokinase. We also have a license to use the Abbokinase trademark that expires when our inventory is sold, expires or its expiration date is extended, and trade secrets relating to the manufacturing process for Abbokinase. A third party could acquire or develop a cell line capable of producing urokinase and could devise a manufacturing process that could yield a product consistent with or superior to our Abbokinase product in quality, safety and activity, in each case without a license from us, which could decrease the market opportunity for Abbokinase.

Other companies may claim that we infringe their patents or trade secrets, which could subject us to substantial damages.

A number of third parties, including certain of our competitors, have developed technologies, filed patent applications or obtained patents on technologies and compositions that are related to aspects of our business, including thrombolytic drug therapy, microbubbles and ultrasound. Such third parties may sue us for infringing their patents. If we face an infringement action, defending against such an action could require substantial resources that may not be available to us. In the event of a successful claim of infringement against us, we may be required to:

- pay substantial damages;

stop using infringing technologies and methods;

stop certain research and development efforts;

develop non-infringing products or methods; and

obtain one or more licenses from third parties.

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Any claims of infringement could cause us to incur substantial costs and could divert management s attention away from our business in defending against the claim, even if the claim is invalid. A party making a claim could secure a judgment that requires us to pay substantial damages. A claim of infringement could also be used by our competitors to delay market introduction or acceptance of our products. If we are sued for infringement, we could encounter substantial delays in development, manufacture and commercialization of our product candidates. Any litigation, whether to enforce our patent rights or to defend against allegations that we infringe third party rights, will be costly and time consuming and will likely distract management from other important tasks.

Our rights to develop and commercialize certain of our product candidates are subject to the terms and conditions of licenses or sublicenses granted to us by third parties, including other pharmaceutical companies, that contain restrictions that may limit our ability to capitalize on these products.

Our SonoLysis therapy and SonoLysis+*tPA* therapy product candidates are based in part on patents and other intellectual property that we license or sublicense from third parties. Our rights to develop and commercialize these product candidates using intellectual property licensed from UNEMED Corporation may terminate, in whole or in part, if we fail to pay royalties to third party licensors, or if we fail to comply with certain restrictions regarding our development activities. In the event of an early termination of any such license or sublicense agreement, rights licensed and developed by us under such agreements may be extinguished, and our rights to the licensed technology may revert back to the licensor. Any termination or reversion of our rights to develop or commercialize any such product candidate may have a material adverse effect on our business.

We are party to an agreement with Bristol-Myers Squibb that restricts us from using our bubble technology for non-targeted diagnostic imaging applications. Bristol-Myers Squibb also has a right of first negotiation should we wish to license to a third party any of our future products or technology related to the use of bubbles for targeted imaging of blood clots, or breaking up blood clots with ultrasound and bubbles. Bristol-Myers Squibb has waived its rights under this agreement with respect to our current generation of MRX-801 microbubbles that we are developing for breaking up blood clots, as well as a new generation of MRX-802 microbubbles that we are developing for breaking up blood clots that include targeting mechanisms to cause the bubbles to attach to blood clots. This right of first negotiation for future technology we may develop in these applications could adversely impact our ability to attract a partner or acquirer for SonoLysis therapy.

In addition, we have been awarded various government funding grants and contracts from The National Institutes of Health and other government agencies. These grants include provisions that provide the U.S. government with the right to use the technologies developed under such grants for certain uses, under certain circumstances. If the government were to exercise its rights, our ability to commercialize such technology would likely be impaired.

We could be exposed to significant product liability claims, which could be time consuming and costly to defend, divert management attention and adversely impact our ability to obtain and maintain insurance coverage. The expense and potential unavailability of insurance coverage for our company or our customers could adversely affect our ability to sell our products, which would negatively impact our business.

We face a risk of product liability exposure related to the testing of our product candidates in clinical trials and will face even greater risks upon any commercialization by us of our product candidates. Thrombolytic drugs are known to involve certain medical hazards, such as risks of bleeding or immune reactions. Our product candidates may also involve presently unknown medical risks of equal or even greater severity. Product liability claims or other claims related to our products, or their off-label use, regardless of their merits or outcomes, could harm our reputation in the industry, and reduce our product sales. Additionally, any lawsuits or product liability claims against us may divert our management from pursuing our business strategy and may be costly to defend. Further, if we are held liable in any of

these lawsuits, we may incur substantial liabilities and may be forced to limit or forego further commercialization of one or more of our

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products. A product liability related claim or recall could be materially detrimental to our business. Our current product liability insurance, which provides us with $10 million of coverage in the aggregate, may be insufficient. We may not be able to obtain or maintain such insurance in adequate amounts, or on acceptable terms, to provide coverage against potential liabilities. The product liability coverage we currently have for our clinical trials may be insufficient to cover fully the costs of any claim or any ultimate damages we may be required to pay. Our inability to obtain or maintain sufficient insurance coverage at an acceptable cost or otherwise to protect against potential product liability claims could prevent or limit the commercialization of any products we develop, and could leave us exposed to significant financial losses relating to any products that we do develop and commercialize.

