NEOSE TECHNOLOGIES INC
Form DEFM14A
December 17, 2008

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

SCHEDULE 14A
(RULE 14A-101)

Information Required In Proxy Statement Schedule 14A Information

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

Neose Technologies, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

o No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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ý Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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NEOSE TECHNOLOGIES, INC.
102 Rock Road
Horsham, Pennsylvania 19044
(215) 315-9000

SPECIAL MEETING OF STOCKHOLDERS YOUR VOTE IS IMPORTANT

Dear Neose Stockholder:

You are cordially invited to attend a special meeting (the "Special Meeting") of the stockholders of Neose Technologies, Inc. (the "Company") to be held on January 26, 2009 at 9:00 a.m., local time at the Company's offices at 102 Rock Road, Horsham, Pennsylvania 19044. The telephone number at that location is (215) 315-9000. At the Special Meeting, the Company is seeking your approval for:

(1) the sale of certain of the Company's assets to BioGeneriX AG for a cash purchase price of $22.0 million (the "BGX Asset Sale"), pursuant to and on the terms set forth in an Asset Purchase Agreement dated September 17, 2008 (the "BGX Asset Purchase Agreement");

(2) the sale of certain of the Company's assets to Novo Nordisk A/S for a cash purchase price of $21.0 million (the "Novo Asset Sale" and together with the BGX Asset Sale, the "Asset Sales"), pursuant to and on the terms set forth in an Asset Purchase Agreement dated September 17, 2008 (the "Novo Asset Purchase Agreement" and together with the BGX Asset Purchase Agreement, the "Asset Purchase Agreements");

(3) the Plan of Complete Liquidation and Dissolution of the Company (the "Plan of Liquidation"), subsequent to the consummation of the Asset Sales;

(4) the grant of discretionary authority to the Company's Board of Directors to adjourn the Special Meeting, regardless of whether a quorum is present, if necessary to solicit additional votes in favor of approval of: (i) the BGX Asset Sale, (ii) the Novo Asset Sale, and/or (iii) the Plan of Liquidation; and

(5) consideration and transaction of such other business as may properly come before the Special Meeting or any adjournments or postponements thereof.

The Company's Board of Directors has carefully reviewed and considered the terms and conditions of the Asset Purchase Agreements, the Asset Sales and the Plan of Liquidation and has concluded that the Asset Purchase Agreements, the Asset Sales, the liquidation and dissolution of the Company pursuant to the Plan of Liquidation, subject to consummation of the Asset Sales, are all in the best interests of the Company and its stockholders. The Company's Board of Directors therefore has approved these proposals and recommends that you vote FOR each of the proposals set forth in the accompanying Proxy Statement.

Subject to the consummation of the Asset Sales and to stockholder approval of the Plan of Liquidation, the Company anticipates that an initial distribution of liquidation proceeds, if any, will be made to its stockholders within 60 days after the closing of the Asset Sales. As the Company liquidates its remaining assets and satisfies its outstanding liabilities, including its real estate leases, the Company intends to distribute additional liquidation proceeds, if any, to its stockholders as the Company's Board of Directors deems appropriate. The Company's current estimate is that there will be between $18,600,000 and $28,300,000, or $0.34 to $0.52 per share of the Company's common stock, available for distribution over time to the Company's stockholders with the final distribution amount to be determined and the final distribution made after settlement and satisfaction of all of the Company's liabilities. However, if certain contingent liabilities are not able to be settled within the currently estimated range, the amount available for distribution could fall outside the estimated distribution range.

In addition to distributions to holders of the Company's common stock and in accordance with the terms of certain common stock purchase warrants issued in connection with the Company's March 2007

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equity financing, each warrant holder has an option to receive a cash payment within 30 days of the closing of the Asset Sales in exchange for such holder's warrants. The aggregate cash payment amount, which will be determined according to the terms of the warrants, is expected to be up to $4,300,000, or up to $0.45 per warrant share, depending on the trading volatility of the Company's common stock prior to, and common stock price at the time of, valuing the warrants. These amounts have been factored into the estimated aggregate distribution per share of common stock.

The Company urges you to read the accompanying Proxy Statement in its entirety and consider it carefully. Please pay particular attention to (i) the "Risk Factors" beginning on page 12 for a discussion of the risks related to the Asset Sales and the Plan of Liquidation, and (ii) "Proposal No. 3: Approval of Plan of Complete Liquidation and Dissolution Liquidating Distributions; Nature; Amount; Timing" beginning on page 115 for a discussion of the Company's current estimate of the amounts that may be ultimately available for liquidating distributions to stockholders.

It is important that your shares be represented at the Special Meeting, regardless of the size of your holdings. Accordingly, whether or not you expect to attend the Special Meeting, the Company urges you to vote promptly by returning the enclosed proxy card. You may revoke your proxy at any time before it has been voted.

Voting by proxy will not prevent you from voting your shares in person if you subsequently choose to attend the Special Meeting.

Sincerely,

George J. Vergis, Ph.D.
President and Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the Asset Sales or the Plan of Liquidation, passed upon the merits or fairness of the Asset Sales or the Plan of Liquidation nor passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

THE ACCOMPANYING PROXY STATEMENT IS DATED DECEMBER 17, 2008
AND IS FIRST BEING MAILED TO STOCKHOLDERS ON OR ABOUT DECEMBER 23, 2008.

