MAP Pharmaceuticals, Inc.
Form 424B5
September 30, 2010
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Filed Pursuant to Rule 424(b)(5)

Registration No. 333-164894

Prospectus Supplement

(to Prospectus Dated April 16, 2010)

MAP Pharmaceuticals, Inc.

3,000,000 Shares of Common Stock

We are offering 3,000,000 shares of our common stock.

Our common stock is listed on The Nasdaq Global Market under the symbol MAPP. The last reported sales price of our common stock on September 28, 2010 was $15.19 per share.

Investing in our common stock involves significant risks. See Risk Factors beginning on page S-5 of this prospectus supplement and page 1 of the accompanying prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public Offering price	$ 14.50	$ 43,500,000
Underwriting discounts and commissions	$ 0.725	$ 2,175,000
Proceeds, before expenses, to us	$ 13.775	$ 41,325,000

We estimate the total expenses of this offering, excluding the underwriting discounts and commissions, will be approximately $450,000. The underwriters may also purchase up to an additional 450,000 of our common shares from us at the public offering price, less underwriting discounts and commissions, to cover over-allotments, if any, within 30 days of the date of this prospectus supplement.

We anticipate that delivery of the shares of our common stock will be made through the facilities of the Depository Trust Company on or about October 4, 2010, subject to customary closing conditions.

Sole Book-Running Manager

Lazard Capital Markets

Co-Manager

Wedbush PacGrow Life Sciences

Prospectus supplement dated September 29, 2010.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed with the Securities and Exchange Commission (the SEC) using a shelf registration process. Under the registration statement, we registered the offering by us of up to $100,000,000 of common shares, warrants, preference shares and debt securities for sale from time to time in one or more offerings. This prospectus supplement provides specific information about the offering by us of 3,000,000 of our common shares under the shelf registration statement, in addition to information concerning the over-allotment option granted by us.

Both this prospectus supplement and the accompanying prospectus include or incorporate by reference important information about us, our common stock and other information you should know before investing. You should read both this prospectus supplement and the accompanying prospectus as well as additional information described under Where You Can Find More Information elsewhere in this prospectus supplement.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with information that is different. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or a solicitation of an offer to buy by anyone in any jurisdiction in which such offer or solicitation is not authorized, or in which the person is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Neither the delivery of this prospectus supplement and the accompanying prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus supplement, that the information contained herein is correct as of any time subsequent to the date hereof or that any information incorporated or deemed to be incorporated by reference herein is correct as of any time subsequent to the date hereof.

This document is in two parts. The first part is the prospectus supplement, which adds to, updates or may change information contained in the accompanying prospectus. The second part, the accompanying prospectus, provides more general information, some of which may not apply to this offering. Generally, when we refer to this prospectus, we are referring to both parts of this document combined. If information in this prospectus supplement is inconsistent with information in the accompanying prospectus, this prospectus supplement will apply and will supersede that information in the accompanying prospectus.

Information contained on our website does not constitute part of this prospectus supplement.

Unless the context indicates otherwise, references in this prospectus supplement to MAP Pharmaceuticals, we, us, and our and the company to MAP Pharmaceuticals, Inc., its predecessors and its consolidated subsidiaries.

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PROSPECTUS SUPPLEMENT SUMMARY

The following summary includes basic information about our company, this offering and information appearing elsewhere in this prospectus supplement and in the accompanying prospectus and in the documents we incorporate by reference. This summary is not complete and may not contain all of the information that you should consider before investing in our common shares. For a more complete understanding of our company and this offering, we encourage you to read carefully this entire prospectus supplement and the accompanying prospectus, including the Risk Factors contained in this prospectus supplement, the accompanying prospectus and the financial documents and notes incorporated by reference in this prospectus supplement and the accompanying prospectus, before making an investment decision. This prospectus supplement may add to, update or change information in the accompanying prospectus.

The Company

Our goal is to use proprietary inhalation technologies to enhance the therapeutic benefits and commercial attractiveness of proven drugs while minimizing risk by capitalizing on their known safety, efficacy and commercialization history. We have proprietary product candidates in development that address large market opportunities, including our most advanced product candidate, LEVADEX , formerly known as MAP0004, our proprietary orally inhaled version of dihydroergotamine, or DHE, for the potential treatment of migraine. LEVADEX is designed to provide faster onset and longer lasting pain relief than triptans, the class of drugs most often prescribed for treating migraine.

For our LEVADEX migraine program, we expect to submit a new drug application, or NDA, to the U.S. Food and Drug Administration, or the FDA, in the first half of 2011. We initiated a Phase 3 clinical program in July 2008. In May 2009, we announced results of the efficacy portion of our first Phase 3 clinical trial of LEVADEX. We announced that the clinical trial met its four primary endpoints, pain relief and being nausea, phonophobia and photophobia free as reported two hours after dosing. Additional endpoints showed that LEVADEX provided rapid and sustained pain relief for up to 48 hours after dosing. In January 2010, the FDA informed us that a second pivotal efficacy study is not required for our LEVADEX NDA submission for the acute treatment of migraine if the topline efficacy results we submitted are confirmed during the review of our NDA. In order to obtain regulatory approval for LEVADEX, we will need to complete our remaining clinical studies, including our ongoing 12 month open-label safety extension of our Phase 3 clinical study and the analysis of the results of a thorough QT study.

The following summarizes the status of our LEVADEX clinical development program:

Open-label safety trial: This 12 month open-label, long-term safety extension of our Phase 3 FREEDOM-301 trial is designed to evaluate overall safety of LEVADEX in at least 300 patients for six months and 150 patients for 12 months, including asthmatics. To date, more than 400 patients have completed at least six months of treatment and more than 200 patients have completed twelve months of treatment. All non-asthmatic patients and a subset of asthmatic patients have completed treatment. The remaining patients are expected to complete treatment in 2010. We, along with an independent data monitoring committee, or DMC, recently completed an interim safety review of all patients, including asthmatics. In this trial, LEVADEX has been well tolerated and no drug-related serious adverse events have been reported. To date, no clinically significant trends have been reported for LEVADEX in the evaluation of cardiovascular measurements (as measured by electrocardiogram, echocardiogram and chest x-ray) and pulmonary function (as measured by DLco and FEV1).

Thorough QT trial: We have completed treatment in a randomized, double-blind, placebo-controlled, three-way, crossover trial of approximately 54 healthy adults that will evaluate whether LEVADEX has an effect on QT interval as measured by electrocardiogram. The objectives of the trial are to compare the acute effect of LEVADEX, moxifloxacin and placebo on the QT interval and assess the tolerability of a supratherapeutic dose of LEVADEX. We anticipate releasing results from this trial in the fourth quarter of 2010.

Pharmacodynamics (PD) trial: This completed trial showed that there was no statistically significant difference between the LEVADEX orally inhaled migraine therapy and placebo groups in the primary endpoint of pulmonary artery pressure over two hours after administration. Pulmonary artery pressure in the intravenous DHE, or IV DHE, group was higher than both the LEVADEX and placebo groups. The PD trial was a randomized, double blind, placebo controlled, three-way, crossover trial in healthy adults, comparing the acute effects of LEVADEX, IV DHE and placebo on pulmonary artery pressure.

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Pharmacokinetics (PK) trial: This completed trial showed that the systemic absorption of LEVADEX was not higher and systemic exposure to DHE was not greater in smokers than in non-smokers. This single dose, open-label, crossover trial compared the PK of LEVADEX to IV DHE in both smokers and non-smokers.

We hold worldwide commercialization rights for LEVADEX and our goal is to market LEVADEX in the United States through our own focused sales force targeting neurologists and headache specialists. We may establish partnerships with pharmaceutical companies to market and sell to primary care physicians and specialists both inside and outside of the United States.

MAP Pharmaceuticals, Inc., incorporated in the state of Delaware, was originally formed as a limited liability company on July 3, 2003 and converted to a corporation on December 11, 2003. Our principal executive offices are located at 2400 Bayshore Parkway, Suite 200, Mountain View, CA 94043, and our telephone number at that address is (650) 386-3100. Our website can be found at www.mappharma.com. The information contained in, or that can be accessed through, our website is not part of this prospectus supplement or any accompanying prospectus supplement.

The Offering

The following summary is qualified in its entirety by reference to the more detailed information appearing elsewhere in this prospectus supplement. For more information concerning our common stock, see Description of Common Stock.

Issuer	MAP Pharmaceuticals, Inc.
The Nasdaq Global Market Symbol	MAPP
Common Stock Offered by us	3,000,000 shares (or 3,450,000 shares if the underwriters exercise in full their over-allotment option to purchase additional shares)
Common Stock to be Outstanding Immediately After this Offering (1)	29,674,034 shares (or 30,124,034 shares if the underwriters exercise in full their over-allotment option to purchase additional shares)
Risk Factors	See Risk Factors beginning on page S-5 of this prospectus supplement and on page 1 of the accompanying prospectus for a discussion of the factors you should carefully consider before deciding to invest in our common stock.
Use of Proceeds	We estimate that the net proceeds from this offering, after deducting underwriting discounts and commissions and before estimated offering expenses, will be approximately $41.3 million (or approximately $47.5 million if the underwriters exercise in full their over-allotment option to purchase additional shares), based on the offering price of $14.50 per share. We intend to apply the net proceeds from this offering for general corporate purposes, focusing on clinical development of LEVADEX. For more information, see Use of Proceeds.
Certain Material United States Federal Income Tax Consequences to Non-U.S. Holders	You should consult with your tax advisor with respect to the U.S. federal income tax considerations of owning our common stock in light of your own particular situation and with respect to any tax considerations arising under the laws of any state, local, foreign or other taxing jurisdiction. See Certain Material United States Federal Income Tax Consequences to Non-U.S. Holders.

(1) The number of shares of our common stock to be outstanding immediately after this offering as shown above is based on shares outstanding as of September 28, 2010. This number excludes 4,033,889 shares of common stock issuable upon the exercise of outstanding stock options, and warrants to purchase shares of our common stock, 98,000 performance-based restricted stock units and 450,000 shares subject to the underwriters over-allotment option.

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FORWARD-LOOKING STATEMENTS

All statements included or incorporated by reference into this prospectus supplement, the accompanying prospectus and the documents incorporated by reference into this prospectus supplement, other than statements of historical facts, that address activities, events or developments that we intend, expect, project, believe or anticipate will or may occur in the future are forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, which are subject to the safe harbor created by those sections. This prospectus supplement, the accompanying prospectus and the documents incorporated by reference into this prospectus supplement contain forward looking statements that are based on current expectations, estimates, forecasts and projections about us, our future performance, our business or others on our behalf, our beliefs and our management s assumptions. In some cases you can identify forward-looking statements by words such as may, will, should, could, would, expects, pla anticipates, believes, estimates, projects, predicts, potential and similar expressions intended to identify forward-looking statements. Exar of these statements include, but are not limited to, statements regarding:

- governmental regulation and approval;
- the implications of interim or final results of our clinical trials, the progress of our research programs, including clinical testing;
- the extent to which our issued and pending patents may protect our products and technology;
- our ability to identify new product candidates;
- the potential of such product candidates to lead to the development of commercial products;
- our anticipated timing for initiation or completion of our clinical trials for any of our product candidates;
- our future operating expenses;
- our future losses;
- our future expenditures for research and development; and
- the sufficiency of our cash resources.

Our actual results could differ materially from those anticipated in these forward-looking statements for many reasons, including the risks faced by us and described in Risk Factors elsewhere in this prospectus supplement. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this prospectus supplement. These cautionary statements should be considered in connection with any written or oral forward looking statements that we may issue in the future. Except as required by law, we assume no obligation to update these forward-looking statements, whether as a result of new information, future events or otherwise.

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RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the following risk factors in addition to the remainder of this prospectus supplement and the accompanying prospectus, including the information incorporated by reference, before making an investment decision. In addition, you should carefully consider, among other things, the matters discussed under Risk Factors in our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010, and in other documents that we subsequently file with the SEC, all of which are incorporated by reference into this prospectus supplement and the accompanying prospectus. The risks and uncertainties described in such incorporated documents and described below are not the only risks and uncertainties we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of those risks actually occurs, our business, financial condition and results of operations would suffer. In that event, the trading price of our common stock could decline, and you may lose all or part of your investment in our common stock. The risks discussed below also include forward-looking statements and our actual results may differ substantially from those discussed in these forward-looking statements. See Forward-Looking Statements.

Risks Relating to Our Financial Position and Need for Additional Capital

We have a history of net losses. Currently, we have no products approved for commercial sale, and to date we have not generated any product revenue. As a result, we expect to continue to incur substantial and increasing net losses for the foreseeable future, and we may never achieve or maintain profitability.

We are not profitable and do not expect to be profitable in the foreseeable future. We have incurred significant net losses and negative cash flow in each year since our inception, including net losses of approximately $40.1 million, $72.9 million and $9.0 million, for the years ended December 31, 2007, 2008 and 2009, respectively and $12.5 million and $26.5 million for the quarter and six months ended June 30, 2010, respectively. As of June 30, 2010, we had a deficit accumulated during development stage of approximately $211.4 million. We have devoted most of our financial resources to research and development, including our pre-clinical development activities and clinical trials. We have not completed development of, or commercialized any product candidate and have therefore not generated any product revenues. In that regard, we expect to have substantial expenses as we continue with our Phase 3 clinical program for LEVADEX, our most advanced product candidate, and conduct other clinical trials. In addition, if we are required by the U.S. Food and Drug Administration, or the FDA, to perform studies in addition to those we currently anticipate, our expenses will increase beyond expectations and the timing of any potential product approval may be delayed. We also expect an increase in our expenses associated with our manufacturing work and with preparing for commercialization. In addition, we expect to continue to incur costs to support operations as a public company. As a result, we may continue to incur substantial net losses and negative cash flow for the foreseeable future. These losses and negative cash flows have had, and will continue to have, an adverse effect on our stockholders equity and working capital.