Moreover, Abbokinase is made from human neonatal kidney cells. Products made from human source material may contain infectious agents, such as viruses, that can cause disease. We believe the risk that Abbokinase will transmit an infectious agent has been reduced by changes made by Abbott Laboratories to its tissue acquisition and related manufacturing process that included screening donors for prior exposure to certain viruses, testing donors for the presence of certain current virus infections, testing for certain viruses during manufacturing and inactivating and/or removing certain viruses. All of our inventory was produced after these changes were made. Despite these measures, Abbokinase may still present a risk of transmitting infectious agents, which could expose us to product liability lawsuits.

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

Our research and development activities involve the controlled use of potentially hazardous substances, including toxic chemical and biological materials. Our recent expansion of our business strategy to include the sale of Abbokinase has increased our involvement in the handling and distribution of biological materials. In addition, our operations produce hazardous waste products. Federal, state and local laws and regulations govern the use, manufacture, storage, handling and disposal of these hazardous and biological materials. While we believe that we are currently in compliance with these laws and regulations, continued compliance may be expensive, and current and future environmental regulations may impair our research, development and manufacturing efforts. In addition, if we fail to comply with these laws and regulations at any point in the future, we may be subject to criminal sanctions and substantial civil liabilities and could be required to suspend or modify our operations. Even if we continue to comply with all applicable laws and regulations regarding hazardous materials, we cannot eliminate the risk of accidental contamination or discharge and our resultant liability for any injuries or other damages caused by these accidents. Although we maintain general liability insurance, this insurance may not fully cover potential liabilities for these damages, and the amount of uninsured liabilities may exceed our financial resources and materially harm our business.

The FDA approval process for drugs involves substantial time, effort and financial resources, and we may not receive any new approvals for our product candidates on a timely basis, or at all.

The process required by the FDA before product candidates may be marketed in the U.S. generally involves the following:

- preclinical laboratory and animal testing;
- submission of an IND application which must become effective before clinical trials may begin;
- adequate and well-controlled human clinical trials to establish the safety and efficacy of proposed drugs or biologics for their intended use;

pre-approval inspection of manufacturing facilities, company regulatory files and selected clinical investigators; and

FDA approval of a new drug application, or NDA, or FDA approval of an NDA supplement in the case of a new indication if the product is already approved for another indication.

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The testing and approval process requires substantial time, effort and financial resources, and we cannot be certain that any new approvals for our product candidates will be granted on a timely basis, if at all. We have failed in the past, and may in the future fail, to make timely submissions of required reports or modifications to clinical trial documents, and such delays as well as possible errors or omissions in such submissions could endanger regulatory acceptance of clinical trial results or even our ability to continue with our clinical trials.

The results of product development, preclinical tests and clinical trials are submitted to the FDA as part of an NDA, or as part of an NDA supplement. The FDA may deny approval of an NDA or NDA supplement if the applicable regulatory criteria are not satisfied, or it may require additional clinical data or an additional pivotal Phase III clinical trial. Even if such data are submitted, the FDA may ultimately decide that the NDA or NDA supplement does not satisfy the criteria for approval. The FDA may move to withdraw product approval, once issued, if ongoing regulatory standards are not met or if safety problems occur after the product reaches the market. In addition, the FDA may require testing and surveillance programs to monitor the effect of approved products which have been commercialized, and the FDA may move to prevent or limit further marketing of a product based on the results of these post-marketing programs.

Satisfaction of FDA requirements or similar requirements of state, local and foreign regulatory agencies typically takes several years and the actual time required may vary substantially based upon the type, complexity and novelty of the product or disease. Government regulation may delay or prevent marketing of product candidates for new indications for a considerable period of time and impose costly procedures upon our activities. The FDA or any other regulatory agency may not grant approvals for new indications for our product candidates on a timely basis, if at all. Success in early stage clinical trials does not ensure success in later stage clinical trials. Data obtained from clinical trials is not always conclusive and may be susceptible to varying interpretations, which could delay, limit or prevent regulatory approval. Even if a product candidate receives regulatory approval, the approval may be significantly limited to specific disease states, patient populations and dosages. Further, even after regulatory approval is obtained, later discovery of previously unknown problems with a product may result in restrictions on the product or even complete withdrawal of the product from the market. Delays in obtaining, or failures to obtain, additional regulatory approvals for our products would harm our business. In addition, we cannot predict what adverse governmental regulations may arise from future U.S. or foreign governmental action.

The FDA s policies may change and additional government regulations may be enacted, which could prevent or delay regulatory approval of our product candidates or approval of new indications for our product candidates. We cannot predict the likelihood, nature or extent of adverse governmental regulation that might arise from future legislative or administrative action, either in the U.S. or internationally.

If we or our contract manufacturers fail to comply with applicable regulations, sales of our products could be delayed and our revenue could be harmed.

Every medical product manufacturer is required to demonstrate and maintain compliance with cGMP. We and any third party manufacturers or suppliers with whom we enter into agreements will be required to meet these requirements. Our contract manufacturers will be subject to unannounced inspections by the FDA and corresponding foreign and state agencies to ensure strict compliance with cGMP and other applicable government quality control and record-keeping regulations. In addition, transfer of ownership of products triggers a mandatory manufacturing inspection requirement from the FDA. We cannot be certain that we or our contract manufacturers will pass any of these inspections. If we or our contract manufacturers fail one of these inspections in the future, our operations could be disrupted and our manufacturing and sales delayed significantly until we can demonstrate adequate compliance. If we or our contract manufacturers fail to take adequate corrective action in a timely fashion in response to a quality system regulations inspection, the FDA could shut down our or our contract manufacturers manufacturing operations

and require us, among other things, to recall our products, either of which would harm our business.