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NEOSE TECHNOLOGIES, INC.
102 ROCK ROAD
HORSHAM, PENNSYLVANIA 19044
(215) 315-9000

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD JANUARY 26, 2009

Dear Stockholder:

NOTICE IS HEREBY GIVEN that a Special Meeting of Stockholders (the "Special Meeting") of Neose Technologies, Inc. (the "Company") will be held on January 26, 2009 at 9:00 a.m., local time at the Company's offices at 102 Rock Road, Horsham, Pennsylvania, for the following purposes:

(1) to approve the Asset Purchase Agreement, attached as *Annex A* to the accompanying Proxy Statement (the "BGX Asset Purchase Agreement"), and the sale of certain of the Company's assets to BioGeneriX AG for a cash purchase price of $22.0 million pursuant thereto, as described in more detail in the accompanying Proxy Statement (collectively, the "BGX Asset Sale");

(2) to approve the Asset Purchase Agreement, attached as *Annex B* to the accompanying Proxy Statement (the "Novo Asset Purchase Agreement" and together with the BGX Asset Purchase Agreement, the "Asset Purchase Agreements"), and the sale of certain of the Company's assets to Novo Nordisk A/S for a cash purchase price of $21.0 million pursuant thereto, as described in more detail in the accompanying Proxy Statement (collectively, the "Novo Asset Sale" and together with the BGX Asset Sale, the "Asset Sales");

(3) to approve and adopt the Plan of Complete Liquidation and Dissolution, attached as *Annex C* to the accompanying Proxy Statement, including the dissolution of the Company contemplated thereby, which is subject to the Company's stockholders' approval of the Asset Sales and the subsequent consummation of the Asset Sales;

(4) to adjourn the Special Meeting, regardless of whether a quorum is present, if necessary to solicit additional votes in favor of approval of: (i) the BGX Asset Sale, (ii) the Novo Asset Sale, and/or (iii) the Plan of Complete Liquidation and Dissolution; and

(5) to consider and transact such other business as may properly come before the Special Meeting or any adjournments or postponements thereof.

The foregoing items of business are more fully described in the accompanying Proxy Statement accompanying this Notice.

The Company's Board of Directors recommends that you vote: (i) FOR the approval of the BGX Asset Purchase Agreement and the BGX Asset Sale described therein, (ii) FOR the approval of the Novo Asset Purchase Agreement and the Novo Asset Sale described therein, (iii) FOR the approval and adoption of the Plan of Complete Liquidation and Dissolution, and (iv) FOR the proposal to adjourn the Special Meeting, regardless of whether a quorum is present, if necessary to solicit additional votes in favor of (a) the approval of the BGX Asset Purchase Agreement and the BGX Asset Sale, (b) the approval of the Novo Asset Purchase Agreement and the Novo Asset Sale, and/or (c) the approval and adoption of the Plan of Complete Liquidation and Dissolution.

The Company's independent financial advisor, RBC Capital Markets Corporation, rendered (i) an opinion to the Company's Board of Directors that the consideration to be received by the Company pursuant to the BGX Asset Purchase Agreement is fair, from a financial point of view, to the Company, and (ii) an opinion to the Company's Board of Directors that the consideration to be received by the Company pursuant to the Novo Asset Purchase Agreement is fair, from a financial point of view, to the Company.

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If the Asset Sales are not consummated, whether due to lack of stockholder approval or other reasons, the Company will attempt to secure additional financing. If the Company is unsuccessful in obtaining such financing, the Company may seek stockholder approval to dissolve or the Company may file for bankruptcy protection and, in either case, there may not be funds available for a distribution to stockholders.

Only stockholders of record at the close of business on December 17, 2008 (the "Record Date") are entitled to notice of and to vote at the Special Meeting or any adjournments or postponements thereof. The stock transfer books of the Company will remain open between the Record Date and the date of the Special Meeting.

To ensure your representation at the Special Meeting and the presence of a quorum at the Special Meeting, please vote as soon as possible, even if you plan to attend the Special Meeting. If a quorum is not reached, the Company may have the added expense of re-issuing these proxy materials. The Company urges you to date, sign and return the enclosed proxy card promptly. A reply envelope is enclosed for your convenience. You may also vote by telephone or through the Internet by following the instructions on your proxy card. Should you receive more than one proxy card because your shares are registered in different names and addresses, each proxy card should be signed, dated and returned to ensure that all of your shares will be voted. If you hold your shares through a broker, bank or other nominee, promptly return the voting instruction card you receive; you may also be able to vote electronically via the Internet or by telephone if your broker, bank or other nominee offers such a program. Submitting your instructions by any of these methods will not affect your right to attend the Special Meeting to vote your shares in person. However, if you hold your shares through a broker, bank or other nominee, you must obtain a proxy from the record holder of your shares in order to vote in person at the Special Meeting. Your proxy is revocable in accordance with the procedures set forth in the accompanying Proxy Statement.