Because of the numerous risks and uncertainties associated with pharmaceutical product development, we are unable to accurately predict the timing or amount of substantial expenses or when, or if, we will be able to achieve or maintain profitability. We have financed our operations primarily through the sale of equity securities, collaboration payments and debt financings. The size of our future net losses will depend, in part, on the rate of growth of our expenses and the rate of growth, if any, of our revenues. Revenues from potential strategic partnerships are uncertain because we may not enter into any additional strategic partnerships. On July 8, 2009, we received a notice of termination of our license agreement with AstraZeneca AB, or the AstraZeneca Agreement, related to our Unit Dose Budesonide, or UDB, product candidate. Under the AstraZeneca Agreement, AstraZeneca had agreed to fund our remaining development activities for UDB and to reimburse us for costs we incur with respect to future development activities conducted for the U.S. registration of our UDB product candidate, subject to the terms and conditions of the AstraZeneca Agreement. Following the termination of the AstraZeneca Agreement, we suspended development of UDB. If we are unable to develop and commercialize our other product candidates, including pursuant to strategic partnerships, or if sales revenue from any product candidate that receives marketing approval is insufficient, we will not achieve profitability. Even if we do achieve profitability, we may not be able to sustain or increase profitability.

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We have a limited operating history, and we expect a number of factors to cause our operating results to fluctuate on a quarterly and annual basis, which may make it difficult to predict our future performance.

Our operations to date have been primarily limited to organizing and staffing our company, developing our technology and undertaking pre-clinical studies and clinical trials of our product candidates. We have not yet obtained regulatory approvals for any of our product candidates. Consequently, any predictions you make about our future success or viability may not be as accurate as they could be if we had a longer operating history. Specifically, our financial condition and operating results have varied significantly in the past and will continue to fluctuate from quarter-to-quarter and year-to-year in the future due to a variety of factors, many of which are beyond our control. Factors relating to our business that may contribute to these fluctuations include the following factors, among others:

- our ability to obtain additional funding to develop our product candidates;
- the need to obtain regulatory approval of our most advanced product candidate, LEVADEX for the potential treatment of migraine;
- potential risks related to any collaborations we may enter into for our product candidates, including LEVADEX;
- delays in the commencement, enrollment and completion of clinical testing, as well as the analysis and reporting of results from such clinical testing;
- the success of clinical trials of our LEVADEX product candidate or future product candidates;
- any delays in regulatory review and approval of product candidates in development;
- our ability to receive regulatory approval or commercialize our product candidates;
- our ability to rely on Section 505(b)(2) of the Federal Food, Drug and Cosmetic Act, or FFDCA, to seek FDA marketing approval of our product candidates;
- market acceptance of our product candidates for which we obtain regulatory approval;
- our ability, and our partners ability, to establish an effective sales and marketing infrastructure;
- competition from existing products or new products that may emerge;
- the impact of competition, including generics, in the migraine market on our ability to commercialize LEVADEX;
- the ability of patients to obtain coverage of or sufficient reimbursement for our products;

the ability to receive regulatory approval or commercialize our products outside of the United States;

potential side effects of our future products that could delay or prevent commercialization or cause an approved drug to be taken off the market;

regulatory difficulties relating to products that have already received regulatory approval;

guidelines and recommendations of therapies published by various organizations;

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- potential product liability claims;
- potential liabilities associated with hazardous materials;
- our ability to maintain adequate insurance policies;
- our dependency on third-party manufacturers to supply or manufacture our products;
- our ability to establish or maintain collaborations, licensing or other arrangements;
- our ability, our partners abilities, and third parties abilities to protect and assert intellectual property rights;
- costs related to and outcomes of potential intellectual property litigation;
- compliance with obligations under intellectual property licenses with third parties;
- our ability to adequately support future growth; and
- our ability to attract and retain key personnel to manage our business effectively.

Due to the various factors mentioned above, and others, the results of any prior quarterly or annual periods should not be relied upon as indications of our future operating performance.

We will need substantial additional funding and if we are unable to raise capital when needed, we would be forced to delay, reduce or eliminate our product development programs.

Developing biopharmaceutical products, including conducting pre-clinical studies and clinical trials and establishing manufacturing capabilities, is expensive. We expect to have substantial research and development expenses in connection with our ongoing activities, particularly as we focus on and proceed with our Phase 3 clinical program of LEVADEX, our most advanced product candidate. In addition, our expenses could increase beyond expectations if the FDA requires that we perform additional studies to those that we currently anticipate, in which case the timing of any potential product approval may be delayed. We believe that our existing cash and cash equivalents will be sufficient to fund our projected operating requirements for at least 12 months. We will need substantial additional capital in the future in order to complete the development and commercialization of LEVADEX and to fund the development and commercialization of future product candidates. Until we can generate a sufficient amount of product revenue, if ever, we expect to finance future cash needs through public or private equity offerings, debt financings or corporate collaboration and licensing arrangements. Such funding, if needed, may not be available on favorable terms, if at all. In the event we are unable to obtain additional capital, we may delay or reduce the scope of our current research and development programs and other expenses

If adequate funds are not available, we may be required to delay, reduce the scope of or eliminate one or more of our research or development programs or our commercialization efforts. To the extent that we raise additional funds by issuing equity securities, our stockholders may experience additional significant dilution, and debt financing, if available, may involve restrictive covenants. To the extent that we raise additional funds through collaboration and licensing arrangements, it may be necessary to relinquish some rights to our technologies or our product candidates or to grant licenses on terms that may not be favorable to us. We may seek to access the public or private capital markets whenever conditions are favorable, even if we do not have an immediate need for additional capital at that time.

Our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement and involves risks and uncertainties, and actual results could vary as a result of a number of factors, including the factors discussed elsewhere in this Risk Factors section. We have based this estimate on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we currently expect. Our future funding requirements will depend on many factors, including, but not limited to:

- the scope, rate of progress and cost of our clinical trials and other research and development activities;

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- the costs and timing of regulatory approval;
- the costs of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights;
- the effect of competing technological and market developments;
- the terms and timing of any collaboration, licensing or other arrangements that we may establish;.
- the cost and timing of completion of clinical and commercial-scale manufacturing activities; and
- the costs of establishing sales, marketing and distribution capabilities for any product candidates for which we may receive regulatory approval.

Risks Relating to the Development, Regulatory Approval and Commercialization of Our Product Candidates

We are largely dependent on the success of one product candidate, and we cannot be certain that this product candidate will receive regulatory approval.

We have invested a significant portion of our efforts and financial resources in the development of LEVADEX and UDB. In February 2009, we announced top-line results from our first Phase 3 trial of UDB, indicating that the trial did not meet its co-primary endpoints in either dose evaluated when compared to placebo. In July 2009, we announced that we were suspending development of UDB, after our partner AstraZeneca terminated our license agreement. We are now largely dependent on the success of one product candidate, LEVADEX, for which we are conducting a Phase 3 clinical development program. Our ability to generate product revenue, which we do not expect will occur for at least the next several years, if ever, will depend heavily on the successful development, regulatory approval and commercialization of this product candidate. We may have inadequate financial or other resources to advance LEVADEX through the clinical trial process, depending on the requirements of the FDA. In May 2009, we announced top-line results from the efficacy portion of our first Phase 3 trial of LEVADEX, indicating that the trial met all its co-primary endpoints when LEVADEX was compared to placebo. A long-term safety extension of the trial is ongoing. Although we had planned to initiate a second Phase 3 efficacy study in the first quarter of 2010, we have been informed by the FDA that a second pivotal efficacy study is not required for submission of our NDA if the topline efficacy results we submitted in 2009 are confirmed during the NDA review. We have completed a pharmacokinetics trial in 23 adult smokers comparing them to 24 adult non-smokers. The trial was designed to measure whether the systemic absorption of LEVADEX is higher and exposure to dihydroergotamine mesylate, or DHE, is greater in smokers than in non-smokers. In the trial, the systemic absorption of LEVADEX was not higher and systemic exposure to DHE was not greater in smokers than in non-smokers. We also have completed a pharmacodynamics trial evaluating pulmonary artery pressure in approximately 24 healthy volunteers using echocardiograms. The trial compared the acute effects on pulmonary artery pressure of LEVADEX, DHE administered intravenously and placebo. In the trial, there was no statistically significant difference between the LEVADEX and placebo groups in the primary endpoint of pulmonary artery pressure over two hours after administration. In addition we have completed patient treatment in a thorough QT trial evaluating whether LEVADEX has an effect on QT interval as measured by electrocardiograms in support of our application to the FDA for regulatory approval. We expect treatment in our remaining LEVADEX clinical trials to be completed in 2010. Our clinical development program for LEVADEX may not lead to regulatory approval from the FDA and similar foreign regulatory agencies if we fail to demonstrate that the product candidate is safe and effective in our planned clinical trials, and we may therefore fail to commercialize LEVADEX. Any failure to obtain regulatory approval of LEVADEX would have a material and adverse impact on our business.

With the suspension of development for our UDB product candidate, LEVADEX is our only current product candidate in late stage development. Our drug development efforts may not produce any other proprietary product candidates. We cannot be certain that we will be able to acquire or in-license other product candidates or develop a next generation budesonide therapy for the treatment of asthma in children, should we pursue these activities. Our failure to develop product candidates will limit our ability to generate additional revenue.

We currently have no approved drug products for sale and we cannot guarantee that we will ever have marketable drug products. The research, testing, manufacturing, labeling, approval, selling, marketing and distribution of drug products are subject to extensive regulation by the FDA and other regulatory authorities in the United States and other countries, with regulations differing from country to country. We are not permitted to market our product candidates in the United States until we receive approval of an NDA from the FDA for each product candidate. We have not submitted an NDA or received marketing approval for any of our product candidates. Obtaining approval of an NDA is a lengthy, expensive and uncertain process. Markets outside of the United States also have requirements for approval of drug candidates which we must comply with prior to marketing.

We may enter into collaborations with third parties to develop and commercialize our product candidates, including LEVADEX. These collaborations may place the development of our product candidates outside our control, may require us to relinquish important rights or may otherwise be on terms unfavorable to us.

We may enter into collaborations with third parties to develop and commercialize our product candidates, including LEVADEX. Our dependence on future partners for development and commercialization of our product candidates will subject us to a number of risks, including:

- we may not be able to control the amount and timing of resources that our partners may devote to the development or commercialization of product candidates or to their marketing and distribution;
- partners may delay clinical trials, provide insufficient funding for a clinical trial program, stop a clinical trial or abandon a product candidate, repeat or conduct new clinical trials or require a new formulation of a product candidate for clinical testing;
- disputes may arise between us and our partners that result in the delay or termination of the research, development or commercialization of our product candidates or that result in costly litigation or arbitration that diverts management s attention and resources;
- partners may experience financial difficulties;
- partners may not properly maintain or defend our intellectual property rights, or may use our proprietary information, in such a way as to invite litigation that could jeopardize or invalidate our intellectual property rights or proprietary information or expose us to potential litigation;
- business combinations or significant changes in a partner s business strategy may adversely affect a partner s willingness or ability to meet its obligations under any arrangement;
- a partner could independently move forward with a competing product candidate developed either independently or in collaboration with others, including our competitors; and
- the collaborations with our partners may be terminated or allowed to expire, which would delay the development and may increase the cost of developing our product candidates.

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Delays in the commencement, enrollment and completion of clinical testing could result in increased costs to us and delay or limit our ability to obtain regulatory approval for our product candidates.

Delays in the commencement, enrollment and completion of clinical testing could significantly affect our product development costs. We do not know whether planned clinical trials for LEVADEX will be completed on schedule, if at all. The commencement and completion of clinical trials requires us to identify and maintain a sufficient number of trial sites, many of which may already be engaged in other clinical trial programs for the same indication as our product candidates or may be required to withdraw from our clinical trial as a result of changing standards of care or may become ineligible to participate in clinical studies. The commencement, enrollment and completion of clinical trials can be delayed for a variety of other reasons, including delays related to:

- reaching agreements on acceptable terms with prospective contract research organizations, or CROs, and trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- obtaining regulatory approval to commence a clinical trial;
- obtaining institutional review board, or IRB, approval to conduct a clinical trial at numerous prospective sites;
- recruiting and enrolling patients to participate in clinical trials for a variety of reasons, including meeting the enrollment criteria for our study and competition from other clinical trial programs for the same indication as our product candidates;
- retaining patients who have initiated a clinical trial but may be prone to withdraw due to the treatment protocol, lack of efficacy, personal issues or side effects from the therapy or who are lost to further follow-up;
- maintaining and supplying clinical trial material on a timely basis; and
- collecting, analyzing and reporting final data from the clinical trials.

In addition, a clinical trial may be suspended or terminated by us, the FDA or other regulatory authorities due to a number of factors, including:

- failure to conduct the clinical trial in accordance with regulatory requirements or our clinical protocols;
- inspection of the clinical trial operations or trial sites by the FDA or other regulatory authorities resulting in the imposition of a clinical hold;
- unforeseen safety issues or any determination that a trial presents unacceptable health risks; and
- lack of adequate funding to continue the clinical trial, including the incurrence of unforeseen costs due to enrollment delays, requirements to conduct additional trials and studies and increased expenses associated with the services of our CROs and other third parties.

We are conducting a Phase 3 clinical program to support our NDA for LEVADEX. In October 2009, we submitted our topline efficacy results for the double-blind efficacy portion of our pivotal Phase 3 study. We recently completed a pharmacokinetics trial in healthy adult smokers and

non-smokers and a pharmacodynamics trial measuring pulmonary artery pressure in healthy adults. We are currently completing the long-term safety extension of our pivotal Phase 3 trial and have completed treatment in a thorough QT trial in support of our NDA for LEVADEX. FDA communicated its agreement with the design, execution, and analyses for our pivotal Phase 3 trial, which we submitted to the Agency under the Special Protocol Assessment, or SPA, process and modified as suggested by FDA. Under a SPA, the FDA agrees to not later alter its position with respect to adequacy of the design, execution, or analyses of the clinical trial intended to form the primary basis of an effectiveness claim in an NDA, without the sponsor s agreement unless the FDA identifies a substantial scientific issue essential to determining the safety or efficacy of the drug after testing begins. In March 2010, we held a pre-NDA meeting with the FDA to discuss the clinical portion of our anticipated NDA filing. The FDA s minutes of that meeting state that, while the FDA did not have a record of a formal SPA, the FDA concurred with the selection of our co-primary endpoints and confirmed that a second pivotal efficacy study was not necessary if topline efficacy results were confirmed during the NDA review. We believe that our prior written correspondence and interactions with the FDA under the SPA process constitute an SPA with the agency. The FDA may take a different view and could request additional safety and efficacy studies without having to identify a substantial scientific issue with our Phase 3 trial that is essential to determining the safety and efficacy of LEVADEX. If we are required to conduct additional clinical trials or other testing of our LEVADEX product candidate beyond those that we currently contemplate, we may be delayed in obtaining, or may not be able to obtain, marketing approval for this product candidate. We may not be able to obtain approval for indications that are as broad as intended or we may obtain approval for indications different than those indications for which we seek approval. Furthermore we may not be able to obtain approval for any of our other product candidates.