Failure to comply with cGMP or other applicable legal requirements can lead to federal seizure of violative products, injunctive actions brought by the federal government, and potential criminal and civil liability on the

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part of a company and its officers and employees. Because of these and other factors, we may not be able to replace our manufacturing capacity quickly or efficiently in the event that our contract manufacturers are unable to manufacture our products at one or more of their facilities. As a result, the sale and marketing of our products could be delayed or we could be forced to develop our own manufacturing capacity, which would require substantial additional funds and personnel and compliance with extensive regulations.

Our products will remain subject to ongoing regulatory review even if they receive marketing approval. If we fail to comply with applicable regulations, we could lose these approvals, and the sale of our products could be suspended.

Even if we receive regulatory approval to market a particular product candidate, the FDA or foreign regulatory authority could condition approval on conducting additional and costly post-approval clinical trials or could limit the scope of approved labeling. For example, to sell Abbokinase, we are required to continue an ongoing immunogenicity clinical trial that Abbott Laboratories commenced in 2003. Moreover, the product may later cause adverse effects that limit or prevent its widespread use, force us to withdraw it from the market or impede or delay our ability to obtain regulatory approvals in additional countries. In addition, the manufacturer of the product and its facilities will continue to be subject to FDA review and periodic inspections to ensure adherence to applicable regulations. After receiving marketing approval, the FDA imposes extensive regulatory requirements on the manufacturing, labeling, packaging, adverse event reporting, storage, advertising, promotion and record keeping related to the product. We may not promote or advertise any future FDA-cleared or approved products for use outside the scope of our product s label or make unsupported promotional claims about the benefits of our products. If the FDA determines that our claims are outside the scope of our label or are unsupported, it could require us to revise our promotional claims, correct any prior statements or bring an enforcement action against us. Moreover, the FDA or other regulatory authorities may bring charges against us or convict us of violating these laws, and we could become subject to third party litigation relating to our promotional practices and there could be a material adverse effect on our business.

If we fail to comply with the regulatory requirements of the FDA and other applicable U.S. and foreign regulatory authorities or discover previously unknown problems with our products, manufacturers or manufacturing processes, we could be subject to administrative or judicially imposed sanctions, including:

- restrictions on the products, manufacturers or manufacturing processes;
- warning letters;
- civil or criminal penalties or fines;
- injunctions;
- product seizures, detentions or import bans;
- voluntary or mandatory product recalls and publicity requirements;
- suspension or withdrawal of regulatory approvals;
- total or partial suspension of production; and
- refusal to approve pending applications of marketing approval of new drugs or supplements to approved applications.

If we were subject to any of the foregoing actions by the FDA, our sales could be delayed, our revenue could decline and our reputation among clinicians, doctors, inventors and research and academic institutions could be harmed.

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Marketing and reimbursement practices and claims processing in the pharmaceutical and medical device industries are subject to significant regulation in the U.S.

In addition to FDA restrictions on marketing of pharmaceutical products, several other state and federal laws have been applied to regulate certain marketing practices in the pharmaceutical and medical device industries in recent years, in particular anti-kickback statutes and false claims statutes.

The federal health care program anti-kickback statute prohibits, among other things, knowingly and willfully offering, paying, soliciting or receiving remuneration to induce or in return for purchasing, leasing, ordering or arranging for the purchase, lease or order of any health care item or service reimbursable under Medicare, Medicaid or other federally financed healthcare programs. This statute has been interpreted to apply to arrangements between pharmaceutical manufacturers on one hand and prescribers, purchasers and formulary managers on the other. Although there are a number of statutory exemptions and regulatory safe harbors protecting certain common activities from potential liability, the exemptions and safe harbors are drawn narrowly. Practices that involve remuneration intended to induce prescribing, purchases or recommendations may be subject to scrutiny if they do not qualify for an exemption or safe harbor. Our future practices may not in all cases meet the criteria for safe harbor protection from anti-kickback liability.

Federal false claims laws prohibit any person from knowingly presenting, or causing to be presented, a false claim for payment to the federal government, or knowingly making, or causing to be made, a false statement to have a false claim paid. For example, several pharmaceutical and other health care companies have been prosecuted under these laws for allegedly providing free product to customers with the expectation that the customers would bill federal programs for the product. Other companies have been prosecuted for causing false claims to be submitted because of the company s marketing of the product for unapproved, and thus non-reimbursable, uses. The majority of states also have statutes or regulations similar to the federal anti-kickback and false claims laws, which apply to items and services reimbursed under Medicaid and other state programs, or, in several states, apply regardless of the payor. Sanctions under these federal and state laws may include civil monetary penalties, exclusion of a manufacturer s products from reimbursement under government programs, criminal fines and imprisonment.

Because of the breadth of these laws and the limited safe harbors, it is possible that some of our commercial activities in the future could be subject to challenge under one or more of such laws. Such a challenge could have a material adverse effect on our business.

If we seek regulatory approvals for our products in foreign jurisdictions, we may not obtain any such approvals.