By Order of the Board of Directors,

George J. Vergis, Ph.D.
President and Chief Executive Officer

Horsham, Pennsylvania
December 17, 2008

IMPORTANT PLEASE VOTE YOUR PROXY PROMPTLY. After reading the accompanying proxy statement, please mark, sign, date and return the enclosed proxy card in the accompanying reply envelope, or call the toll-free number or use the Internet by following the instructions included with your proxy card, whether or not you plan to attend the Special Meeting in person. Please vote as promptly as possible. YOUR SHARES CANNOT BE VOTED UNLESS YOU SIGN, DATE AND RETURN THE ENCLOSED PROXY, VOTE VIA TELEPHONE OR INTERNET OR ATTEND THE SPECIAL MEETING IN PERSON.

If you have any questions or need assistance in voting your shares, please call the Company's proxy solicitor, Georgeson Inc., at (800) 261-1054.

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SUMMARY TERM SHEET

This summary highlights selected information from this proxy statement and may not contain all of the information that is important to you. To fully understand the proposed asset sale transactions and subsequent liquidation of the company, you should carefully read this entire proxy statement and the annexes attached to this proxy statement.

BGX Asset Sale

On September 17, 2008, we entered into an asset purchase agreement with BioGeneriX AG, or BGX, which provides for the sale of a portion of our assets to BGX for $22,000,000 in cash. We are seeking stockholder approval for the BGX asset sale. Below is a summary of the BGX asset purchase agreement. For more detailed information regarding the principal provisions of the BGX asset purchase agreement, see "Proposal No. 1: Approval of the BGX Asset Sale Principal Provisions of the BGX Asset Purchase Agreement" beginning on page 51.

Novo Asset Sale

On September 17, 2008, we entered into an asset purchase agreement with Novo Nordisk A/S, or Novo, which provides for the sale of a portion of our assets to Novo for $21,000,000 in cash. We are seeking stockholder approval for the Novo asset sale. Below is a summary of the Novo asset purchase agreement. For more detailed information regarding the principal provisions of the Novo asset purchase agreement, see "Proposal No. 2: Approval of the Novo Asset Sale Principal Provisions of the Novo Asset Purchase Agreement" beginning on page 92.

Plan of Liquidation

On September 17, 2008, our Board of Directors approved, subject to stockholder approval, a plan to liquidate and dissolve Neose. We are seeking stockholder approval for the plan of liquidation. The approval and adoption of the plan of liquidation will be contingent upon our stockholders' approval of the asset sales and the subsequent consummation of the asset sales. Below is a summary of the plan of liquidation. For more detailed information regarding the plan of liquidation, see "Proposal No. 3: Approval of Plan of Complete Liquidation and Dissolution Background of the Liquidation" beginning on page 112.

Required Vote

The affirmative vote of the holders of a majority of our common stock issued and outstanding and entitled to vote is required for the approval for each of the asset sales and the plan of liquidation. Stockholders may choose to vote in favor of one asset sale and not the other one, or in favor of both asset sales and not the plan of liquidation.

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Summary of Terms of the BGX Asset Sale

The Parties	**Neose** We are a clinical-stage biopharmaceutical company focused on the development of next-generation therapeutic proteins using our enzymatic pegylation technology, GlycoPEGylation . **BGX** BGX, a subsidiary of ratiopharm GmbH, was founded in June 2000 to develop biopharmaceutical drugs with known modes of action and established drug markets. Ratiopharm is a producer of generic pharmaceuticals and is based in Germany.
Assets Proposed to be Transferred to BGX	We have agreed to transfer the following assets to BGX: intellectual property related to GlycoPEG-GCSF and a portion of our intellectual property assets used to modify peptides and proteins for all indications, except for the right to use such intellectual property for use in the prevention or treatment of acquired or hereditary hemorrhagic disorders; inventory of materials related to the use of such intellectual property assets; and books, records, files and documents related to such intellectual property assets and inventory of materials. The BGX asset purchase agreement also contemplates that we and BGX will enter into a license agreement and a sublicense agreement immediately prior to the closing of the asset sales, pursuant to which we will license or sublicense to BGX a portion of the intellectual property to be acquired by Novo. At the closing of the Novo asset sale, we will assign our interest in such agreements to Novo.
Liabilities Proposed to be Assumed by BGX	BGX has agreed to assume our liabilities relating to the assets purchased by BGX. These liabilities include performance obligations: arising after the closing date of the BGX asset sale in connection with the regulatory documentation included in the assets purchased by BGX; and under the contracts assigned to BGX accruing with respect to the period commencing after the closing date of the BGX asset sale, or if consent to assignment is required, the later of the closing date of the BGX asset sale or the date consent is obtained and such contract is assigned.
Conditions to the Closing of the BGX Asset Sale	The obligations of the parties to complete the BGX asset sale are subject to conditions, such as the approval of the BGX asset sale by our stockholders.

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	The obligations of BGX to complete the BGX asset sale are subject to additional conditions at closing, such as: • the absence of any event or development of a state of circumstances that, individually or in the aggregate, has had, or could reasonably be expected to result in, a material adverse effect on us; • the simultaneous closing of the BGX asset sale and the Novo asset sale; and • the issuance and effectiveness of a representation and warranty insurance policy and the clinical trial liability tail policy as required by the BGX asset purchase agreement, and the payment by us of the premiums thereunder.
Material Income Tax Consequences of the BGX Asset Sale	We believe that we will not incur any material federal or state income taxes as a result of the BGX asset sale because our basis in the assets being sold exceeds the sale proceeds that will be received from BGX.