Additionally, changes in regulatory requirements and guidance may occur and we may need to amend clinical trial protocols to reflect these changes with appropriate regulatory authorities. Amendments may require us to resubmit our clinical trial protocols to IRBs for re-examination, which may impact the costs, timing or successful completion of a clinical trial. If we experience delays in the completion of, or if we terminate, our clinical trials, the commercial prospects for our product candidates will be harmed, and our ability to generate product revenues will be delayed. In addition, many of the factors that cause, or lead to, a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval of a product candidate. Even if we are able to ultimately commercialize our product candidates, other therapies for the same or similar indications may have been introduced to the market and established a competitive advantage.

Because the results of prior clinical trials are not necessarily predictive of future results, LEVADEX or any other product candidate advanced into clinical trials may not have favorable results in subsequent clinical trials or receive regulatory approval.

Success in pre-clinical studies and clinical trials does not ensure that subsequent clinical trials will generate adequate data to demonstrate the efficacy and safety of the investigational drug. A number of companies in the pharmaceutical industry, including those with greater resources and experience, have suffered significant setbacks in Phase 3 clinical trials, even after seeing promising results in prior clinical trials.

In May 2009, we announced top-line results from the efficacy portion of our Phase 3 trial of LEVADEX, indicating that the trial met all four of its co-primary endpoints when LEVADEX was compared to placebo. A long-term safety extension of this Phase 3 trial is ongoing, and we expect to complete patient treatment by the end of the year. In July 2010, we announced that in a pharmacokinetics trial of LEVADEX, systemic absorption of LEVADEX was not higher and systemic exposure to DHE was not greater in smokers than in non-smokers. In September 2010, we reported results from a pharmacodynamics trial comparing the acute effects on pulmonary artery pressure of LEVADEX, DHE administered intravenously and placebo. In the trial, there was no statistically significant difference between the LEVADEX and placebo groups in the primary endpoint of pulmonary artery pressure over two hours after administration. We also announced that we completed patient treatment in a thorough QT trial. In order to obtain regulatory approval for LEVADEX, we need to complete the long-term safety extension trial and the analysis of the results of the thorough QT trial. The data collected from our clinical trials may not be adequate to support regulatory approval of LEVADEX or any of our other product candidates. Even if we obtain regulatory approval of a product candidate, the FDA may require continuing evaluation and study of our product through clinical trials as a condition of any approval. Despite the results reported in prior clinical trials for our product candidates, we do not know whether subsequent clinical trials we may conduct will demonstrate adequate efficacy and safety to result in regulatory approval to market our product candidates. For example, after receiving positive data from a previous Phase 2 trial, in February 2009 we announced top-line results from our Phase 3 trial of UDB, indicating that the trial did not meet its co-primary endpoints in either dose evaluated when compared to placebo.

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If clinical trials of our LEVADEX product candidate or future product candidates do not produce results necessary to support regulatory approval in the United States or elsewhere or show undesirable side effects, we will be unable to commercialize these products.

To receive regulatory approval for the commercial sale of LEVADEX or any other product candidates, we must conduct adequate and well-controlled clinical trials to demonstrate efficacy and safety in humans. Clinical testing is expensive, takes many years and has an uncertain outcome. Clinical failure can occur at any stage of the testing. Our clinical trials may produce negative or inconclusive results. In such cases, we may decide, or regulators may require us, to conduct additional clinical and/or non-clinical testing, or we may decide not to pursue further development of a product candidate, such as the case of our UDB product candidate, where top-line results of our Phase 3 clinical trial indicated that the trial failed to meet the primary endpoints. Subsequently we suspended development of UDB. In addition, the results of our clinical trials may show that our product candidates may cause undesirable side effects, which could interrupt, delay or halt clinical trials, resulting in our inability to obtain regulatory approval by the FDA and other regulatory authorities.

In light of widely publicized events concerning the safety risk of certain drug products, regulatory authorities, members of Congress, the Government Accounting Office, medical professionals and the general public have raised concerns about potential drug safety issues. These events have resulted in the withdrawal of drug products, revisions to drug labeling that further limit use of the drug products and establishment of risk management programs that may, for instance, restrict distribution of drug products. The increased attention to drug safety issues may result in a more cautious approach by the FDA to clinical trials and regulatory approval. Data from clinical trials may receive greater scrutiny with respect to safety, which may make the FDA or other regulatory authorities more likely to terminate clinical trials before completion, or require longer or additional clinical trials that may result in substantial additional expense and a delay or failure in obtaining approval or approval for a more limited indication than originally sought.

Our failure to adequately demonstrate the efficacy and safety of LEVADEX or any other product candidates would prevent regulatory approval and, ultimately, the commercialization of that product candidate.

All of our product candidates in development require regulatory review and approval prior to commercialization. Any delay in the regulatory review or approval of any of our product candidates in development will harm our business.

All of our product candidates in development require regulatory review and approval prior to commercialization. Any delays in the regulatory review or approval of our product candidates in development would delay market launch, increase our cash requirements and result in additional operating losses.

The process of obtaining FDA and other required regulatory approvals, including foreign approvals, often takes many years and can vary substantially based upon the type, complexity and novelty of the products involved. Furthermore, this approval process is extremely complex, expensive and uncertain. We or our partners may not be able to maintain our proposed schedules for the submission of any NDA in the United States or any marketing approval application or other foreign applications for any of our products. If we or our partners submit any NDA, including any amended NDA or supplemental NDA, to the FDA seeking marketing approval for any of our product candidates, the FDA must decide whether to either accept or reject the submission for filing. We cannot be certain that any of these submissions will be accepted for filing and reviewed by the FDA, or that our marketing approval application submissions to any other regulatory authorities will be accepted for filing and review by those authorities. We cannot be certain that we or our partners will be able to respond to any regulatory requests during the review period in a timely manner without delaying potential regulatory action. We also cannot be certain that any of our product candidates will receive favorable recommendation from any FDA advisory committee or foreign regulatory bodies or be approved for marketing by the FDA or foreign regulatory authorities. In addition, delays in approvals or rejections of marketing applications may be based upon many factors, including regulatory requests for additional analyses, reports, data and/or studies, regulatory questions regarding data and results, changes in regulatory policy during the period of product development and/or the emergence of new information regarding our products or other products.

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Data obtained from pre-clinical studies and clinical trials are subject to different interpretations, which could delay, limit or prevent regulatory review or approval of any of our products. In addition, as a routine part of the evaluation of any potential drug, clinical studies are generally conducted to assess the potential for drug drug interactions that could impact potential product safety. At this point in time, we have not been requested to perform drug drug interaction studies, but any such requirement may delay any potential product approval and will increase our expenses associated with our clinical programs. Furthermore, regulatory attitudes towards the data and results required to demonstrate safety and efficacy can change over time and can be affected by many factors, such as the emergence of new information, including on other products, changing policies and agency funding, staffing and leadership. We cannot be sure whether future changes to the regulatory environment will be favorable or unfavorable to our business prospects.

In addition, the environment in which our regulatory submissions may be reviewed changes over time. For example, average review times at the FDA for marketing approval applications have fluctuated over the last ten years, and we cannot predict the review time for any of our submissions with any regulatory authorities. In addition, review times can be affected by a variety of factors, including budget and funding levels and statutory, regulatory and policy changes.

We may not be able to rely on Section 505(b)(2) of the Federal Food, Drug and Cosmetic Act, which could result in a longer development program and more costly trials than we anticipate.

We may not be able to seek FDA marketing approval of our product candidates under Section 505(b)(2) of the FFDCA. Section 505(b)(2), if applicable to us, would allow an NDA we file with the FDA to rely in part on data in the public domain or the FDA s prior conclusions regarding the safety and effectiveness of approved compounds, which could expedite the development program for our product candidates by potentially decreasing the overall scope of work we must do ourselves. If we are unable to rely on Section 505(b)(2), the development program for our product candidates would be longer than we expect, and we would also have to conduct more costly trials than we anticipate.

If any of our product candidates for which we or our partners receive regulatory approval do not achieve broad market acceptance, the revenues that we generate from their sales will be limited.

The commercial success of our product candidates for which we or our partners obtain marketing approval from the FDA or other regulatory authorities will depend upon the acceptance of these products among physicians, the medical community, patients, and coverage and reimbursement of them by third-party payors, including government payors. The degree of market acceptance of any of our approved products will depend on a number of factors, including:

- a product s FDA-approved labeling as well as limitations or warnings contained in the labeling;

- changes in the standard of care for the targeted indications for any of our product candidates, which could reduce the marketing impact of any claims that we could make following FDA approval;

- limitations inherent in the approved indication for any of our product candidates compared to more commonly understood or addressed medical conditions;

- lower demonstrated efficacy and a less favorable safety or tolerability profile compared to other products;

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- device-related difficulties associated with our Tempo inhaler;
- prevalence and severity of adverse effects;
- ineffective marketing and distribution efforts;
- lack of availability of reimbursement from managed care plans and other third-party payors;
- lack of cost-effectiveness;
- timing of market introduction and perceived effectiveness of competitive products;
- availability of alternative therapies, including generics, at similar or lower costs;
- patients potential preferences to take oral medications over inhaled medications; and
- potential product liability claims.

Our and our partners ability to effectively promote and sell our product candidates in the marketplace will also depend on pricing and cost effectiveness, including our and our partners ability to manufacture a product at a competitive price. We will also need to demonstrate acceptable evidence of safety and efficacy and may need to demonstrate relative convenience and ease of administration. Inhaled versions of certain previously approved drugs have suffered commercial failure, including recently inhaled insulin. If our product candidates are approved but do not achieve an adequate level of acceptance by physicians, health care payors and patients, we may not generate sufficient revenue from these products, and we may not become or remain profitable. In addition, our and our partners efforts to educate the medical community and third-party payors on the benefits of our product candidates may require significant resources and may never be successful. If our approved drugs fail to achieve market acceptance, we will not be able to generate significant revenue, if any.

We have never marketed a drug before, and if we are unable to establish, or access an effective and focused sales force and marketing infrastructure, we will not be able to commercialize our product candidates successfully.

We plan to market or co-promote our products where appropriate and build our own focused sales force in the United States. We currently do not have significant internal sales, distribution and marketing capabilities. For example, in order to commercialize LEVADEX, we intend to develop a focused sales force and marketing capabilities in the United States directed at high prescribers including specialists such as neurologists and headache specialists. The development of a focused sales and marketing infrastructure for our domestic operations will require substantial resources, will be expensive and time consuming and could negatively impact our commercialization efforts, including delay of any product launch. Many of these costs will be incurred in advance of notice to us that any of our product candidates has been approved. In addition, we may not be able to hire a focused sales force in the United States that is sufficient in size or has adequate expertise in the medical markets that we intend to target, including neurology. If we are unable to establish our focused sales force and marketing capability for our most advanced product candidate, we may not be able to generate any product revenue, may generate increased expenses and may never become profitable.

We expect intense competition with respect to our existing and future product candidates.

The pharmaceutical industry is highly competitive, with a number of established, large pharmaceutical companies, as well as many smaller companies. Many of these companies have greater financial resources, marketing capabilities and experience in obtaining regulatory approvals for product candidates. There are many pharmaceutical companies, biotechnology companies, public and private universities, government agencies and research organizations actively engaged in research and development of products which may target the same indications as our

product candidates. We expect any future products we develop to compete on the basis of, among other things, product efficacy and safety, time to market, price, extent of adverse side effects and convenience of treatment procedures. One or more of our competitors may develop products based upon the principles underlying our proprietary technologies earlier than us, obtain approvals for such products from the FDA more rapidly than us or develop alternative products or therapies that are safer, more effective and/or more cost effective than any products developed by us.

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Competitors may seek to develop alternative formulations of our product candidates that address our targeted indications. The commercial opportunity for our product candidates could be significantly harmed if competitors are able to develop alternative formulations outside the scope of our products. Compared to us, many of our potential competitors have substantially greater:

- capital resources;
- research and development resources, including personnel and technology;
- clinical trial experience;
- regulatory experience;
- expertise in prosecution of intellectual property rights;
- manufacturing and distribution experience; and
- sales and marketing resources and experience.

As a result of these factors, our competitors may obtain regulatory approval of their products more rapidly than we are able to or may obtain patent protection or other intellectual property rights that limit our ability to develop or commercialize our product candidates. Our competitors may also develop drugs that are more effective, useful and less costly than ours and may also be more successful than us in manufacturing and marketing their products.

The migraine market is extremely competitive which may negatively impact our ability to commercialize LEVADEX.

If approved for the treatment of acute migraine, we anticipate that LEVADEX would compete against other marketed migraine therapies and may compete with products currently under development by both large and small companies. The majority of marketed prescription products for the treatment of migraine are in the triptan class. The largest selling triptan is sumatriptan with 2009 sales of approximately $800 million in the United States, including approximately $600 million from generics and $200 million from branded Imitrex from GlaxoSmithKline. There are at least six other branded triptan therapies being sold by pharmaceutical companies. Alternative formulations of triptans are available that may have faster onset of action than solid oral dosage forms. In April 2008, GlaxoSmithKline s Treximet, a combination oral formulation of sumatriptan and naproxen sodium, was approved by the FDA for the acute treatment of migraine. In July 2009, Zogenix, Inc s Sumavel DosePro needle-free sumatriptan was approved by the FDA for the treatment of acute migraine and cluster headache. Alternative formulations of dihydroergotamine, or DHE, include Migranal, which is nasally delivered, and which may become generically available prior to any commercial introduction of LEVADEX. In addition to the marketed migraine therapeutics, there are product candidates under development by large pharmaceutical companies, such as Merck & Co., Inc., and other smaller companies, that could potentially be used to treat acute migraine and compete with LEVADEX. In addition, Allergan, Inc. is developing Botox botulinum toxin for the potential treatment of chronic migraine.