We may market our products outside the U.S., either with a commercial partner or alone. To market our products in foreign jurisdictions, we will be required to obtain separate regulatory approvals and comply with numerous and varying regulatory requirements. The approval procedure varies among countries and jurisdictions and can involve additional testing, and the time required to obtain foreign approvals may differ from that required to obtain FDA approval. We have no experience with obtaining any such foreign approvals. Additionally, the foreign regulatory approval process may include all of the risks associated with obtaining FDA approval. For all of these reasons, we may not obtain foreign regulatory approvals on a timely basis, if at all. Approval by the FDA does not ensure approval by regulatory authorities in other countries or jurisdictions, and approval by one foreign regulatory authority does not ensure approval by regulatory authorities in other foreign countries or jurisdictions or by the FDA. We may not be able to submit applications for regulatory approvals and may not receive necessary approvals to commercialize our products in any market. The failure to obtain these approvals could materially adversely affect our business, financial condition and results of operations.

Risks Related to this Offering

We have broad discretion in the use of the net proceeds from this offering and may not use them effectively.

Our management will have broad discretion in the application of the net proceeds of this offering, including for any of the purposes described in Use of Proceeds. The failure of our management to apply

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these funds effectively could result in financial losses and materially harm our business, cause the price of our common stock to decline and delay product development.

Our principal stockholders and management own a significant percentage of our stock and will be able to exercise significant influence over our affairs.

Our executive officers, current directors and holders of five percent or more of our common stock, as of the date of this prospectus, beneficially owned approximately 54.7% of our common stock. We expect that upon the closing of this offering, that same group will continue to hold approximately 36.8% of our outstanding common stock. Consequently, even after this offering, these stockholders will likely continue to have significant influence over our operations. The interests of these stockholders may be different than the interests of other stockholders. This concentration of ownership could also have the effect of delaying or preventing a change in control of our company or otherwise discouraging a potential acquirer from attempting to obtain control of us, which in turn could reduce the price of our common stock.

We will incur increased costs as a public company which may make it more difficult to achieve profitability.

Upon effectiveness of the registration statement for this offering, we will become subject to the reporting obligations set forth in the Securities Exchange Act of 1934, as amended. As a public company, we will incur significant legal, accounting, insurance, investor relations and other expenses that we did not incur as a private company. The disclosures that we will be required to make will generally involve a substantial expenditure of financial resources. In addition, the Sarbanes-Oxley Act of 2002, as well as new rules subsequently implemented by the Securities and Exchange Commission, or SEC, and The NASDAQ Capital Market have required changes in corporate governance practices of public companies. We expect that full compliance with these new rules and regulations will significantly increase our legal and financial compliance costs and make some activities more time-consuming and costly. For example, in connection with becoming a reporting company, we have created additional board committees and will be required to adopt and maintain policies regarding internal controls and disclosure controls and procedures. We plan to retain a consultant to assist us in developing our internal controls to comply with regulatory requirements and may have to retain additional consultants and employees to assist us with other aspects of complying with regulatory requirements applicable to public companies. Such additional reporting and compliance costs may negatively impact our financial results and may make it more difficult to achieve profitability. The rules and regulations imposed by the SEC and as implemented under the Sarbanes-Oxley Act may also make it more difficult and expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. To the extent our earnings suffer as a result of the financial impact of our SEC reporting or compliance costs, our business could be harmed.

If you purchase shares of common stock in this offering, you will suffer immediate and substantial dilution of your investment.

Purchasers of common stock in this offering will pay a price per share that substantially exceeds the per share book value of our tangible assets after subtracting our liabilities. Assuming an initial public offering price of $7.00 per share, the midpoint of the range on the front cover of this prospectus, our pro forma as adjusted net tangible book value per share as of March 31, 2007 would have been $2.12. This represents immediate dilution of $4.88 per share to new investors purchasing shares of common stock in this offering at the assumed initial public offering price. See Dilution.

There has been no prior public market for our common stock, and an active trading market for our common stock may not develop, potentially lessening the value of your shares and impairing your ability to sell.

Prior to this offering, there has been no public market for our common stock. Although we have applied to have our common stock listed on The NASDAQ Capital Market, an active trading market for our shares may never develop or be sustained following this offering. Accordingly, you may not be able to sell your shares quickly or at the market price if trading in our stock is not active. We will negotiate and determine the initial public offering price with the representative of the underwriters and this price may not be indicative of

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prices that will prevail in the trading market after the offering. Investors may not be able to sell their common stock at or above the initial public offering price. In addition, there are continuing eligibility requirements for companies listed on The NASDAQ Capital Market. If we are not able to continue to satisfy the eligibility requirements of The NASDAQ Capital Market, then our stock may be delisted. This could result in a lower price of our common stock and may limit the ability of our stockholders to sell our stock, any of which could result in your losing some or all of your investment.

We expect the price of our common stock to be volatile, and if you purchase shares of our common stock you could incur substantial losses if you are unable to sell your shares at or above the offering price.

The price for the shares of our common stock sold in this offering will be determined by negotiation between the representatives of the underwriters and us, but this price may not reflect the market price for our common stock following the offering. In addition, our stock price is likely to be volatile. The stock markets in general and the market for small health care companies in particular have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. As a result of this volatility, investors may not be able to sell their common stock at or above the initial public offering price. The price for our common stock may be influenced by many factors, including:

announcements of technological innovations or new products by us or our competitors;

announcements of the status of FDA review of our products;

the success rate of our discovery efforts, animal studies and clinical trials;

developments or disputes concerning patents or proprietary rights, including announcements of infringement, interference or other litigation regarding these rights;

the willingness of collaborators to commercialize our products and the timing of commercialization;

changes in our strategic relationships which adversely affect our ability to acquire or commercialize products;

announcements concerning our competitors or the health care industry in general;

public concerns over the safety of our products or our competitors products;

changes in governmental regulation of the health care industry;

changes in the reimbursement policies of third-party insurance companies or government agencies;

actual or anticipated fluctuations in our operating results from period to period;

variations in our quarterly results;

changes in financial estimates or recommendations by securities analysts;

changes in accounting principles; and

the loss of any of our key scientific or management personnel.