Summary of Terms of the Novo Asset Sale

The Parties	**Neose** See the Summary of Terms of the BGX asset sale above for a description of Neose. **Novo** Novo is a healthcare company that sells diabetes, hemostasis management, growth hormone therapy and hormone replacement therapy products.
Assets Proposed to be Transferred to Novo	We have agreed to transfer the following assets to Novo: • substantially all of our intellectual property related to any compound or product developed for the use in the prevention or treatment of acquired or hereditary hemorrhagic disorders; • inventory of reagents related to the use of such intellectual property assets or manufactured by us in connection with our collaboration with Novo; and • books, records, files and documents related to such intellectual property assets and inventory of reagents.
Liabilities Proposed to be Assumed by Novo	Novo has agreed to assume our liabilities relating to the assets purchased by Novo. These liabilities include: • performance obligations arising under the contracts assigned to Novo accruing with respect to the period commencing, as applicable, after the closing date of the Novo asset sale, or if consent to assignment is required, the later of the closing date of the Novo asset sale or the date consent is obtained and such contract is assigned; and

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	all other liabilities related to the assets purchased by Novo, to the extent incurred after the closing date.
Conditions to the Closing of the Novo Asset Sale	The obligations of the parties to complete the Novo asset sale are subject to conditions, such as the approval of the Novo asset sale by our stockholders. The obligations of Novo to complete the Novo asset sale are subject to additional conditions at closing, such as: the absence of any event or development of a state of circumstances that, individually or in the aggregate, has had, or could reasonably be expected to result in, a material adverse effect on us; and the simultaneous closing of the Novo asset sale and the BGX asset sale.
Material Income Tax Consequences of the Novo Asset Sale	We believe that we will not incur any material federal or state income taxes as a result of the Novo asset sale because our basis in the assets being sold exceeds the sale proceeds that will be received from Novo.

Summary of Terms Common to Both Asset Purchase Agreements

Liabilities Retained by Neose	Other than the liabilities assumed by BGX and Novo, we will remain responsible for all of our other liabilities, such as tax liabilities, liabilities relating to employment matters, and liabilities existing prior to the closing of the asset sales relating to the assets purchased by BGX and Novo.
Restrictions on Our Ability to Solicit Third Party Proposals; Ability to Enter into a Superior Proposal	Each asset purchase agreement contains a restriction on our ability to solicit third party proposals and on our ability to provide information and engage in discussions and negotiations with unsolicited third parties, which we refer to as a no shop restriction. The no shop restriction is subject to an exception that allows us to provide information and participate in discussions and negotiations with respect to unsolicited third party acquisition proposals submitted after the date of the asset purchase agreement that our Board of Directors determines in good faith are reasonably likely to result in a superior acquisition proposal, provided that BGX or Novo, as the case may be, would be afforded an opportunity to counter any such proposal. Our Board of Directors may terminate each asset purchase agreement and agree to a superior acquisition proposal, so long as we comply with the terms and subject to the circumstances set forth in the asset purchase agreement and pay BGX or Novo, as the case may be, a termination fee.

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Termination of the Asset Purchase Agreements	Each asset purchase agreement may be terminated: by either party if the related asset sale is not completed by January 31, 2009 (other than due to a breach of any representation or warranty of the party seeking termination, or as a result of the failure of such party to comply with its obligations); by us if we enter into an agreement related to a superior acquisition proposal as discussed in "Restrictions on Our Ability to Solicit Third Party Proposals; Ability to Enter into a Superior Proposal" above; and by BGX or Novo, as the case may be, if our Board of Directors changes its recommendation in favor of such asset sale.
Termination Fee	We have agreed to pay BGX or Novo, as the case may be, the sum of $1,000,000: if we terminate the asset purchase agreement upon entering into an agreement related to a superior acquisition proposal; and if BGX or Novo, as the case may be, terminate the asset purchase agreement upon our Board of Directors changing its recommendation in favor of such asset sale.
Payment of Expenses	We will reimburse BGX or Novo, as the case may be, up to an aggregate of $500,000 for any and all out-of-pocket costs and expenses under any circumstance that would trigger the payment of the termination fee to such party, or if our stockholders do not approve the asset sale with such party.

Summary of Terms of the Plan of Liquidation and Complete Dissolution

Plan of Liquidation	The plan of liquidation is contingent upon stockholder approval and consummation of the BGX asset sale and the Novo asset sale. For detailed information regarding the Plan of Liquidation, see "Proposal No. 3: Approval of Plan of Complete Liquidation and Dissolution" beginning on page 112.
Anticipated Timing and Projected Amount of Distributions	Subject to the consummation of the asset sales and stockholder approval of the plan of liquidation, we anticipate that an initial distribution of liquidation proceeds, if any, will be made to our stockholders within 60 days after the closing of the asset sales. Our current estimate is that there will be between $18,600,000 and $28,300,000, or $0.34 to $0.52 per share of our common stock, available for distribution over time to our stockholders, with the final distribution amount to be determined and the final distribution made after settlement and satisfaction of all of our liabilities.

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NEOSE TECHNOLOGIES, INC.