We also may face competition from generic sumatriptan, the active ingredient in Imitrex. The FDA has approved generic versions of sumatriptan. Although we believe generic sumatriptan could not be substituted for LEVADEX, a generic version of sumatriptan may be more quickly adopted by health insurers and patients than LEVADEX. Financial pressure to use generic products and uncertainty of reimbursement for single source alternatives, such as LEVADEX, may encourage the use of a generic product over LEVADEX.

If our patients are unable to obtain coverage of or sufficient reimbursement for our products, it is unlikely that our products will be widely used.

Successful sales of our products depend on the availability of adequate coverage and reimbursement from third-party payors. Healthcare providers that purchase medicine or medical products for treatment of their patients generally rely on third-party payors to reimburse all or part of the costs and fees associated with the products. Adequate coverage and reimbursement from governmental payors, such as Medicare and Medicaid, and commercial payors is critical to new product acceptance. Patients are unlikely to use our products if they do not receive reimbursement adequate to cover the cost of our products.

In addition, the market for our future products will depend significantly on access to third-party payors drug formularies, or lists of medications for which third-party payors provide coverage and reimbursement. Industry competition to be included in such formularies results in downward pricing pressures on pharmaceutical companies. Third-party payors may refuse to include a particular branded drug in their formularies when a generic equivalent is available.

All third-party payors, whether governmental or commercial, whether inside the United States or outside, are developing increasingly sophisticated methods of controlling healthcare costs. In addition, in the United States, no uniform policy of coverage and reimbursement for medical technology exists among all these payors. Therefore, coverage of and reimbursement for medical products can differ significantly from payor to payor.

Further, we believe that future coverage and reimbursement may be subject to increased restrictions both in the United States and in international markets, pursuant to currently proposed healthcare reforms or otherwise. Third-party coverage and reimbursement for our products may not be available or adequate in either the United States or international markets, limiting our ability to sell our products on a profitable basis.

Even if our product candidates receive regulatory approval in the United States, we or our partners may never receive approval or commercialize our products outside of the United States.

In order to market and commercialize any products outside of the United States, we and our partners must establish and comply with numerous and varying regulatory requirements of other countries regarding safety and efficacy. Approval procedures vary among countries and can involve additional pre-clinical studies and clinical trials and additional administrative review periods. For example, European regulatory authorities generally require clinical testing comparing the efficacy of the new drug to an existing drug prior to granting approval. The time required to obtain approval in other countries might differ from that required to obtain FDA approval. The regulatory approval process in other countries may include all of the risks detailed above regarding FDA approval in the United States, as well as other risks. Regulatory approval in one country does not ensure regulatory approval in another, but a failure or delay in obtaining regulatory approval in one country may have a negative effect on the regulatory process in other countries. Failure to obtain regulatory approval in other countries or any delay or setback in obtaining such approval could have the same adverse effects detailed above regarding FDA approval in the United States. As described above, such effects include the risks that our product candidates may not be approved for all indications requested, which could limit the uses of our product candidates and have an adverse effect on product sales and potential royalties, and that such approval may be subject to limitations on the indicated uses for which the product may be marketed or require costly, post-marketing follow-up studies.

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Our product candidates may have undesirable side effects and cause our approved drugs to be taken off the market.

If our most advanced product candidate, LEVADEX, or any other product candidate, receives marketing approval and we or others later identify undesirable side effects caused by such products:

- regulatory authorities may require the addition of labeling statements, specific warnings, contraindications or field alerts to physicians and pharmacies;
- regulatory authorities may withdraw their approval of the product and require us to take our approved drug off the market;
- we may be required to change the way the product is administered, conduct additional clinical trials or change the labeling of the product;
- we may have limitations on how we promote our drugs;
- sales of products may decrease significantly;
- we may be subject to litigation or product liability claims; and
- our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of the affected product or could substantially increase our commercialization costs and expenses, which in turn could delay or prevent us from generating significant revenues from its sale.

Even if our product candidates receive regulatory approval, we and our partners may still face future development and regulatory difficulties.

Even if U.S. regulatory approval is obtained, the FDA may still impose significant restrictions on a product s indicated uses or marketing or impose ongoing requirements for potentially costly post-approval studies. Given the number of recent high profile adverse safety events with certain drug products, the FDA may require, as a condition of approval, costly risk management programs which may include safety surveillance, restricted distribution and use, patient education, enhanced labeling, special packaging or labeling, expedited reporting of certain adverse events, pre-approval of promotional materials and restrictions on direct-to-consumer advertising. In addition, the FDA could condition any approval of LEVADEX on our implementation of a post-approval risk management plan. Furthermore, heightened Congressional scrutiny on the adequacy of the FDA s drug approval process and the agency s efforts to assure the safety of marketed drugs has resulted in the proposal of new legislation addressing drug safety issues. Any new legislation could result in delays or increased costs during the period of product development, clinical trials and regulatory review and approval, as well as increased costs to assure compliance with any new post-approval regulatory requirements. Any of these restrictions or requirements could force us to conduct costly studies or increase the time for us to become profitable. For example, any labeling approved for LEVADEX or any other product candidates may include a restriction on the term of its use, such as a black box warning, or it may not include one or more of our intended indications. The FDA historically has required that labeling for products containing DHE include a contraindication for use in women who are, or who may become, pregnant. Although we believe that this contraindication is not applicable to our formulation of DHE, the FDA may disagree and require the LEVADEX labeling to carry this contraindication.

Our product candidates will also be subject to ongoing FDA requirements for the current Good Manufacturing Practices, or cGMP, labeling, packaging, storage, advertising, promotion, record-keeping and submission of safety and other post-market information on the drug. In addition, approved products, manufacturers and manufacturers facilities are subject to continual review and periodic inspections. If a regulatory agency discovers previously unknown problems with a product, such as adverse events of unanticipated severity or frequency, or problems with the

facility where the product is manufactured, a regulatory agency may impose restrictions on that product or us, including requesting withdrawal of the product from the market. If our product candidates fail to comply with applicable regulatory requirements, or fail to be made in compliance with applicable regulatory requirements such as cGMP, a regulatory agency may:

- issue warning letters or untitled letters identifying violations;

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- require us to enter into a consent decree, which can include imposition of various fines, reimbursements for inspection costs, required due dates for specific actions and penalties for noncompliance;
- impose other civil or criminal penalties;
- suspend regulatory approval;
- suspend any ongoing clinical trials;
- refuse to approve pending applications or supplements to approved applications filed by us;
- impose restrictions on operations, including costly new manufacturing requirements; or
- seize or detain products or require a product recall.

We or our potential partners will need to obtain FDA approval of the proposed product names for our product candidates and any failure or delay associated with such approval may adversely impact our business.

Any name we or our potential partners intend to use for our product candidates will require approval from the FDA regardless of whether we or our partners have secured a formal trademark registration from the U.S. Patent and Trademark Office. The FDA typically conducts a rigorous review of proposed product names, including an evaluation of potential for confusion with other product names. The FDA may also object to a product name if it believes the name inappropriately implies medical claims. If the FDA objects to our product names, we may be required to adopt an alternative name for our product candidates. If we or our partners adopt an alternative name, we or our partners would lose the benefit of our existing trademark applications and may be required to expend significant additional resources in an effort to identify a suitable product name that would qualify under applicable trademark laws, not infringe the existing rights of third parties and be acceptable to the FDA. We or our partners may be unable to build a successful brand identity for a new trademark in a timely manner or at all, which would limit our ability to commercialize our product candidates.

Guidelines and recommendations published by various organizations may affect the use of our products.

Government agencies issue regulations and guidelines directly applicable to us and to our products. In addition, professional societies, practice management groups, private health/science foundations and organizations involved in various diseases from time to time publish guidelines or recommendations to the medical and patient communities. These various sorts of recommendations may relate to such matters as product usage, dosage, route of administration and use of related or competing therapies. Changes to this recommendation or other guidelines advocating alternative therapies could result in decreased use of our products, which may adversely affect our results of operations.

We face potential product liability exposure and, if successful claims are brought against us, we may incur substantial liability for a product candidate and may have to limit its commercialization.

The use of our product candidates in clinical trials and the sale of any products for which we obtain marketing approval, if at all, expose us to the risk of product liability claims. Product liability claims might be brought against us by consumers, health care providers or others using, administering or selling our products. If we cannot successfully defend ourselves against these claims, we will incur substantial liabilities. Regardless of merit or eventual outcome, liability claims may result in:

- withdrawal of clinical trial participants;

termination of clinical trial sites or entire trial programs;

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- costs of related litigation;
- substantial monetary awards to patients or other claimants;
- decreased demand for our product candidates;
- impairment of our business reputation;
- loss of revenues; and
- the inability to commercialize our product candidates.

We have obtained limited product liability insurance coverage for our clinical trials domestically and in selected foreign countries where we conduct clinical trials. However, our insurance coverage may not reimburse us or may not be sufficient to reimburse us for any expenses or losses we may suffer. Moreover, insurance coverage is becoming increasingly expensive and, in the future, we may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts to protect us against losses due to liability. We intend to expand our insurance coverage to include the sale of commercial products if we obtain marketing approval for our product candidates in development, but we may be unable to obtain commercially reasonable product liability insurance for any products approved for marketing. On occasion, large judgments have been awarded in class action lawsuits based on drugs that had unanticipated side effects. A successful product liability claim or series of claims brought against us could cause our stock price to fall and, if judgments exceed our insurance coverage, could decrease our cash and adversely affect our business.

Our operations involve hazardous materials, which could subject us to significant liabilities.

Our research and development processes involve the controlled use of hazardous materials, including chemicals. Our operations produce hazardous waste products. We cannot eliminate the risk of accidental contamination or discharge or injury from these materials. Federal, state and local laws and regulations govern the use, manufacture, storage, handling and disposal of these materials. We could be subject to civil damages in the event of an improper or unauthorized release of, or exposure of individuals, including employees, to hazardous materials. In addition, claimants may sue us for injury or contamination that results from our use of these materials and our liability may exceed our total assets. We maintain limited insurance for the use of hazardous materials which may not be adequate to cover any claims. Compliance with environmental and other laws and regulations may be expensive and current or future regulations may impair our research, development or production efforts.

Our insurance policies are expensive and protect us only from some business risks, which will leave us exposed to significant uninsured liabilities.

We do not carry insurance for all categories of risk that our business may encounter. For example, we do not carry earthquake insurance. In the event of a major earthquake in our region, our business could suffer significant and uninsured damage and loss. Some of the policies we currently maintain include general liability, property, auto, workers compensation, products liability and directors and officers insurance policies. Our insurance is expensive and we do not know if we will be able to maintain existing insurance with adequate levels of coverage. Any significant uninsured liability may require us to pay substantial amounts, which would adversely affect our cash position and results of operations.

Risks Related to Our Dependence on Third Parties

We have no experience manufacturing large clinical-scale or commercial-scale pharmaceutical products and we do not own or operate a manufacturing facility. As a result, we are dependent on numerous third parties for the manufacture of our product candidates and our supply chain, and if we experience problems with any of these suppliers the manufacturing of our products could be delayed.

We do not own or operate manufacturing facilities for clinical or commercial manufacture of our product candidates, which includes drug substance and drug packaging, including the components of the Tempo inhaler, the device used to administer certain of our drug candidates, including LEVADEX. We have limited personnel with experience in drug manufacturing and we lack the capabilities to manufacture any of our product candidates on a clinical or commercial scale. We currently outsource all manufacturing and packaging of our pre-clinical and clinical product candidates to third parties. In addition, we do not currently have all necessary agreements with third-party manufacturers for the long-term commercial supply of our product candidates. We may be unable to enter agreements for commercial supply with all third-party manufacturers, or may be unable to do so on acceptable terms. Even if we enter into these agreements or, for those agreements that we have already entered into, the various manufacturers of each product candidate will likely be single source suppliers to us for a significant period of time. We may not be able to establish additional sources of supply for our products prior to commercialization. Such suppliers are subject to regulatory requirements covering manufacturing, testing, quality control and record keeping relating to our product candidates, and are subject to ongoing inspections by the regulatory agencies. Failure by any of our suppliers to comply with applicable regulations may result in long delays and interruptions to our manufacturing capacity while we seek to secure another supplier that meets all regulatory requirements.

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

- reliance on the third parties for regulatory compliance, quality assurance and hazardous materials handling;
- the possible breach of the manufacturing agreements by the third parties because of factors beyond our control; and
- the possibility of termination or nonrenewal of the agreements by the third parties because of our breach of the manufacturing agreement or based on their own business priorities.

Any of these factors could cause the delay or suspension of initiation or completion of clinical trials, regulatory submissions, required approvals or commercialization of our products, cause us to incur higher costs and could prevent us from commercializing our product candidates successfully. Furthermore, if our contract manufacturers fail to deliver the required commercial quantities of finished product on a timely basis and at commercially reasonable prices and we are unable to find one or more replacement manufacturers capable of production at a substantially equivalent cost, in substantially equivalent volumes and quality and on a timely basis, we would likely be unable to meet demand for our products and we would lose potential revenue. It may take a significant period of time to establish an alternative source of supply for our product candidates and to have any such new source approved by the FDA.

If we are unable to establish marketing, sales and distribution collaborations with third parties, we may not be able to commercialize LEVADEX successfully.

We plan to establish marketing, sales and distribution collaborations with third parties where appropriate. For example, if we choose to expand the marketing and sales of LEVADEX to primary care physicians beyond high prescribers, including specialists such as neurologists and headache specialists, we may establish partnerships with other companies to maximize the potential of the commercialization opportunity. Outside the United States, we may establish commercial partnerships for LEVADEX in order to effectively reach target markets in order to maximize its commercial opportunities. We also expect to face competition in our efforts to identify appropriate collaborators or partners to help commercialize LEVADEX in our target commercial areas. If we are unable to establish adequate marketing, sales and distribution collaborations to target primary care physicians, specialists and other large groups of prescribing physicians within and outside the United States, then we may not be able to achieve the full commercial opportunity for LEVADEX.

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We may not be successful in maintaining or establishing development collaborations, which could adversely affect our ability to develop certain of our product candidates.