A decline in the market price of our common stock could cause investors to lose some or all of their investment and may adversely impact our ability to attract and retain employees and raise capital.

A significant portion of our outstanding common stock may be sold into the market in the near future. Substantial sales of common stock, or the perception that such sales are likely to occur, could cause the price of our common stock to decline.

If our existing stockholders sell a large number of shares of common stock or the public market perceives that existing stockholders might sell shares of common stock, the market price of our common stock could decline significantly. All of the shares offered under this prospectus will be freely tradable without restriction or further registration under the federal securities laws, unless purchased by our affiliates, as that term is defined in Rule 144 under the Securities Act of 1933. An aggregate of 6,054,928 shares of our common stock

outstanding prior to this offering may also be sold pursuant to Rules 144, 144(k) and 701 upon completion of this offering, subject to the expiration of lock-up agreements covering an aggregate of 6,001,621 of these shares. Lock-up agreements covering 5,288,449 shares expire 180 days after the date of this prospectus, and lock-up agreements covering the remaining 713,172 shares expire 12 months after the date of this prospectus.

In addition, as of May 31, 2007, holders of an aggregate of 5,171,298 shares of common stock and warrants to purchase an aggregate of 1,019,530 shares of common stock (including certain warrants to be issued contingent upon the closing of this offering) have rights with respect to the registration of their shares of common stock with the SEC. See Description of Capital Stock Registration Rights. If we register their shares of common stock following the expiration of the lock-up agreements, they can immediately sell those shares in the public market.

Promptly following this offering, we intend to file a registration statement covering up to a maximum of 1,712,047 shares of common stock that are authorized for issuance under our equity incentive plans. As of May 31, 2007, 550,959 shares were subject to outstanding options, of which 273,452 shares were vested. Once we register these shares, they can be freely sold in the public market upon issuance, subject to lock-up agreements and restrictions on our affiliates. For more information, see the discussion under the caption Shares Eligible for Future Sale.

If we fail to develop and maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud; as a result, current and potential stockholders could lose confidence in our financial reporting, which could harm our business and the trading price of our common stock, should a market for such securities ever develop.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. We have not undertaken any efforts to develop a sophisticated financial reporting system. Section 404 of the Sarbanes-Oxley Act of 2002 will require us, beginning with our fiscal year 2008, to evaluate and report on our internal controls over financial reporting and will require our independent registered public accounting firm annually to attest to such evaluation, as well as issue their own opinion on our internal control over financial reporting. Because we have historically operated as a private company, we have limited experience attempting to comply with public company obligations, including Section 404 of the Sarbanes-Oxley Act. The process of strengthening our internal controls and complying with Section 404 is expensive and time consuming, and requires significant management attention, especially given that we have not previously undertaken any efforts to comply with the requirements of Section 404. We plan to retain a consultant to assist us in developing our internal controls to comply with regulatory requirements and may be required to retain additional consultants or employees to assist us with other aspects of complying with regulatory requirements applicable to public companies in the future. The implementation of compliance efforts with Section 404 will be challenging in the face of our planned rapid growth to support our operations as well as the establishment of infrastructure to support our commercial operations. We cannot be certain that the measures we will undertake will ensure that we will maintain adequate controls over our financial processes and reporting in the future. Furthermore, if we are able to rapidly grow our business, the internal controls that we will need will become more complex, and significantly more resources will be required to ensure our internal controls remain effective. Failure to implement required controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. If we or our auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could diminish investors confidence in our financial statements and harm our stock price. In addition, non-compliance with Section 404 could subject us to a variety of administrative sanctions, including ineligibility for listing on The NASDAQ Capital Market and the inability of registered broker-dealers to make a market in our common stock.

Anti-takeover defenses that we have in place could prevent or frustrate attempts to change our direction or management.

Provisions of our amended and restated certificate of incorporation and bylaws that will become effective upon the closing of this offering and applicable provisions of Delaware law may make it more difficult or

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impossible for a third party to acquire control of us without the approval of our board of directors. These provisions:

- limit who may call a special meeting of stockholders;
- establish advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted on at stockholder meetings;
- prohibit cumulative voting in the election of our directors, which would otherwise permit holders of less than a majority of our outstanding shares to elect directors;
- prohibit stockholder action by written consent, thereby requiring all stockholder actions to be taken at a meeting of our stockholders; and
- provide our board of directors the ability to designate the terms of and issue new series of preferred stock without stockholder approval.

In addition, Section 203 of the Delaware General Corporation Law generally prohibits us from engaging in any business combination with certain persons who own 15% or more of our outstanding voting stock or any of our associates or affiliates who at any time in the past three years have owned 15% or more of our outstanding voting stock. These provisions may have the effect of entrenching our management team and may deprive you of the opportunity to sell your shares to potential acquirers at a premium over prevailing prices. This potential inability to obtain a control premium could reduce the price of our common stock.