102 ROCK ROAD
HORSHAM, PENNSYLVANIA 19044
PROXY STATEMENT FOR THE SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD JANUARY 26, 2009

General

This Proxy Statement is furnished in connection with the solicitation on behalf of the Board of Directors (the "Board of Directors" or the "Board") of Neose Technologies, Inc., a Delaware corporation (the "Company"), of proxies in the enclosed form for use in voting at the Special Meeting of Stockholders (the "Special Meeting") to be held on January 26, 2009 at 9:00 a.m., local time, or at any adjournments or postponements thereof, for the purposes set forth herein and in the accompanying Notice of Special Meeting of Stockholders. The Special Meeting will be held at our offices at 102 Rock Road, Horsham, Pennsylvania 19044. The telephone number at that location is (215) 315-9000. As used herein, the terms "we," "us," "our" and similar terms refer to the Company.

These proxy solicitation materials are being mailed on or about December 23, 2008 to all stockholders entitled to vote at the Special Meeting.

The first proposal to be acted upon at the Special Meeting is the approval of the Asset Purchase Agreement, dated as of September 17, 2008 (the "BGX Asset Purchase Agreement"), by and between us and BioGeneriX AG, a company organized under the laws of the Federal Republic of Germany ("BGX"), and the sale of certain of our assets to BGX described therein (collectively, the "BGX Asset Sale"). **A copy of the BGX Asset Purchase Agreement, which provides for a sale of certain assets to BGX for a purchase price of $22,000,000 in cash, is attached as *Annex A* to this Proxy Statement. We encourage you to read the BGX Asset Purchase Agreement in its entirety.** Pursuant to the BGX Asset Purchase Agreement, we will sell to BGX certain intellectual property. The assets being sold in the BGX Asset Sale are referred to as the "BGX Purchased Assets" (See "Proposal No. 1: Approval of the BGX Asset Sale" beginning on page 35 for a more complete description of the BGX Asset Purchase Agreement). BGX has a principal place of business at High-Tech-Park Neckarau, Janderstrasse 3, D-68199 Mannheim, Germany.

The second proposal to be acted upon at the Special Meeting is the approval of the Asset Purchase Agreement, dated as of September 17, 2008 (the "Novo Asset Purchase Agreement"), by and between us and Novo Nordisk A/S, a company organized under the laws of Denmark ("Novo"), and the sale of certain of our assets to Novo described therein (collectively, the "Novo Asset Sale"). **A copy of the Novo Asset Purchase Agreement, which provides for a sale of certain assets to Novo for a purchase price of $21,000,000 in cash, is attached as *Annex B* to this Proxy Statement. We encourage you to read the Novo Asset Purchase Agreement in its entirety.** Pursuant to the Novo Asset Purchase Agreement, we will sell to Novo certain intellectual property. The assets being sold in the Novo Asset Sale are referred to as the "Novo Purchased Assets" (See "Proposal No. 2: Approval of the Novo Asset Sale" beginning on page 79 for a more complete description of the Novo Asset Purchase Agreement). Novo has a principal place of business at Novo Alle, 2880 Bagsvaerd, Denmark.

BGX and Novo are referred to jointly in this Proxy Statement as the "Purchasers." The BGX Asset Sale and the Novo Asset Sale are referred to jointly in this Proxy Statement as the "Asset Sales." The BGX Purchased Assets and Novo Purchased Assets are referred to jointly in this Proxy Statement as the "Purchased Assets." The BGX Asset Purchase Agreement and the Novo Asset Purchase Agreement are referred to jointly in this Proxy Statement as the "Asset Purchase Agreements."

The third proposal to be acted upon at the Special Meeting is the approval and adoption of the Plan of Complete Liquidation and Dissolution of the Company (the "Plan of Liquidation"), which is subject to our stockholders' approval of the Asset Sales and the subsequent consummation of the Asset

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Sales (See "Proposal No. 3: Approval of Plan of Complete Liquidation and Dissolution" beginning on page 112 for a more complete description of the Plan of Liquidation). **A copy of the Plan of Liquidation is attached as *Annex C* to this Proxy Statement. We encourage you to read the Plan of Liquidation in its entirety.**

Each Asset Sale is conditioned upon the consummation of the other Asset Sale, but each Purchaser may waive this condition with respect to its Asset Sale if the other Asset Sale is not consummated. Neither Asset Sale is conditioned upon the approval of the Plan of Liquidation. Our Plan of Liquidation is conditioned upon the consummation of both Asset Sales.

If our stockholders do not approve and adopt the Plan of Liquidation, we will complete the Asset Sales if they are approved by our stockholders and the other conditions to closing are met. In this case, we will have transferred substantially all of our assets to BGX and Novo. We would have no material operations after the Asset Sales, and will retain only a few employees required to maintain our corporate existence. We estimate the amount of our ongoing annual operating expenditures would be approximately $2,200,000, of which approximately $1,700,000 is estimated for real estate-related expenses, approximately $300,000 is estimated for salaries and related benefits, and approximately $200,000 is estimated for legal, consulting, and other general and administrative expenses. If we negotiate a termination of our real estate leases, we would no longer incur the estimated annual real estate-related expenses of approximately $1,700,000. At this time, our Board of Directors has not identified employees who would be retained under such circumstances. However, we do not anticipate that any of our current executive officers would be retained as employees.