On July 8, 2009, we received a notice of termination of our AstraZeneca Agreement related to our UDB product candidate. Our AstraZeneca Agreement provided that AstraZeneca could terminate the agreement in the event that the primary endpoints of our Phase 3 clinical trial of UDB were not met. Following the termination of the AstraZeneca Agreement, we suspended development of UDB. In addition, our earlier stage product portfolio includes MAP0005 and MAP0001. We have no current intention to further develop either of these earlier stage product candidates independently. Developing pharmaceutical products, conducting clinical trials, establishing manufacturing capabilities and marketing approved products is expensive. Consequently, we may establish partnerships for further development and commercialization of these two product candidates. We expect to face competition in seeking appropriate partners. Moreover, collaboration arrangements are complex and time consuming to negotiate, document and implement and they may require substantial resources to maintain. We may not be successful in our efforts to establish and implement collaborations or other alternative arrangements, if any. The terms of any collaboration or other arrangement that we establish may not be favorable to us. In addition, any collaboration that we enter into may not be successful. If we seek partners to help develop MAP0005 and MAP0001, but are unable to reach agreements with suitable partners, we may fail to commercialize such products.

Risks Relating to Our Intellectual Property

It is difficult and costly to protect our proprietary rights, and we may not be able to ensure their protection.

Our commercial success will depend in part on obtaining and maintaining patent protection and trade secret protection of our product candidates and the methods used to manufacture them, as well as successfully defending these patents against third-party challenges. Our ability to stop third parties from making, using, selling, offering to sell or importing our products is dependent upon the extent to which we have rights under valid and enforceable patents or trade secrets that cover these activities.

We license certain intellectual property from third parties that covers our product candidates. We rely on certain of these third parties to file, prosecute and maintain patent applications and otherwise protect the intellectual property to which we have a license, and we have not had and do not have primary control over these activities for certain of these patents or patent applications and other intellectual property rights. We cannot be certain that such activities by third parties have been or will be conducted in compliance with applicable laws and regulations or will result in valid and enforceable patents and other intellectual property rights. Our enforcement of certain of these licensed patents or defense of any claims asserting the invalidity of these patents would also be subject to the cooperation of the third parties.

The patent positions of pharmaceutical and biopharmaceutical companies can be highly uncertain and involve complex legal and factual questions for which important legal principles remain unresolved. No consistent policy regarding the breadth of claims allowed in biopharmaceutical patents has emerged to date in the United States. The biopharmaceutical patent situation outside the United States is even more uncertain. Changes in either the patent laws or in interpretations of patent laws in the United States and other countries may diminish the value of our intellectual property. Accordingly, we cannot predict the breadth of claims that may be allowed or enforced in the patents we own or to which we have a license from a third-party. Further, if any of our patents are deemed invalid and unforceable, it could impact our ability to commercialize or license our technology.

The degree of future protection for our proprietary rights is uncertain because legal means afford only limited protection and may not adequately protect our rights or permit us to gain or keep our competitive advantage. For example:

- others may be able to make compositions or formulations that are similar to our product candidates but that are not covered by the claims of our patents;

we might not have been the first to make the inventions covered by our issued patents or pending patent applications;

we might not have been the first to file patent applications for these inventions;

others may independently develop similar or alternative technologies or duplicate any of our technologies;

it is possible that our pending patent applications will not result in issued patents;

our issued patents may not provide us with any competitive advantages, or may be held invalid or unenforceable as a result of legal challenges by third parties;

we may not develop additional proprietary technologies that are patentable; or

the patents of others may have an adverse effect on our business.

We also may rely on trade secrets to protect our technology, especially where we do not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. Although we use reasonable efforts to protect our trade secrets, our employees, consultants, contractors, outside scientific collaborators and other advisors may unintentionally or willfully disclose our information to competitors. Enforcing a claim that a third party illegally obtained and is using any of our trade secrets is expensive and time consuming, and the outcome is unpredictable. In addition, courts outside the United States are sometimes less willing to protect trade secrets. Moreover, our competitors may independently develop equivalent knowledge, methods and know-how.

We may incur substantial costs as a result of litigation or other proceedings relating to patent and other intellectual property rights and we may be unable to protect our rights to, or use, our technology.

If we or our partners choose to go to court to stop someone else from using the inventions claimed in our patents, that individual or company has the right to ask the court to rule that these patents are invalid and/or should not be enforced against that third party. These lawsuits are expensive and would consume time and other resources even if we were successful in stopping the infringement of these patents. In addition, there is a risk that the court will decide that these patents are not valid and that we do not have the right to stop the other party from using the inventions. There is also the risk that, even if the validity of these patents is upheld, the court will refuse to stop the other party on the ground that such other party s activities do not infringe our rights to these patents. In addition, the U.S. Supreme

Court has recently invalidated some tests used by the U.S. Patent and Trademark Office in granting patents over the past 20 years. As a consequence, several issued patents may be found to contain invalid claims according to the newly revised standards. Some of our own or in-licensed patents may be subject to challenge and subsequent invalidation in a re-examination proceeding before the U.S. Patent and Trademark Office or during litigation under the revised criteria which make it more difficult to obtain patents.

Furthermore, a third party may claim that we or our manufacturing or commercialization partners are using inventions covered by the third party s patent rights and may go to court to stop us from engaging in our normal operations and activities, including making or selling our product candidates. These lawsuits are costly and could affect our results of operations and divert the attention of managerial and technical personnel. We are aware that claims in patents owned by others may relate to our business and technologies. If we are sued for patent infringement, we would need to demonstrate that our products or methods of use either do not infringe the patent claims of the relevant patent and/or that the patent claims are invalid, and we may not be able to do this. Proving invalidity, in particular, is difficult since it requires a showing of clear and convincing evidence to overcome the presumption of validity enjoyed by issued patents. If we are sued for patent infringement, there is a risk that a court would order us or our partners to stop the activities covered by the patents. In addition, there is a risk that a court will order us or our partners to pay the other party damages for having violated the other party s patents. We have agreed to indemnify certain of our commercial partners against certain patent infringement claims brought by third parties. The biotechnology industry has produced a proliferation of patents, and it is not always clear to industry participants, including us, which patents cover various types of products or methods of use. The coverage of patents is subject to interpretation by the courts, and the interpretation is not always uniform.

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Because some patent applications in the United States may be maintained in secrecy until the patents are issued, because patent applications in the United States and many foreign jurisdictions are typically not published until eighteen months after filing and because publications in the scientific literature often lag behind actual discoveries, we cannot be certain that others have not filed patent applications for technology covered by our issued patents or our pending applications, or that we were the first to invent the technology. Our competitors may have filed, and may in the future file, patent applications covering technology similar to ours. Any such patent application may have priority over our patent applications or patents, which could further require us to obtain rights to issued patents by others covering such technologies. If another party has filed a U.S. patent application on inventions similar to ours, we may have to participate in an interference proceeding declared by the U.S. Patent and Trademark Office to determine priority of invention in the United States. The costs of these proceedings could be substantial, and it is possible that such efforts would be unsuccessful if, unbeknownst to us, the other party had independently arrived at the same or similar invention prior to our own invention, resulting in a loss of our U.S. patent position with respect to such inventions.

Some of our competitors may be able to sustain the costs of complex patent litigation more effectively than we can because they have substantially greater resources. In addition, any uncertainties resulting from the initiation and continuation of any litigation could have a material adverse effect on our ability to raise the funds necessary to continue our operations.

If we fail to comply with our obligations in our intellectual property licenses with third parties, we could lose license rights that are important to our business.

We are a party to a number of license agreements, including with Nektar Therapeutics UK Limited, pursuant to which we license key intellectual property, including intellectual property relating to our most advanced product candidate. These existing licenses impose various diligence, milestone payment, royalty, insurance and other obligations on us. If we fail to comply with these obligations, the licensors may have the right to terminate the license, in which event we might not be able to develop or market any product that is covered by the licensed patents. If we lose such license rights that are important to our product candidate, our business may be materially adversely affected. We may enter into additional licenses in the future and if we fail to comply with obligations under those agreements, we could suffer similar consequences.

We may be subject to claims that our employees have wrongfully used or disclosed alleged trade secrets of their former employers.

As is common in the biotechnology and pharmaceutical industries, we employ individuals who were previously employed at other biotechnology or pharmaceutical companies, including our competitors or potential competitors. Although no claims against us are currently pending, we may be subject to claims that these employees or we have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers. Litigation may be necessary to defend against these claims. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to management.

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Risks Related to Employee Matters and Managing Growth

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

As of June 30, 2010, we had 99 full-time employees. We may need to expand our managerial, operational, administrative and other resources in order to manage and fund our operations and clinical trials, continue our development activities and commercialize our product candidates. To support this growth, we may hire additional employees within the next 12 months. Our management, personnel, systems and facilities currently in place may not be adequate to support this future growth. Our need to effectively manage our operations, growth and various projects requires that we:

- manage our Phase 3 development program for LEVADEX, including clinical, manufacturing and regulatory activities in support of an NDA submission to the FDA and commercialization activities as we prepare for a potential product launch; and

- continue to improve our operational, financial and management controls, reporting systems and procedures.

We may be unable to successfully implement these tasks on a larger scale and, accordingly, may not achieve our development and commercialization goals.

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

We may not be able to attract or retain qualified management, scientific and clinical personnel in the future due to competition for qualified personnel among biotechnology, pharmaceutical and other businesses, particularly in the Silicon Valley area of California. If we are not able to attract and retain necessary personnel to accomplish our business objectives, we may experience constraints that will significantly impede the achievement of our development objectives, our ability to raise additional capital and our ability to implement our business strategy.

Our industry has experienced a high rate of turnover of management personnel in recent years. We are highly dependent on the development, regulatory, commercialization and product acquisition expertise of our senior management, particularly Timothy S. Nelson, our President and Chief Executive Officer, and Thomas A. Armer, our co-founder and Chief Scientific Officer. If we lose one or more of these key employees, our ability to implement our business strategy successfully could be seriously harmed. Replacing key employees may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to develop, obtain regulatory approval of and commercialize products successfully. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these additional key personnel.

In addition, we have scientific and clinical advisors who assist us in our product development and clinical strategies. These advisors are not our employees and may have commitments to, or consulting or advisory contracts with, other entities that may limit their availability to us, or may have arrangements with other companies to assist in the development of products that may compete with ours. Because our business depends on certain key personnel and advisors, the loss of such personnel and advisors could weaken our management team and we may experience difficulty in attracting and retaining qualified personnel and advisors.

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Risks Relating to Owning Our Common Stock

Our share price may be volatile which may cause the value of our common stock to decline and subject us to securities class action litigation.

The market price of shares of our common stock could be subject to wide fluctuations in response to many risk factors listed in this section, and others beyond our control, including:

- actual or anticipated fluctuations in our financial condition and operating results;
- status and/or results of our clinical trials;
- results of clinical trials of our competitors products;
- regulatory actions with respect to our products or our competitors products;
- actions and decisions by our collaborators or partners;
- actual or anticipated changes in our growth rate relative to our competitors;
- actual or anticipated fluctuations in our competitors operating results or changes in their growth rate;
- competition from existing products, new products or generics that may emerge;
- issuance of new or updated research or reports by securities analysts;
- fluctuations in the valuation of companies perceived by investors to be comparable to us;
- share price and volume fluctuations attributable to inconsistent trading volume levels of our shares;
- market conditions for biopharmaceutical stocks in general; and
- general economic and market conditions.

If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, our stock price and trading volume could decline.

The trading market for our common stock depends on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade our stock or change their

opinion of our stock, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our stock price or trading volume to decline.

Future sales of our common stock may cause our stock price to decline.

Persons who were our stockholders prior to the sale of shares in our IPO continue to hold a substantial number of shares of our common stock that they are now able to sell in the public market. Significant portions of these shares are held by a small number of stockholders. Sales by our current stockholders of a substantial number of shares, or the expectation that such sales may occur, could significantly reduce the market price of our common stock. Moreover, the holders of a substantial number of shares of common stock may have rights, subject to certain conditions, to require us to file registration statements to permit the resale of their shares in the public market or to include their shares in registration statements that we may file for ourselves or other stockholders.

We have also registered or plan to register all common stock that we may issue under our employee benefits plans. As a result, these shares can be freely sold in the public market upon issuance, subject to restrictions under the securities laws. In addition, our directors and executive officers may establish programmed selling plans under Rule 10b5-1 of the Exchange Act for the purpose of effecting sales of our common stock. If any of these events cause a large number of our shares to be sold in the public market, the sales could reduce the trading price of our common stock and impede our ability to raise future capital.

We will continue to incur significant increased costs as a result of operating as a public company.

As a public company, we will continue to incur significant legal, accounting and other expenses to comply with the laws and regulations affecting public companies, including the provisions of the Sarbanes-Oxley Act of 2002 and rules adopted by the Securities and Exchange Commission and by the NASDAQ Global Market. In addition, any changes in such regulations will result in increased costs to us as we respond to these requirements. For example, we must use certain required internal controls and disclosure controls and procedures, as required by Section 404 of the Sarbanes-Oxley Act of 2002. Our testing, or the subsequent testing by our independent registered public accounting firm, may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses. Our compliance with Section 404 will require that we incur substantial accounting expense and expend significant management efforts. In addition, we will continue to bear all of the internal and external costs of preparing and distributing periodic public reports in compliance with our obligations under the securities laws.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002 and related regulations implemented by the Securities and Exchange Commission and The NASDAQ Global Market, are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. We are currently evaluating and monitoring developments with respect to new and proposed rules and cannot predict or estimate the amount of additional costs we may incur or the timing of such costs. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We will continue to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management s time and attention from potentially revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of us, which may be beneficial to our stockholders, more difficult and may prevent attempts by our stockholders to replace or remove our current management.

Provisions in our amended and restated certificate of incorporation and our bylaws may delay or prevent an acquisition of us. In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, who are responsible for appointing the members of our management team. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which prohibits, with some exceptions, stockholders owning in excess of 15% of our outstanding voting stock from merging or combining with us. Finally, our charter documents establish advanced notice requirements for nominations for election to our board of directors and for proposing matters that can be acted upon at stockholder meetings. Although we believe these provisions together provide for an opportunity to receive higher bids by requiring potential acquirers to negotiate with our board of directors, they would apply even if the offer may be considered beneficial by some stockholders.

We have never paid dividends on our common stock, and because we do not anticipate paying any cash dividends in the foreseeable future, capital appreciation, if any, of our common stock will be your sole source of gain on an investment in our stock.