We may become involved in securities class action litigation that could divert management s attention and harm our business.

The stock market in general, and The NASDAQ Capital Market and the market for biopharmaceutical companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. These broad market and health care industry factors may materially harm the market price of our common stock, regardless of our operating performance. In the past, following periods of volatility in the market price of a particular company s securities, securities class action litigation has often been brought against that company. We may become involved in this type of litigation in the future, regardless of the merits. Litigation often is expensive and diverts management s attention and resources, which could materially harm our financial condition and results of operations.

We do not intend to pay cash dividends on our common stock in the foreseeable future.

We have never declared or paid any cash dividends on our common stock or other securities, and we currently do not anticipate paying any cash dividends in the foreseeable future. Instruments governing any future indebtedness may also contain various covenants that would limit our ability to pay dividends. Accordingly, our stockholders will not realize a return on their investment unless the trading price of our common stock appreciates. Our common stock may not appreciate in value after the offering and may not even maintain the price at which investors purchased shares.

Forward-looking Statements

This prospectus contains forward-looking statements that are based on our management s beliefs and assumptions and on information currently available to our management. The forward-looking statements are contained principally in the sections entitled Summary, Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations and Our Business. Forward-looking statements include, but are not limited to, statements about:

our ability to conduct and complete our clinical trials and preclinical studies;

our expectations with respect to regulatory submissions and approvals;

our ability to engage and retain qualified third parties to manufacture our product candidates in a timely and cost-effective manner;

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our ability to commercialize our product candidates;

our ability to market and sell Abbokinase, and the quantities of Abbokinase we may have available for sale;

our estimates regarding our capital requirements and our need for additional financing; and

our expectations with respect to our intellectual property position.

In some cases, you can identify forward-looking statements by terms such as may, will, should, could, would, plans, intends, anticipates, believes, estimates, projects, predicts, potential and similar expressions inter forward-looking statements. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. We have included important factors in the cautionary statements included in this prospectus, particularly in the Risk Factors section, that could cause actual results or events to differ materially from the forward-looking statements that we make.

You should read this prospectus, any filed issuer free writing prospectus and the documents that we have filed as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from what we expect. We do not assume any obligation to update any forward-looking statements.

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Use of Proceeds

We estimate that we will receive approximately $17.7 million in net proceeds from this offering, or approximately $20.6 million if the underwriters over-allotment option is exercised in full, based upon an assumed initial public offering price of $7.00 per share, the midpoint of the range on the front cover of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses of approximately $1.8 million payable by us, including the non-accountable expense allowance of 2.0% of the gross proceeds of this offering.

A $1.00 increase (decrease) in the assumed initial public offering price of $7.00 per share, the midpoint of the range on the front cover of this prospectus, would increase (decrease) the net proceeds to us from this offering by approximately $2.7 million after deducting underwriting discounts and commissions and estimated offering expenses payable by us, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same. Regardless of whether there is a decrease of $1.00 in the assumed initial public offering price, we anticipate that the net proceeds from this offering, our existing cash and cash equivalents and continuing sales of Abbokinase will be sufficient to meet our anticipated cash requirements until December 2008.

We plan to utilize the net proceeds from this offering, which we estimate at $17.7 million, or $20.6 million if the underwriters over-allotment option is exercised in full, in the following manner:

- approximately $12 million to fund development activities in our SonoLysis programs in ischemic stroke, including a Phase I/II clinical trial for SonoLysis+*tPA* therapy, preclinical safety studies for our SonoLysis therapy, and manufacturing, additional personnel and material costs related to these development programs;

- approximately $3 million to fund Abbokinase commercialization, including sales and marketing costs, medical affairs activities, continuation of our ongoing product stability studies and related regulatory matters, product storage and labeling, continuation of our ongoing 200-patient immunogenicity study, rebranding, additional personnel and exploring the regulatory and commercial feasibility of manufacturing additional Abbokinase inventory;

- approximately $1 million to fund research and preclinical development activities of our SonoLysis programs for additional indications, as well as our $NanO_2$ and other microbubble technologies; and

- working capital and other general corporate purposes.

The amounts we actually expend in these areas may vary significantly from our expectations and will depend on a number of factors, including developments relating to scientific, regulatory, competitive and partnering matters. Accordingly, management will retain broad discretion in the allocation of the net proceeds of this offering. A portion of the net proceeds may be used to partially repay our $15.0 million secured non-recourse promissory note maturing in December 2007, which would be reduced to approximately $11.9 million as of May 31, 2007, including accrued interest at the rate of 6% per annum, after applying the escrowed funds associated with our Abbokinase sales in April 2007, if we are unable to secure additional significant sales of Abbokinase to our third party distributors or to refinance the promissory note with Abbott Laboratories. We will use a portion of the net proceeds from this offering to repay the promissory note only if, at the time of such repayment, we anticipate sales of Abbokinase sufficient to replenish our cash resources so as not to affect our planned expenditures under our then-current operating plan. Additionally, a portion of the net proceeds may be used to acquire or invest in complementary businesses, technologies, services or products. We have no current plans, agreements or commitments with respect to any such material acquisition or investment, and we are not currently engaged in any negotiations with respect to any such

transaction. Pending such uses, the net proceeds of this offering will be invested in short-term, interest-bearing, investment-grade securities.