With no material operating assets and no Plan of Liquidation approved, we intend to declare and pay to our stockholders a cash dividend of at least $15,900,000, or $0.29 per share of our common stock. This cash dividend amount assumes we will retain sufficient cash to fully meet our obligations under our real estate leases and to fund our ongoing annual non-facility-related operating expenditures for the remainder of the term of the real estate leases of approximately $500,000, of which approximately $300,000 is estimated for salaries and related benefits, and approximately $200,000 is estimated for legal, consulting, and other general and administrative expenses. The cash dividend amount also assumes we will not retain cash with respect to payment of liquidated damages to investors in our March 2007 equity financing because we believe such damages are payable only upon our Liquidation (See "Proposal No. 3: Approval of Plan of Complete Liquidation and Dissolution Background of the Liquidation" for a more detailed description of the potential payment of liquidated damages in connection with our March 2007 equity financing). If a cash dividend is paid, any cash in excess of such cash dividend will be retained to fund ongoing operating expenses.

If only one of the Asset Sales is approved by our stockholders, the Purchaser in such approved Asset Sale will not be obligated to close; however, we would seek such Purchaser's approval to close such approved Asset Sale. If neither Asset Sale is completed or if only one Asset Sale is completed, we will attempt to secure additional financing. It is uncertain whether we can secure sufficient financing to fund our ongoing operations on terms acceptable to us, if at all, within a time frame necessary to continue our ongoing operations. If we are unable to secure additional financing on terms acceptable to us and on a timely basis, we may seek stockholder approval to dissolve or we may file for bankruptcy protection (See "Proposal No. 3: Approval of Plan of Complete Liquidation and Dissolution" for a more complete description of the Plan of Liquidation).

If we do not have a quorum at the Special Meeting or if we do not have sufficient affirmative votes in favor of the foregoing three proposals, we may, subject to stockholder approval as described below, adjourn the Special Meeting to a later time to permit further solicitation of proxies, if necessary, to obtain additional votes in favor of the foregoing proposals. We may adjourn the Special Meeting without notice, other than by the announcement made at the Special Meeting. Under our bylaws, we can adjourn the Special Meeting by approval of the holders of a majority of our common stock having voting power present in person or represented by proxy. We are soliciting proxies to vote in favor of

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adjournment of the Special Meeting, regardless of whether a quorum is present, if necessary to provide additional time to solicit votes in favor of approval of the Asset Sales and/or approval and adoption of the Plan of Liquidation. Our Board of Directors recommends that you vote FOR the proposal to adjourn the Special Meeting.

Except as described in this Proxy Statement, our Board of Directors does not know of any other matters that may be brought before the Special Meeting. In the event that any other matter should come before the Special Meeting, the persons named on the proxy card will have discretionary authority to vote all proxies not marked to the contrary with respect to such matters in accordance with their best judgment. A proxy may be revoked at any time before being voted by written notice to such effect received by us at the address set forth above, Attn: A. Brian Davis, our Senior Vice President and Chief Financial Officer, by delivery of a subsequently dated proxy or by a vote cast in person at the Special Meeting. Presence at the Special Meeting does not, by itself, revoke the proxy.

Record Date; Voting Securities

Our Board of Directors has fixed the close of business on December 17, 2008 as the record date for the Special Meeting (the "Record Date"). Only stockholders of record on the Record Date are entitled to notice of and to vote at the Special Meeting. As of the close of business on the Record Date, we had 54,473,919 shares of common stock issued and outstanding. Our common stock is currently traded on NASDAQ under the symbol "NTEC." During 2008, we have received a number of letters from NASDAQ indicating deficiencies related to our failure to satisfy certain NASDAQ listing standards. Any of these deficiencies may constitute a basis for delisting of our common stock. We have an appeal hearing with NASDAQ scheduled for December 18, 2008. We continue to evaluate whether or not to pursue the appeal hearing. If we are unsuccessful at the appeal hearing, or if we decide not to pursue the appeal hearing, our common stock will be delisted from NASDAQ and we will promptly seek eligibility to commence trading of our common stock on the OTC Bulletin Board or the Pink OTC Markets Inc.

A list of stockholders entitled to vote at the Special Meeting will be available for examination by any stockholder, for any purpose germane to the Special Meeting, during ordinary business hours, at our offices, 102 Rock Road, Horsham, Pennsylvania 19044, for a period of 10 days prior to the Special Meeting and will also be available at the Special Meeting. Our telephone number is (215) 315-9000.

Solicitation

We will pay all costs for soliciting proxies. These costs will include the expenses of preparing and mailing proxy materials for the Special Meeting and reimbursement paid to brokerage firms and others for their expenses incurred in forwarding solicitation material regarding the Special Meeting to beneficial owners of our common stock. We have retained Georgeson Inc. as our proxy solicitor for a base fee of $15,000 plus out-of-pocket costs and expenses, such as telephone calls to stockholders. As our proxy solicitor, Georgeson will review our proxy materials; disseminate broker search cards; distribute our proxy materials; solicit brokers, banks and institutional holders; deliver executed proxies; and, at our option, make telephone calls to our stockholders. We may conduct further solicitation personally, telephonically, by Internet, by e-mail or by facsimile through our officers, directors and regular employees, none of whom will receive additional compensation for assisting with the solicitation of proxies.