We have never paid cash dividends on our common stock and we currently intend to retain our cash and future earnings, if any, to fund the development and growth of our business. We do not anticipate paying any cash dividends on our common stock in the foreseeable future. As a result, capital appreciation, if any, of our common stock will be your sole source of gain for the foreseeable future.

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

The stock markets have from time to time experienced significant price and volume fluctuations that have affected the market prices for the common stock of biotechnology and biopharmaceutical companies. These broad market fluctuations may cause the market price of our common stock to decline. In the past, securities class action litigation has often been brought against a company following a decline in the market price of its securities. This risk is especially relevant for us because biotechnology and biopharmaceutical companies have experienced significant stock price volatility in recent years. We may become involved in this type of litigation in the future. Litigation often is expensive and diverts management s attention and resources, which could adversely affect our business.

Risks Relating to this Offering

We have broad discretion in how we use the net proceeds of this offering, and we may not use these proceeds in a manner desired by our stockholders.

Our management will have broad discretion with respect to the use of the net proceeds from this offering and investors will be relying on the judgment of our management regarding the use of these proceeds. Our management could spend the net proceeds from this offering in ways that our stockholders may not desire or that do not yield a favorable return. You will not have the opportunity, as part of your investment in our common stock, to influence the manner in which the net proceeds of this offering are used. As of the date of this prospectus supplement, we plan to use the net proceeds from this offering for general corporate purposes, focusing on clinical development of LEVADEX. The amounts actually spent by us for any specific purpose may vary significantly and our future financial performance may differ form our current expectations or our business needs may change as our business and the industry we address evolve. As a result, the net proceeds we receive in this offering may be used in a manner significantly different from our current expectations.

Investors in this offering will pay a much higher price than the book value of our common stock.

If you purchase our common stock in this offering, you will incur an immediate and substantial dilution in net tangible book value of $11.78 per share, after giving effect to the sale by us of 3,000,000 shares of common stock offered in this offering at the offering price of $14.50 per share and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. In addition, if the underwriters exercise their over-allotment option, you will incur additional dilution. See Dilution on page S-28 of this prospectus supplement for a more detailed discussion of the dilution you will incur in this offering.

A substantial number of shares of common stock may be sold in the market following this offering, which may depress the market price for our common stock.

Sales of a substantial number of shares of our common stock in the public market following this offering could cause the market price of our common stock to decline. A substantial majority of the outstanding shares of our common stock are, and all of the shares sold in this offering upon issuance will be, freely tradable without restriction or further registration under the Securities Act of 1933 unless these shares are purchased by affiliates.

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USE OF PROCEEDS

The net proceeds from the sale of the common stock offered hereby are estimated to be approximately $40.9 million at the offering price of $14.50 (or approximately $47.1 million if the underwriters exercise in full their over-allotment option to purchase additional shares of common stock), after deduction of estimated offering expenses and the underwriters discounts and commissions.

We currently intend to use the net proceeds from this offering for general corporate purposes, focusing on clinical development of LEVADEX.

The foregoing represents our intentions based upon our present plans and business conditions. The occurrence of unforeseen events or changed business conditions, however, could result in the application of the proceeds of the offering in a manner other than as described in this prospectus supplement. As a result, our management will retain broad discretion in the allocation and use of the net proceeds of this offering, and investors will be relying on the judgment of our management with regard to the use of these net proceeds. Pending the application of the net proceeds, we expect to invest such proceeds in short-term, interest-bearing instruments.

PRICE RANGE OF COMMON STOCK

Our common stock is listed on The Nasdaq Global Market under the symbol MAPP. The following table sets forth, for the quarterly periods indicated, the high and low sales price per share of the common stock as reported on The Nasdaq Global Market:

	High	Low
Year Ended December 31, 2008		
First Quarter	$ 17.69	$ 10.39
Second Quarter	14.80	9.75
Third Quarter	12.45	2.40
Fourth Quarter	10.44	1.75
Year Ended December 31, 2009		
First Quarter	$ 13.08	$ 1.57
Second Quarter	13.85	2.00
Third Quarter	12.52	8.54
Fourth Quarter	10.85	7.86
Year Ended December 31, 2010		
First Quarter	$ 17.83	9.34
Second Quarter	18.97	11.32
Third Quarter (through September 28, 2010)	15.49	10.87

On September 28, 2010, the last reported sales price of our common stock was $15.19 per share. On September 28, 2010, we had 61 holders of record of our common stock.

DILUTION

Our net tangible book value as of June 30, 2010 was $39.5 million, or approximately $1.49 per share. Net tangible book value is total assets minus the sum of liabilities and intangible assets. Net tangible book value per share is net tangible book value divided by the total number of shares of common stock outstanding.

Dilution in net tangible book value per share represents the difference between the amount per share paid by purchasers of shares of common stock in this offering and the net tangible book value per share of our common stock immediately after this offering. After giving effect to our sale of 3,000,000 shares of our common stock in this offering at the price per share paid by purchasers in this offering of $14.50 per share and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us, our as adjusted net tangible book value as of June 30, 2010 would have been approximately $80.4 million, or $2.72 per share. This represents an immediate increase in net tangible book value of $1.23 per share to existing stockholders and immediate dilution in net tangible book value of $11.78 per share to new investors purchasing our common stock in this offering at the offering price. The following table illustrates this dilution on a per share basis (without giving effect to the over-allotment option granted to the underwriters):

Public offering price per share		$ 14.50
Net tangible book value per share as of June 30, 2010	$ 1.49	
Increase in net tangible book value per share attributable to this offering	1.23	
Pro forma net tangible book value per share as of June 30, 2010 after giving effect to this offering		2.72
Dilution per share to investors participating in this offering		$ 11.78

If the underwriters exercise their over-allotment option in full, the pro forma as adjusted net tangible book value per share after giving effect to this offering at the offering price of $14.50 per share would be $2.88 per share, representing an immediate increase in net tangible book value of $1.39 per share to existing stockholders and the dilution in pro forma net tangible book value per share to investors in this offering would be $11.62 per share.

The number of shares of our common stock in the computations above excludes:

- 4,081,932 shares of common stock issuable upon the exercise of options outstanding as of June 30, 2010 at a weighted average exercise price of $9.22 per share;
- 98,000 performance-based restricted stock units issued under our 2007 Equity Incentive Plan as of June 30, 2010;
- 26,903 shares of common stock issuable upon the exercise of warrants outstanding as of June 30, 2010 at an exercise price of $7.43 per share;
- 1,989,010 shares of common stock reserved for future issuance under our 2007 Equity Incentive Plan as of June 30, 2010; and
- 308,128 shares of common stock reserved for future issuance under our Employee Stock Purchase Plan as of June 30, 2010.

To the extent that outstanding options or warrants are exercised, you will experience further dilution. In addition, we may choose to raise additional capital due to market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. To the extent that additional capital is raised through the sale of equity or convertible debt securities, the issuance of these securities could result in further dilution to our stockholders.

DIVIDEND POLICY

We have never declared or paid dividends since our initial public offering in October 2007 and do not anticipate paying any dividends on our common stock in the foreseeable future.

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CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2010:

- on an actual basis; and
- on an as adjusted basis to give effect to the issuance and sale of 3,000,000 shares of our common stock in this offering at the offering price of $14.50 per share, after deducting the underwriting discounts, commissions and estimated offering expenses (assuming no exercise of the underwriters over-allotment option to purchase additional shares).

This table should be read in conjunction with our consolidated financial statements and related notes incorporated by reference in this prospectus supplement. See Where You Can Find More Information.

	As of June 30, 2010	
	Actual	As adjusted
	(In thousands)	
Cash, cash equivalents and short-term investments	$ 55,330	$ 96,205

	Pension Benefits				Other Postretirement Benefits			
	December 31,			June 30,	December 31,			June 30,
	2003	2002	2001	2001	2003	2002	2001	2001
Weighted average assumptions								
Discount rate	6.00%	6.75%	7.25%	7.50%	6.00%	6.75%	7.25%	7.50%
Rate of compensation increase	4.50%	4.50%	4.50%	4.50%	N/A	N/A	N/A	N/A
Expected return on plan assets	8.00%	8.00%	8.50%	8.50%	N/A	N/A	N/A	N/A

For measurement purposes, an 11% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2003. The rate was assumed to decrease gradually to 4.5% for 2010 and remain at that level thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage point change in assumed health care cost trend rates would have the following effects:

	One-Percentage	One-Percentage-

	Point Increase	Point Decrease
Effect on total of service and interest cost components for the year ended December 31, 2003	$ 160	$ (130)
Effect on December 31, 2003 postretirement benefit obligation	$ 757	$ (628)

The following table details the components of pension and other postretirement benefit costs, for the periods ended at:

	Pension Benefits				Other Postretirement Benefits			
	December 31,			June 30,	December 31,			June 30,
	2003	2002	2001(1)	2001	2003	2002	2001(1)	2001
Service cost	$1,226	$1,177	$ 533	$851	$642	$525	$186	$311
Interest cost	273	221	105	135	301	232	99	177
Expected return on plan assets	(287)	(273)	(104)	(78)				
Other-amortization and deferral	41	28	24	34	54	30	8	21
Net periodic benefit costs	$1,253	$1,153	$ 558	$942	$997	$787	$293	$509

(1) Six months ended

Vulcan Coal Company, L.L.C.

Notes to Consolidated Financial Statements (Continued)

December 31, 2003

13. Other Plans

Triton sponsors a savings plan, which was established to assist eligible employees with their future retirement needs. The savings plan matches a certain percentage of employee-contributions. Triton s contributions to the savings plan were $660, $658, $261, and $500 in the years ended December 31, 2003 and 2002, the six months ended December 31, 2001, and the year ended June 30, 2001, respectively.

14. Other Loss

On January 18, 2002, the Company, through Vulcan Intermediary and New Vulcan, entered into an agreement with Atlas Pipeline Partners GP, LLC, Atlas Pipeline Partners LP, (APL) and Resource America under which member units in Triton would be contributed to APL in exchange for common, subordinated and deferred participating units of APL. The partnership units to be issued by APL would result in the Company having the majority of the common units in APL. In addition, New Vulcan or one of its affiliates was to acquire the general partner of APL. Accordingly, the transaction would be accounted for as a reverse acquisition of APL by the Company. In July 2002, the transaction was terminated. Accordingly, the Company recorded an other loss of $5,625 related to incurred costs of this transaction.

In addition, other loss includes the loss arising on the decline in fair value of the interest rate cap of $167 for the year ended December 31, 2002, $402 for the six months ended December 31, 2001, and $1,496 for the year ended June 30, 2001. For the six months ended December 31, 2001, other loss also includes a loss of $3,500 for a litigation reserve (see Note 11).

Other loss for 2003 includes $3,441 of costs associated with the sale of the Company to Arch Coal (see Note 16).

15. Related Party Transactions

In 2000, Triton entered into a service agreement with Vulcan Services Corporation (an affiliate of Vulcan Intermediary) whereby Vulcan Services Corporation performed services such as accounting, marketing, purchasing and risk management for Triton. Triton paid approximately $5,085 and $9,600 in fees to Vulcan Services Corporation for the six months ended December 31, 2001 and the year ended June 30, 2001 for the costs of these services. The services agreement was terminated on December 31, 2001, and no charges were incurred for the periods ending after December 31, 2001.

The Company has caused various surety companies to provide surety bonds in support of various Triton activities including its leasing activities (approximately $10,000 in the aggregate). Costs of these arrangements have been paid by Triton.

As of December 31, 2003, 2002 and 2001 and June 30, 2001, the Company has a receivable in the amount of $0, $0, $1,449, and $980 respectively, for costs substantially related to certain financial services provided by Triton for an affiliate of the Company. These amounts at are reflected in the consolidated financial statements as prepaids and other assets.

Vulcan Coal Company, L.L.C.

Notes to Consolidated Financial Statements (Continued)

December 31, 2003

16. Sale of Company

On May 29, 2003, Arch Coal, Inc. announced that it had signed a definitive agreement to acquire the Company for a purchase price of $364 million and working capital adjustments. As a result of the announcement, the Company entered into a retention agreement with certain key employees whereby the employees will receive additional pay for continuing their employment for up to sixty days following the consummation of the acquisition. The cost of this retention agreement, if all employees remained employed, is approximately $3,160.

On August 13, 2004, the United States District Court for the District of Columbia issued a ruling denying the request of the Federal Trade Commission and related plaintiffs for a preliminary injunction against the acquisition of the Company by Arch Coal, Inc. On August 16, 2004, the District Court issued a stay granting a preliminary injunction against the acquisition until August 20, 2004. The Circuit Court reviewed the opinion of the District Court and determined not to issue a further stay of the ruling. The parties closed the transaction on August 20, 2004.

Vulcan Coal Holdings, L.L.C.

Condensed Consolidated Balance Sheet (Unaudited)

(In thousands)

	June 30, 2004
Assets	
Current assets:	
Cash and cash equivalents	$ 5,133
Trade receivables	17,389
Inventories	10,512
Deferred stripping	22,101
Prepaid and other assets	2,443
Total current assets	57,578
Property, plant and equipment, net	84,081
Coal mineral lease rights, net	157,719
Other assets	14,190
Total assets	$ 313,568
Liabilities, Minority Interest and Members Deficit	
Current liabilities:	
Current maturities of long-term debt	$ 47,970
Notes payable, current	3,211
Accounts payable	18,105
Accrued expenses	91,730
Deferred revenue	317
Other current liabilities	3,245
Total current liabilities	164,578
Long-term debt	156,196
Asset retirement obligations	38,415
Accrued production taxes	5,913
Bank fee payable	7,833
Other liabilities	7,124
Total liabilities	$ 380,059
Commitments and contingencies (Note 5)	

Minority Interest: Triton mandatorily redeemable preferred units	32,068
Members deficit	(98,559)
Total liabilities, minority interest and members deficit	$ 313,568

The accompanying notes are an integral part of these condensed consolidated financial statements.

Vulcan Coal Holdings, L.L.C.