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Dividend Policy

We have never declared or paid any cash dividends on our capital stock. We currently intend to retain any future earnings to finance the growth and development of our business. We do not anticipate paying any cash dividends in the foreseeable future.

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Capitalization

The following table sets forth our capitalization as of March 31, 2007:

- on an actual basis;
- on a pro forma basis to reflect the conversion of all outstanding shares of preferred stock, valued on our balance sheet at approximately $40.3 million, into 3,448,189 shares of common stock upon the closing of this offering; and
- on a pro forma as adjusted basis to reflect our receipt of the estimated net cash proceeds from our sale of 3,000,000 shares of common stock in this offering at an assumed initial public offering price of $7.00, the midpoint of the range on the front cover of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

	At March 31, 2007		
	Actual	**Pro Forma**	**Pro Forma as Adjusted**
		(In thousands) (Unaudited)	
Redeemable convertible preferred stock, $0.0001 par value: 6,443,316 shares issued and outstanding, actual, no shares issued or outstanding, pro forma and pro forma as adjusted	36,297		
Stockholders (deficit) equity:			
Preferred stock, $0.0001 par value: 30,000,000 shares authorized, actual and pro forma, 5,000,000 shares authorized, pro forma as adjusted; 1,000,000 Series E Preferred shares issued and outstanding, actual, no shares issued or outstanding, pro forma and pro forma as adjusted	4,000		
Common stock, $0.0001 par value: 70,000,000 shares authorized, actual and pro forma, 100,000,000 shares authorized, pro forma as adjusted; 2,606,739 shares issued and outstanding, actual, 6,054,928 shares issued and outstanding, pro forma, and 9,054,928 shares issued and outstanding, pro forma as adjusted	1	1	2
Additional paid-in capital	28,783	69,080	86,824
Deficit accumulated during the development stage	(65,460)	(65,460)	(65,460)
Total stockholders (deficit) equity	(32,676)	3,621	21,366
Total capitalization	$ 3,621	$ 3,621	$ 21,366

The pro forma number of shares to be outstanding immediately after this offering as shown above is based on 6,054,928 shares outstanding as of March 31, 2007 and excludes:

622,709 shares of common stock issuable upon the exercise of options outstanding having a weighted average exercise price of $18.11 per share, and 12,683 shares of common stock reserved for future grants, under our 2000 Stock Plan;

226,655 shares of common stock issuable upon the exercise of options to be granted under our 2000 Stock Plan upon completion of this offering, having an exercise price equal to the public offering price per share in this offering;

24,997 shares of common stock to be issued pursuant to restricted stock grants under our 2000 Stock Plan upon completion of this offering;

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352,324 shares of common stock issuable upon the exercise of warrants outstanding, having a weighted average exercise price of $15.79 per share;

210,000 shares of common stock issuable upon the exercise of the representative s warrant and 496,589 shares of common stock issuable upon the exercise of other warrants to be granted upon completion of this offering, having an exercise price equal to 115% of the public offering price per share in this offering; and

850,000 shares of common stock reserved for future issuance under our 2007 Performance Incentive Plan, which will become effective immediately upon the signing of the underwriting agreement for this offering.

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Dilution

If you invest in our common stock in this offering, the amount you pay per share will be substantially more than the net tangible book value per share of the common stock you purchase.

Our actual net tangible book value as of March 31, 2007 was a deficit of approximately $34.9 million, or approximately $(13.38) per share of common stock. Net tangible book value per share represents total tangible assets less total liabilities, divided by the number of shares of common stock outstanding as of March 31, 2007. Our pro forma net tangible book value as of March 31, 2007 was approximately $1.4 million, or approximately $0.23 per share of common stock. Our pro forma net tangible book value gives effect to the conversion of all outstanding shares of preferred stock, valued on our balance sheet at approximately $40.3 million, into 3,448,189 shares of common stock upon the closing of this offering.

After giving effect, based on an assumed initial public offering price of $7.00 per share, the midpoint of the range on the front cover of this prospectus, to (i) the automatic conversion of our outstanding preferred stock into 3,448,189 shares of common stock in connection with the closing of this offering, and (ii) receipt of the net cash proceeds from the sale of 3,000,000 shares of common stock in this offering, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of March 31, 2007 would have been approximately $19.1 million, or $2.12 per share. See Conversion of Series F Preferred Stock. This represents an immediate increase in pro forma as adjusted net tangible book value per share of $1.89 to existing stockholders and an immediate dilution of $4.88 per share to new investors purchasing shares of common stock in this offering at the assumed initial offering price.

The following table illustrates this dilution on a per share basis:

Assumed initial public offering price per share		$ 7.00
Actual net tangible book value (deficit) per share as of March 31, 2007	$ (13.38)	
Increase per share due to pro forma adjustments	13.61	
Pro forma net tangible book value per share as of March 31, 2007, before this offering	0.23	
Increase in pro forma net tangible book value per share attributable to this offering	1.89	
Pro forma as adjusted net tangible book value per share after this offering		2.12
Dilution in pro forma net tangible book value per share to new investors in this offering		$ 4.88

If the underwriters exercise their over-allotment option to purchase 450,000 additional shares from us in this offering, our pro forma as adjusted net tangible book value per share will increase to $2.32 per share, representing an immediate increase to existing stockholders, of $2.09 per share and an immediate dilution of $4.68 per share to new investors assuming conversion of all shares of our preferred stock. If any shares are issued in connection with outstanding options, you will experience further dilution.