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Voting Procedures

You may vote by granting a proxy or, for shares held through a broker, bank or other nominee, by submitting voting instructions to your broker, bank or other nominee. You can also vote at the Special Meeting. You can vote by the following methods:

Proxies

If you hold shares in record name, you may submit your proxy by any one of the following methods:

By Mail You may submit your proxy by mail by signing and dating your proxy card and mailing it in the enclosed pre-addressed envelope. Proxy cards properly executed, duly returned to us and not revoked will be voted in accordance with the specifications made in the proxy card.

By Internet Use the Internet to transmit your voting instructions and for electronic delivery of information. Have your proxy card in hand when you access the website at *www.proxyvote.com*. You will be prompted to enter your 12-digit Control Number, which is located below the voting instructions on your proxy card, to obtain your records and create an electronic proxy card for your voting instructions.

By Phone Use any touch tone telephone to transmit your voting instructions by dialing telephone number (800) 690-6903. Have your proxy card in hand when you call.

Voting Instruction Cards

If you hold your shares through a broker, bank or other nominee, you should follow the directions provided by your broker, bank or other nominee regarding how to instruct your broker, bank or other nominee to vote your shares. Most of these organizations offer voting by telephone or Internet.

In Person at the Special Meeting

We will pass out written ballots to anyone who wants to vote at the Special Meeting. If your shares are held in "street name" and you wish to attend and vote at the Special Meeting, you must notify your broker, bank or other nominee and obtain the proper documentation to vote your shares at the Special Meeting.

Revocability of Proxies

You can change your vote at any time before proxies are voted at the Special Meeting. Proxies may be revoked by any of the following actions:

- delivering a written notice to A. Brian Davis, our Senior Vice President and Chief Financial Officer, at 102 Rock Road, Horsham, PA 19044, that you are revoking your proxy;
- submitting new voting instructions using any of the methods described above; or
- attending the Special Meeting and voting in person (although attendance at the Special Meeting will not, by itself, revoke a proxy).

If your shares are held in "street name" by your broker, bank or other nominee, you must submit new voting instructions to your broker, bank or other nominee, or obtain the proper documentation from your broker, bank or other nominee to vote your shares at the Special Meeting.

Voting and Quorum; Broker Non-Votes

Each share of our common stock is entitled to one vote on all matters. A majority of our common stock issued and outstanding and entitled to vote as of the Record Date, or 27,236,960 shares, must be present at the Special Meeting in person or by proxy in order to constitute a quorum for the

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transaction of business. Abstentions will be counted as present for purposes of determining whether the quorum requirement is satisfied.

Brokers who hold our common stock in "street name" for customers have the authority to vote on "routine" proposals when they have not received instructions from beneficial owners. However, brokers are precluded from exercising their voting discretion with respect to approval on non-routine matters, such as the approval of the Asset Sales and approval and adoption of the Plan of Liquidation and, as a result, absent specific instructions from the beneficial owner of such shares, brokers are not empowered to vote those shares, referred to generally as "broker non-votes." Broker non-votes will be considered as "present" for purposes of determining a quorum but will have the effect of a vote against each of the Asset Sales and the Plan of Liquidation and will have no effect on the proposal to adjourn the Special Meeting, regardless of whether a quorum is present, if necessary to provide additional time to solicit votes in favor of approval of the Asset Sales and/or approval and adoption of the Plan of Liquidation. Your broker will send you information regarding how to instruct it on how to vote on your behalf. **If you do not receive a voting instruction card from your broker, please contact your broker to get a voting instruction card. YOUR VOTE IS CRITICAL TO THE SUCCESS OF OUR PROPOSALS.** We encourage all stockholders whose shares of our common stock are held in "street name" to provide their brokers with instructions on how to vote.

The affirmative vote of the holders of a majority of our common stock issued and outstanding and entitled to vote as of the Record Date is required for approval of each of the Asset Sales and for approval and adoption of the Plan of Liquidation. **Accordingly, abstentions and broker non-votes have the effect of negative votes on the proposals to approve each of the Asset Sales and to approve and adopt the Plan of Liquidation. Abstentions and broker non-votes will have no effect on the proposal to adjourn the Special Meeting.**

If we do not have a quorum at the Special Meeting or if we do not have sufficient affirmative votes in favor of the proposals to approve the Asset Sales and approve and adopt the Plan of Liquidation, we may adjourn the Special Meeting to a later time to permit further solicitation of proxies, if necessary, to obtain additional votes in favor of the foregoing proposals. We may, subject to stockholder approval, adjourn the Special Meeting without notice, other than by the announcement made at the Special Meeting. Under our bylaws, we can adjourn the Special Meeting by approval of the holders of a majority of our common stock having voting power present in person or represented by proxy at the Special Meeting. We are soliciting proxies to vote in favor of adjournment of the Special Meeting, regardless of whether a quorum is present, if necessary to provide additional time to solicit votes in favor of approval of the Asset Sales and/or approval and adoption of the Plan of Liquidation.