Condensed Consolidated Statements of Operations (Unaudited)

(In thousands)

	Six Months Ended June 30,	
	2004	**2003**
Revenues		
Coal sales	$131,268	$138,678
Costs and expenses		
Cost of coal sales	115,226	124,780
Selling, general and administrative expenses	5,137	5,203
Accretion of asset retirement obligations	2,080	1,866
Other loss	1,938	418
Total costs and expenses	124,381	132,267
Income from operations	6,887	6,411
Interest expense	(21,121)	(21,469)
Amortization of deferred financing costs	(1,059)	(1,194)
Loss before minority interest and cumulative effect of change in accounting principle	(15,293)	(16,252)
Minority interest: preferred return on Triton manditorily redeemable preferred units	(2,588)	(2,174)
Loss before cumulative effect of change in accounting principle	(17,881)	(18,426)
Cumulative effect of change in accounting principle		(5,952)
Net loss	$ (17,881)	$ (24,378)

The accompanying notes are an integral part of these condensed consolidated financial statements.

Vulcan Coal Holdings, L.L.C.

Condensed Consolidated Statements of Cash Flows (Unaudited)

(In thousands)

	Six Months Ended June 30,	
	2004	2003
Cash Provided by Operating Activities:		
Net loss	$(17,881)	$(24,378)
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation, depletion and amortization	11,515	12,764
Deferred financing and contract amortization	1,059	1,194
Accretion of asset retirement obligation	2,080	1,866
Minority interest: Triton preferred return	2,588	2,174
Cumulative effect of accounting change		5,952
Other		15
Changes in operating assets and liabilities:		
Trade receivables	626	(685)
Inventories and deferred stripping	(5,448)	(1,297)
Prepaids and other assets	(752)	(2,576)
Accounts payable	2,447	(3,875)
Accrued expenses	13,756	14,525
Deferred revenue	(720)	(517)
Other liabilities	3,073	6,213
Net cash provided by operating activities	12,343	11,375
Cash Used in Investing activities:		
Additions to property, plant and equipment	(1,578)	(4,834)
Net cash used in investing activities	(1,578)	(4,834)
Cash Used In Financing activities:		
Payments of debt	(11,240)	(7,161)
Payments of capital lease and lease bonus payable	(1,554)	(1,492)
Net cash used in financing activities	(12,794)	(8,653)

Decrease in cash and cash equivalents	(2,029)	(2,112)
Cash and cash equivalents, beginning of period	7,162	4,424
Cash and cash equivalents, end of period	$ 5,133	$ 2,312
Supplemental Schedule of Non-Cash Investing and Financing Activities:		
Deferred financing costs included in other liabilities	$ 1,000	$ 5,000
Mandatorily redeemable preferred rate of return	$ 2,588	$ 2,174

The accompanying notes are an integral part of these condensed consolidated financial statements.

Vulcan Coal Company, L.L.C.

Notes to Condensed Consolidated Financial Statements (Unaudited)

(In thousands)

June 30, 2004

1. **General Information**

   The condensed consolidated financial information of Vulcan Coal Holdings, L.L.C. (the Company), included herein is unaudited; however, the information reflects all adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary for the fair presentation of the consolidated financial position, results of operations and cash flows for the interim periods. The consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2003. The results of operations for the six months ended June 30, 2004 and 2003 are not necessarily indicative of the results to be expected for the full year.

2. **New Accounting Pronouncement**

   The Company will be required to adopt Statement of Financial Accounting Standards No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity (SFAS 150) effective January 1, 2005. SFAS 150 establishes standards for how financial instruments that have characteristics of both liabilities and equity instruments should be classified on the balance sheet. The requirements of SFAS 150 generally outline that financial instruments, which give the issuer a choice of settling an obligation with a variable number of securities or settling an obligation with a transfer of assets or any mandatorily redeemable security, should be classified as a liability on the balance sheet. Upon adoption, the Company will classify its mandatorily redeemable preferred units as a liability and the rate of return will be classified as interest expense.

3. **Inventories**

   Inventories, primarily comprised of materials and supplies, are valued at the lower of average cost or market.

4. **Adoption of SFAS No. 143**

   On January 1, 2003, the Company adopted SFAS No. 143, Accounting for Asset Retirement Obligations (SFAS No. 143). SFAS No. 143 requires legal obligations associated with the retirement of long-lived assets to be recognized at fair value at the time the obligations are incurred. The Company s asset retirement obligations consist primarily of costs associated with mine reclamation and closure activities, including earthwork, revegetation and demolition. Upon initial recognition of a liability, the costs are capitalized as part of the related long-lived asset and are included in depreciation expense over the useful life of the asset. Previously, the Company accrued for the expected costs of these obligations over the estimated useful mining life of the property.

The Company used an expected cash flow approach to estimate its asset retirement obligations under SFAS No. 143. Upon adoption, the Company removed the previously recognized reclamation liability of $20,005, recorded a liability of $32,621, increased property, plant and equipment by $21,144, decreased coal mineral lease rights by $10,034, increased accumulated depreciation, depletion and amortization by $4,446 and recognized a cumulative effect of accounting change loss of $5,952. As a result of adoption of SFAS No. 143, the Company recorded accretion expense of $2,080 and $1,867 during the six months ended June 30, 2004 and 2003, respectively, resulting in asset retirement obligations of $38,415 and $34,488 at June 30, 2004 and 2003, respectively.

At January 1 and June 30, 2003, there were no assets legally restricted for purposes of settling asset retirement obligations. There was no impact on the Company s cash flows as a result of adopting SFAS No. 143 because the cumulative effect of the change in accounting is a non-cash transaction.

For the six months ended June 30, 2003, the effect of adopting SFAS No. 143 increased the loss before cumulative effect of change in accounting by $964.

Vulcan Coal Company, L.L.C.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(In thousands)

June 30, 2004

5. Debt and Financing Arrangements

Debt and financing arrangements consist of the following at:

	June 30, 2004
Term loan	$ 85,000
Revolving credit	12,500
Note	1,611
Demand note payable, related	3,211
Note payable A, related	17,055
Note payable B, related	30,500
Note payable C, related	57,500
	207,377
Less current maturities of long-term	(47,970)
Less current notes	(3,211)
Long-term	$156,196

The Company s term loan is a senior secured term loan that is payable in semiannual installments through June 2007. The Company s revolving credit facility limit is $12,500. The facility expires on June 30, 2005. The term loan and revolving credit facility bear interest at a variable rate based on the Eurodollar rate (1.32% at June 30, 2004). The note payable requires 54 monthly installments of $143, bears interest at 10.5% per annum, matures in July 2005 and is collateralized by the Company s equipment. The demand note payable, related party is payable to Vulcan Partners, L.P., a limited partnership owned by certain investors who indirectly own interests in the Company s majority equity member. The unpaid principal amount on the demand note payable, related party bears interest at a fixed rate of 8% per annum. Note payable A, related party, is due January 31, 2006 and does not bear interest. Note payable B, related party, is due January 31, 2006, bears interest at 24% per annum and requires the Company to pay a 6% premium on all advances received under this note. Note payable C, related party, bears interest at 24% per annum and is due January 31, 2006.

6. Contingencies

In July 1998, an employee of the Company was involved in an accident whereby another employee was fatally injured. During the year ended June 30, 2000, the spouse of the deceased employee filed a wrongful death action against the employee involved in the accident. The Company is immune from suit under Wyoming worker s compensation statutes; however, it has an internal policy to defend and indemnify employees who are sued as a result of accidents arising out of the workplace. The Company has agreed to defend the employee named under the claim. The Company intends to vigorously contest the case and at this time it is unable to estimate a range of potential loss.

Vulcan Coal Company, L.L.C.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(In thousands)

June 30, 2004

On January 2, 2003, a lawsuit was filed by two former officers of the Company against the Company and its president. The lawsuit alleges that the plaintiffs were discharged from their positions in retaliation for identifying and reporting alleged criminal misconduct by one of the Company s employees. While the Company denies the allegations, it reached a settlement with the plaintiffs in June 2004 which provided for a payment of $250 to the plaintiffs. The payment was recorded in selling, general and administrative expenses in the consolidated statement of operations.

In addition to the matters noted above, the Company is from time to time subject to legal proceedings and claims that arise in the normal course of its business. In the opinion of management, the amount of the ultimate liability with respect to these actions will not have a material adverse affect on the Company s consolidated financial position or results of operations.

7. Pension and Other Postretirement Benefits

Triton plans to make contributions in the amount of $1,066 to its defined benefit pension plan and $98 to its other postretirement benefit plan within the six months following June 30, 2004.

8. Subsequent Events

On May 29, 2003, Arch Coal, Inc. announced that it had signed a definitive agreement to acquire Vulcan Coal Holdings LLC, which owns all of the equity of the Company. As a result of the announcement, the Company entered into a retention agreement with certain key employees whereby the employees will receive additional pay for continuing their employment for up to sixty days following the consummation of the acquisition. The cost of this retention agreement, if all employees remain employed, is approximately $3,160.

On August 13, 2004, the United States District Court for the District of Columbia issued a ruling denying the request of the Federal Trade Commission and related plaintiffs for a preliminary injunction against the acquisition of the Company by Arch Coal, Inc. On August 16, 2004, the District Court issued a stay granting a preliminary injunction against the acquisition until August 20, 2004. The Circuit Court reviewed the opinion of the District Court and determined not to issue a further stay of the ruling. The parties closed the transaction on August 20, 2004. Upon the sale of the Company to Arch Coal, Arch Coal immediately sold the Buckskin mine to Peter Kiewet and Sons, Inc.

Arch Coal, Inc.

Pro Forma Background and Introduction (Unaudited)

BASIS OF PRESENTATION

On July 31, 2004, Arch Coal acquired a 35% interest in Canyon Fuel Company, LLC (Canyon Fuel) for a contract price of $112 million. Prior to this acquisition, Canyon Fuel was a joint venture owned 65% by Arch Western Resources, LLC (a subsidiary of Arch Coal) and 35% by ITOCHU Coal International Inc. The contract price was paid in the form of cash of $90 million paid upon closing and a five-year, $22 million non-interest bearing note. The present value of the obligation under the note totals $18.2 million.

On August 20, 2004, Arch Coal acquired (1) Vulcan Coal Holdings, L.L.C., which owns all of the common equity of Triton Coal Company, LLC (Triton), and (2) all of the preferred units of Triton, for an aggregate purchase price of $376.0 million, including acquisition costs. The final purchase price is subject to a working capital adjustment. Prior to the acquisition, Triton operated two mines (North Rochelle and Buckskin) in the Powder River Basin in Wyoming. Upon acquisition, Arch Coal sold the Buckskin mine to Peter Kiewet and Sons Inc. for $72.9 million. The net purchase price was financed with cash on hand, the proceeds from a $100 million term loan, and borrowings under Arch Coal s revolving credit facility.

The acquisitions will be accounted for under the purchase method of accounting in accordance with FASB Statement No. 141. Under the purchase method of accounting, the purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair values. The accompanying unaudited pro forma condensed consolidated financial information reflects the combination of Arch Coal s historical assets and liabilities (including its 65% investment in Canyon Fuel), the fair value of the 35% interest in the assets and liabilities of Canyon Fuel, and the fair value of the acquired assets and liabilities of Vulcan. The fair values of the acquired assets and liabilities are based on Arch Coal management s preliminary estimates. These estimates are subject to change pending a final analysis of the value of the assets acquired and liabilities assumed. Arch Coal management is in the process of obtaining independent appraisals of the value of the assets acquired and liabilities assumed. The amounts assigned to certain assets and liabilities, including inventories, property, plant and equipment (including mineral reserves), and sales contracts are subject to change pending the results of the appraisals.

Prior to the acquisition of the 35% interest of Canyon Fuel, Arch Coal accounted for its 65% interest under the equity method due to certain super-majority voting rights in Canyon Fuel s joint venture agreement. Arch Coal s equity investment in Canyon Fuel included purchase adjustments primarily related to reductions in amounts assigned to sales contracts, mineral reserves and other property, plant and equipment. These adjustments are reflected in the column Effect of Arch Coal s Historical Basis in the accompanying pro forma financial information.

Arch Coal, Inc.

Pro Forma Background and Introduction (Unaudited) (Continued)

The unaudited pro forma condensed combined financial statements are presented based on the assumption and adjustments described in the accompanying notes. The unaudited pro forma condensed combined statements of operations do not purport to represent what Arch Coal s results of operations actually would have been if the events described above had occurred as of the dates indicated or what such results would be for any future periods. Pro forma adjustments to the unaudited pro forma condensed combined financial statements do not reflect potential cost saving opportunities, including the elimination of duplicative selling, general and administrative expenses.

PRO FORMA ADJUSTMENTS

Canyon Fuel Company

(A) The Columns labeled Standalone in the pro forma balance sheet and income statements represent Canyon Fuel historical financial information on a historical basis. These columns do not reflect any purchase adjustments related to Arch Coal s 1998 purchase of a 65% interest in Canyon Fuel.

(B) The Columns labeled Effect of Arch Coal s Historical Basis represent purchase adjustments recorded by Arch Coal upon its 1998 acquisition of the 65% interest in Canyon Fuel. Prior to the acquisition of the 35% interest of Canyon Fuel, the effects of these purchase adjustments were recorded as part of Arch Coal s equity investment in Canyon Fuel and Arch Coal s income from its equity investment in Canyon Fuel. These columns reflect the reclassification of these amounts from the equity investment and income from equity investment accounts to the appropriate accounts upon consolidation of Canyon Fuel into Arch Coal s financial statements.

Balance Sheet

(1) The purchase price, purchase price allocation, and financing of the transaction are summarized as follows (in thousands):

Arch Coal, Inc.

Pro Forma Background and Introduction (Unaudited) (Continued)

Purchase price paid as:	
Cash	$ 90,000
Note payable to ITOCHU, at fair value	18,204
Total purchase consideration	108,204
Allocated to:	
Historical book value of the 35% interest in Canyon Fuel s assets and liabilities	$117,356
Adjustments to reflect assets and liabilities at fair value:	
Inventories	504
Coal supply agreements	(22,206)
Accrued postretirement benefits	649
Accrued black lung benefits	515
Accrued pension	(1,414)
Non-current liabilities (minimum pension liability)	1,008
Total allocation	96,412
Excess purchase price over allocation to identifiable assets and liabilities assigned to mineral reserves	$ 11,792

(2) To reflect the elimination of Arch Coal s 65% equity investment in Canyon Fuel. Canyon Fuel will now be consolidated in Arch Coal s financial statements.