The following table summarizes, on the pro forma as adjusted basis described above, as of March 31, 2007, the number of shares of common stock purchased from us, the total consideration paid and the average price per share paid to us by existing stockholders, and to be paid by new investors purchasing shares of common stock for cash in

this offering. The table assumes an initial public offering price of $7.00 per share, the midpoint of the range on the front cover of this prospectus, before deducting underwriting discounts and commissions and estimated offering expenses payable by us.

	Total Shares		Total Consideration		Average Price
	Number	%	Amount	%	Per Share
Existing stockholders	6,054,928	66.9%	$ 53,000,000	71.6%	$ 8.75
New investors	3,000,000	33.1	21,000,000	28.4	7.00
Total	9,054,928	100.0%	74,000,000	100.0%	

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The number of shares to be outstanding immediately after this offering as shown above is based on 6,054,928 shares outstanding as of March 31, 2007 and excludes:

- 622,709 shares of common stock issuable upon the exercise of options outstanding having a weighted average exercise price of $18.11 per share, and 12,683 shares of common stock reserved for future grants, under our 2000 Stock Plan;

- 226,655 shares of common stock issuable upon the exercise of options to be granted under our 2000 Stock Plan upon completion of this offering, having an exercise price equal to the public offering price per share in this offering;

- 24,997 shares of common stock to be issued pursuant to restricted stock grants under our 2000 Stock Plan upon completion of this offering;

- 352,324 shares of common stock issuable upon the exercise of warrants outstanding having a weighted average exercise price of $15.79 per share;

- 210,000 shares of common stock issuable upon the exercise of the representative s warrant and 496,589 shares of common stock issuable upon the exercise of other warrants to be granted upon completion of this offering, having an exercise price equal to 115% of the public offering price per share in this offering;

- 850,000 shares of common stock reserved for future issuance under our 2007 Performance Incentive Plan, which will become effective immediately upon the signing of the underwriting agreement for this offering.

If the underwriters over-allotment option is exercised in full, the following will occur:

- the percentage of shares of common stock held by existing stockholders will decrease to approximately 66.9% of the total number of shares of common stock outstanding after this offering; and

- the number of shares held by new investors will increase to 3,000,000, or approximately 33.1%, of the total number of shares of common stock outstanding after this offering.

Conversion of Series F Preferred Stock

In connection with the closing of this offering, all of our outstanding preferred stock will convert into common stock. The per share conversion rate of our Series F preferred stock is variable and will be determined by dividing $5.00 by the lesser of (a) $25.00 (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to such shares) or (b) 85% of the price per share paid in this offering. Therefore, depending on the price of the shares sold in this offering, the holders of the Series F preferred stock may receive a greater number of shares of common stock for each share of Series F preferred stock converted in connection with this offering than they would otherwise be entitled to receive. We will not know the conversion rate of our Series F preferred stock until the public offering price is determined.

In this prospectus, we have estimated the number of shares of common stock issuable upon conversion of the Series F preferred stock assuming an initial public offering price of $7.00, the midpoint of the range on the front cover of this prospectus, meaning that we have assumed a one-to-0.84 conversion ratio of our Series F preferred stock (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to such shares).

Upon completion of this offering, our existing stockholders will continue to have significant influence over the outcome of corporate actions requiring stockholder approval, including the election of directors, any merger, consolidation or sale of all or substantially all of our assets or any other significant corporate transaction. Because only some of our stockholders own Series F preferred stock, changes in our valuation in connection with this offering will impact the conversion ratio of our Series F preferred stock and thus the relative ownership of our common stock upon completion of this offering among our existing stockholders.

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Selected Consolidated Financial Data

You should read the following selected consolidated financial data in conjunction with our consolidated financial statements and the related notes appearing elsewhere in this prospectus and the Management s Discussion and Analysis of Financial Condition and Results of Operations. We have derived the consolidated statements of operations data for the years ended December 31, 2004, 2005 and 2006 and the consolidated balance sheet data at December 31, 2005 and 2006 from our consolidated audited financial statements, which are included elsewhere in this prospectus. We have derived the consolidated statements of operations data for the years ended December 31, 2002 and 2003 and the consolidated balance sheet data as of December 31, 2002, 2003 and 2004 from our audited financial statements, which are not included in this prospectus. The selected consolidated statements of operations data for the three months ended March 31, 2006 and 2007 and the selected consolidated balance sheet data at March 31, 2007 are derived from our unaudited consolidated financial statements which are included elsewhere in this prospectus. Our historical results for any prior period are not necessarily indicative of results to be expected for any future period. (In thousands, except per share data.)

	Years Ended December 31,					Three Months Ended March 31,	
	2002	2003	2004	2005	2006	2006	2007
						(Unaudited)	
Consolidated Statements of Operations Data:							
Product sales, grant and other revenue	$ 71	$ 224	$ 575	$ 619	$ 1,327	$ 177	$ 1,208
Costs and expenses:							
Costs of product sales					204		461
Research and development	1,399	1,878	2,490	3,579	8,396	1,723	1,500
General and administrative	1,840	1,654	3,183	4,142	7,371	1,618	1,098
Depreciation and amortization	245	209	186	194	1,049	60	363
Acquired in-process research and development(1)				24,000			
Total cost and expenses	3,484	3,741					