(3) To eliminate the effects of intercompany transactions between Canyon Fuel and Arch Coal.

(4) To reflect the elimination of the members equity accounts of Canyon Fuel.

Statements of Operations

(5) To reflect additional depletion for the portion of the purchase price recorded as mineral reserves. Depletion is recorded on a units-of-production basis over the life of the mineral reserves acquired.

(6) To reflect additional expense resulting from the sale of inventories that were written up to fair value at the acquisition date.

Arch Coal, Inc.

Pro Forma Background and Introduction (Unaudited) (Continued)

(7) To eliminate general and administrative fees paid by Canyon Fuel to Arch Western Resources.

(8) To eliminate the effects of intercompany transactions between Canyon Fuel and Arch Coal (primarily sales of equipment from Canyon Fuel to Arch Coal subsidiaries).

(9) To reflect recognition of the value attributed to below-market coal supply agreements over the remaining terms of the contracts.

(10) To eliminate income from Arch Coal s 65% equity investment in Canyon Fuel. Canyon Fuel s results will now be consolidated into Arch Coal s financial statements.

(11) To reflect interest expense attributable to the portion of the purchase price financed by the $22 million note.

(12) Tax effects are recorded assuming a 24% rate consisting of an alternative minimum tax rate of 20% and an average state tax rate of 4%.

CONFORMING AND RECLASSIFICATION ADJUSTMENTS

There were no material adjustments required to conform the accounting policies of Arch Coal and Canyon Fuel. Certain amounts have been reclassified to conform to Arch Coal s financial statement presentation.

Vulcan Coal Holdings

Balance Sheet

(13) The purchase price, purchase price allocation, and financing of the transaction are summarized as follows (in thousands):

Arch Coal, Inc.

Pro Forma Background and Introduction (Unaudited) (Continued)

Purchase price paid as:	
Cash	$254,000
Proceeds from the sale of the Buckskin Mine	(72,900)
Net cash	181,100
Borrowings under Arch Western Resources Term Loan	100,000
Borrowings from Arch Coal s Revolving Credit Facility	22,000
Total purchase consideration	303,100
Allocated to:	
Historical book value of Vulcan s assets and liabilities (excluding liabilities satisfied at closing and Buckskin Mine assets and liabilities sold)	$ 95,676
Adjustments to conform Vulcan s accounting policies to those of Arch Coal:	
Inventories (deferred stripping)	(13,941)
Adjustments to reflect assets and liabilities at fair value:	
Inventories	4,481
Property, plant and equipment (related to asset retirement obligations)	17,520
Coal supply agreements	3,975
Other non-current assets (deferred financing costs)	(3,276)
Accrued expenses (severance accruals)	(5,502)
Accrued postretirement benefits	2,272
Accrued black lung benefits	(643)
Accrued pension	(1,700)
Asset retirement obligations	2,270
Total allocation	101,132
Excess purchase price over allocation to identifiable assets and liabilities assigned to mineral reserves	$201,968

Arch Coal, Inc.

Pro Forma Background and Introduction (Unaudited) (Continued)

(14) To reflect assets and liabilities of the Buckskin mine that were sold in conjunction with the acquisition.

(15) To reflect liabilities that were satisfied at closing as part of the purchase price.

(16) To reflect liabilities incurred in connection with terminating Vulcan employees as a result of the acquisition.

(17) To reflect the elimination of deferred financing costs that had been capitalized by Vulcan. These costs relate to debt that was satisfied as part of the purchase price.

(18) To reflect the elimination of the members equity and minority interest accounts of Vulcan.

Statements of Operations

(19) To reflect revenues and costs related to the Buckskin mine, which was sold in conjunction with the acquisition.

(20) To reflect additional depletion on the portion of the purchase price recorded as mineral reserves. Depletion is recorded on a units-of-production basis over the life of the coal reserves acquired.

(21) To reflect additional expense resulting from the sale of inventories that were written up to fair value at the acquisition date.

(22) To reflect amortization of the value attributed to above-market coal supply agreements over the remaining terms of the contracts.

(23) To eliminate interest expense and the amortization of deferred financing costs related to debt that was satisfied as part of the purchase price.

(24) To reflect additional interest expense on Arch Coal s borrowings under its revolving credit agreement and Arch Western s term loan at a weighted average rate of interest of approximately 5%.

(25) Tax effects are recorded assuming a 24% rate consisting of an alternative minimum tax rate of 20% and an average state tax rate of 4%.

(26) To eliminate minority interest of Vulcan, as Arch Coal owns 100% of Vulcan s equity interests.

Arch Coal, Inc.

Unaudited Pro Forma Condensed Consolidated Balance Sheet

CONFORMING AND RECLASSIFICATION ADJUSTMENTS

Except as noted in (13) above, there were no material adjustments required to conform the accounting policies of Arch Coal and Vulcan. Certain amounts have been reclassified to conform to Arch Coal s financial statement presentation.

Arch Coal, Inc.

Unaudited Pro Forma Condensed Consolidated Balance Sheet

June 30, 2004
(In thousands)

	Historical				Pro Forma Adjustments		
	Arch Coal, Inc.	**Stand Alone**	**Effect of Arch Coal's Historical Basis**	**Vulcan Coal Holdings, LLC**	**Canyon Fuel Purchase**	**Vulcan Coal Holdings Purchase**	**Arch Coal, Inc. Pro Forma**
Assets							
Current assets							
Cash and cash equivalents	$ 296,300	$ 28,023		$ 5,133	$ (90,000)(1)	$(181,100)(13)	$ 58,356
Trade receivables	155,483	15,022		17,389			187,894
Other receivables	33,284	5,161			(5,675)(3)		32,770
Inventories	83,306	30,190	(2,492)	32,613	504(1)	(12,672)(14) 4,481(13) (13,941)(13)	121,989
Prepaid royalties	2,880						2,880
Deferred income taxes	10,700						10,700
Other	24,364	4,962		2,443			31,769
Total current assets	606,317	83,358	(2,492)	57,578	(95,171)	(203,232)	446,358
Property, plant and equipment, net	1,312,760	297,343	(48,649)	241,800	11,792(1)	(113,991)(14) 17,520(13) 201,968(13)	1,920,543

Other assets							
Prepaid royalties	87,397	13,664	(8,764)				92,297
Coal supply agreements	5,160					3,975(13)	9,135
Deferred income taxes	249,240						249,240
Equity investments	158,042				(158,042)(2)		
Other	79,433	777		14,190		(3,276)(17)	91,124
	579,272	14,441	(8,764)	14,190	(158,042)	699	441,796
Total assets	$2,498,349	$395,142	$(59,905)	$313,568	$(241,421)	$ (97,036)	$2,808,697

Arch Coal, Inc.

Unaudited Pro Forma Condensed Consolidated Balance Sheet

June 30, 2004
(In thousands)

	Historical				**Pro Forma Adjustments**		
	Arch Coal, Inc.	**Stand Alone**	**Effect of Arch Coal's Historical Basis**	**Vulcan Coal Holdings, LLC**	**Canyon Fuel Purchase**	**Vulcan Coal Holdings Purchase**	**Arch Coal, Inc. Pro Forma**
Liabilities and stockholders equity							
Current liabilities							
Accounts payable	$ 108,226	$ 22,312	$	$ 18,105	$ (5,675)(3)		$ 142,968
Accrued expenses	164,138	6,686		91,730			202,812
						(65,244)(15) 5,502(16)	
Other current liabilities				3,562		(1,711)(14)	1,851
Current portion of debt				51,181		(49,570)(15)	1,611
Total current liabilities	272,364	28,998		164,578	(5,675)	(111,023)	349,242
Long-term debt	700,071			156,196	18,204(1)	122,000(13)	840,275
						(156,196)(15)	
Accrued postretirement benefits other than pension	363,722	8,318			(649)(1)	(2,272)(13)	369,119
Asset retirement obligations	144,896	11,070		38,415		(8,276)(14)	183,835
						(2,270)(13)	
Accrued workers compensation	77,767	6,168			(515)(1)	643(13)	84,063
					1,414(1)	1,700(13)	3,114

Accrued pension Other non-current liabilities	133,500	5,285		20,870	(1,008)(1) 22,206(1)	(7,833)(15)	173,020
Total liabilities	1,692,320	59,839		380,059	33,977	(163,527)	2,002,668
Minority interest: Triton mandatorily redeemable preferred units				32,068		(32,068)(18)	
Stockholders equity							
Preferred stock	29						29
Common stock	554						554
Paid-in capital	1,033,865						1,033,865
Retained deficit	(185,907)						(185,907)
Members equity (deficit)		335,303	(59,905)	(98,559)	(275,398)(4)	98,559(18)	
Unearned compensation	(3,132)						(3,132)
Treasury stock, at cost	(5,047)						(5,047)
Accumulated other comprehensive loss	(34,333)						(34,333)
Total stockholders equity	806,029	335,303	(59,905)	(98,559)	(275,398)	98,559	806,029
Total liabilities and stockholders equity	$2,498,349	$395,142	$(59,905)	$313,568	$(241,421)	$ (97,036)	$2,808,697

Arch Coal, Inc.

Unaudited Pro Forma Condensed Consolidated Statements of Operations

For the Six Months Ended June 30, 2004
(In thousands, except per share data)

	Historical				Pro Forma Adjustments		
	Arch Coal, Inc.	**Stand Alone**	**Effect of Arch Coal's Historical Basis**	**Vulcan Coal Holdings, LLC**	**Canyon Fuel Purchase**	**Vulcan Coal Holdings Purchase**	**Arch Coal, Inc. Pro Forma**
Revenues							
Coal sales	$826,268	$122,156	$	$131,268		$(46,731)(19)	$1,032,961
Costs and expenses							
Cost of coal sales	781,892	110,663	(2,209)	117,306	489(5) 504(6)	(41,903)(19) 9,244(20) 4,481(21)	980,467
Selling, general and administrative expenses	27,984	4,136		5,137	(4,136)(7)		33,121
Amortization of coal supply agreements	1,238					3,428(22)	4,666
Other expense	12,819			1,938			14,757
	823,933	114,799	(2,209)	124,381	(3,143)	(24,750)	1,033,011
Other operating income							
Income from equity investments	9,685				(7,267)(10)		2,418
Gain on sale of units of Natural Resource Partners, LP	81,851						81,851
Other operating income	37,908	552			(4,136)(7)		38,948

					4,794(9) (170)(8)		
	129,444	552			(6,779)		123,217
Income from operations	131,779	7,909	2,209	6,887	(3,636)	(21,981)	123,167
Interest expense, net:							
Interest expense	(28,842)			(22,180)	(625)(11)	22,008(23) (3,093)(24)	(32,732)
Interest income	1,613	43					1,656
Other non-operating income (expense)							
Expenses resulting from early debt extinguishments and termination of hedge accounting for interest rate swaps	(4,132)						(4,132)
Other non-operating income	373						373
	(3,759)						(3,759)
Income (loss) before income taxes	100,791	7,952	2,209	(15,293)	(4,261)	(3,066)	88,332
Provision for (benefit from) income taxes	19,700				(1,023)(12)	(736)(25)	17,941
Minority interest				(2,588)		2,588(26)	
Income (loss) from continuing operations	81,091	7,952	2,209	(17,881)	(3,238)	258	70,391
Earnings per common share							
Basic earnings (loss) per	$ 1.50						$ 1.30

common share		
Diluted earnings (loss) per common share	$ 1.31	$ 1.13
Weighted average shares outstanding Basic	54,206	54,206
Weighted average shares outstanding Diluted	62,021	62,021

Arch Coal, Inc.

Unaudited Pro Forma Condensed Consolidated Statements of Operations

For the Year Ended December 31, 2003
(In thousands, except per share data)

	Historical				Pro Forma Adjustments		
	Arch Coal, Inc.	**Stand Alone**	**Effect of Arch Coal's Historical Basis**	**Vulcan Coal Holdings, LLC**	**Canyon Fuel Purchase**	**Vulcan Coal Holdings Purchase**	**Arch Coal, Inc. Pro Forma**
Revenues							
Coal sales	$1,435,488	$240,856	$	$279,612		$(79,751)(19)	$1,876,205
Costs and expenses							
Cost of coal sales	1,418,362	212,818	(8,698)	251,678	882(5) 504(6)	(78,233)(19) 20,113(20) 4,481(21)	1,821,907
Selling, general and administrative expenses	47,295	8,541		10,808	(8,541)(7)		58,103
Long-term incentive compensation expense	16,217						16,217
Amortization of coal supply agreements	16,622	2,243	953			5,152(22)	24,970
Other expense	18,980			3,441			22,421
	1,517,476	223,602	(7,745)	265,927	(7,155)	(48,487)	1,943,618
Other operating income							
Income from equity investments	34,390				(19,707)(10)		14,683
Gain on sale of units of Natural	42,743						42,743

Resource Partners, LP							
Other operating income	45,226	1,204			(8,541)(7) 9,588(9) (300)(8)		47,177
	122,359	1,204			(18,960)		104,603
Income from operations	40,371	18,458	7,745	13,685	(11,805)	(31,264)	37,190
Interest expense, net:							
Interest expense	(50,133)	(1)		(42,191)	(1,202)(11)	41,863(23) (6,186)(24)	(57,850)
Interest income	2,636	246		187			3,069
Other non-operating income (expense)							
Expenses resulting from early debt extinguishments and termination of hedge accounting for interest rate swaps	(8,955)						(8,955)
Other non-operating income	13,211						13,211
	4,256						4,256
Income (loss) before income taxes	(2,870)	18,703	7,745	(28,319)	(13,007)	4,413	(13,335)
Provision for (benefit) from income taxes	(23,210)				(3,122)(12)	1,059(25)	(25,273)
Minority interest				(4,578)		4,578(26)	
Income (loss) from continuing operations	20,340	18,703	7,745	(32,897)	(9,885)	7,932	11,938

Earnings per common share		
Basic earnings (loss) per common share	$ 0.39	$ 0.23
Diluted earnings (loss) per common share	$ 0.38	$ 0.23
Weighted average shares outstanding Basic	52,511	52,511
Weighted average shares outstanding Diluted	52,885	52,885

SIGNATURES

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

Dated: October 15, 2004

ARCH COAL, INC.

By: /s/ JANET L. HORGAN

Janet L. Horgan
Assistant General Counsel and Assistant Secretary