All proxies duly executed and received will be voted on all matters presented at the Special Meeting in accordance with the specifications made in such proxies. In the absence of specified instructions, proxies so received will be voted: (i) FOR the proposal to approve the BGX Asset Sale, (ii) FOR the proposal to approve the Novo Asset Sale, (iii) FOR the proposal to approve and adopt the Plan of Liquidation, (iv) FOR the proposal to vote to adjourn the Special Meeting, regardless of whether a quorum is present, if necessary in order to solicit additional affirmative votes in favor of the approval of the Asset Sales and the Plan of Liquidation, and (v) in the discretion of the proxies named on the proxy card with respect to any other matters properly brought before the Special Meeting.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This Proxy Statement contains certain forward-looking statements, including, but not limited to, statements concerning the timing and amount of cash distributions of liquidation proceeds to stockholders, contractual liability claims related to our real estate leases, the cash payment value for warrants issued in connection with our March 2007 equity financing, the ability to satisfy our obligations without resorting to protection under the bankruptcy laws, estimates of ongoing expenses,

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our pursuit of an appeal hearing with NASDAQ, the ability of holders of our common stock to trade our common stock in the event we are delisted from NASDAQ, and certain forecasted financial data. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and are including this statement for purposes of invoking these safe harbor provisions. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause our actual results, performance or achievements, or industry results, to differ materially from our expectations of future results, performance or achievements expressed or implied by such forward-looking statements. These risks include, but are not limited to, the risk that the Asset Sales will not be completed; that we will incur significant costs in connection with the Asset Sales, whether or not they are completed; that if the Asset Sales are not approved by our stockholders we may not be able to secure additional financing to continue our business; that the rehypothecation of shares of our common stock held by certain stockholders may make approval of the Asset Sales and the Plan of Liquidation by our stockholders less likely; that our executive officers have interests in the Asset Sales and the Plan of Liquidation other than, or in addition to, their interests as stockholders generally; that after completion of the Asset Sales, BGX and Novo will not be obligated to make any future royalty or other payments to us or our stockholders, and our stockholders will not have any other right to participate in any value derived from the intellectual property sold by us pursuant to the Asset Purchase Agreements; that either or both of the Asset Sales may not be completed if our stockholders approve one of the Asset Sales, but vote against the other Asset Sale; that the opinions obtained by us from RBC Capital Markets Corporation ("RBC") will not reflect changes in circumstances between the signing of the Asset Purchase Agreements and the consummation of the Asset Sales; that if our stockholders approve the Asset Sales, but vote against the Plan of Liquidation, we intend to complete the Asset Sales and we will have transferred substantially all of our assets to the Purchasers with no material operations after the consummation of the Asset Sales; that if we fail to create an adequate contingency reserve for payment of our expenses and liabilities, each of our stockholders could be held liable for payment to our creditors for amounts owed to creditors in excess of the contingency reserve, up to the amount actually distributed to each such stockholder; that we cannot be certain of the amount, if any, of the distribution to our stockholders under the Plan of Liquidation; that we will continue to incur claims, liabilities and expenses that will reduce the amount available for distribution to our stockholders; that distributions of assets, if any, to our stockholders could be delayed; that our stock transfer books will close on the date we file the certificate of dissolution with the Delaware Secretary of State, after which we will discontinue recording transfers of shares of our common stock; and that we will continue to incur the expenses of complying with public company reporting requirements, which may be economically burdensome.

In particular, the estimated liquidation value per share information is based substantially on various values assigned to the contractual liability claims related to our real estate leases and the cash payment value for warrants issued in connection with our March 2007 equity financing. These estimates could prove to be materially inaccurate. The actual amount, if any, to be received by our stockholders in liquidation will depend significantly upon the actual costs associated with such contractual liability claims.

Although we believe that the expectations reflected in any forward-looking statements are reasonable, we cannot guarantee future events or results. Except as may be required under federal law, we undertake no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other events occur.

The estimates of our liabilities are subject to numerous uncertainties beyond our control. We cannot be certain that the amount, if any, you will receive in liquidation will equal or exceed the price or prices at which you bought our common stock or the price or prices at which our common stock has generally traded or is expected to trade in the future.

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RISK FACTORS

Risks Related to the Asset Sales

We cannot be sure if or when the Asset Sales will be completed.

The consummation of the Asset Sales is subject to the satisfaction of various conditions, many of which are beyond our control, including, but not limited to, the approval of the Asset Sales by our stockholders and a termination right by either party if the Asset Sales are not completed by January 31, 2009. We cannot guarantee that we will be able to satisfy the closing conditions set forth in the Asset Purchase Agreements. If we are unable to satisfy the closing conditions in the BGX Asset Purchase Agreement, BGX will not be obligated to complete the BGX Asset Sale. If we are unable to satisfy the closing conditions in the Novo Asset Purchase Agreement, Novo will not be obligated to complete the Novo Asset Sale.

If only one of the Asset Sales is approved by our stockholders, the Purchaser in such approved Asset Sale will not be obligated to close; however, we would seek such Purchaser's approval to close such approved Asset Sale. If neither Asset Sale is completed or if only one Asset Sale is completed, we will attempt to secure additional financing. It is uncertain whether we can secure sufficient financing to fund our ongoing operations on terms acceptable to us, if at all, within a time frame necessary to continue our ongoing operations. If we are unable to secure additional financing on terms acceptable to us and on a timely basis, we may seek stockholder approval to dissolve or we may file for bankruptcy protection (See "Proposal No. 3: Approval of Plan of Complete Liquidation and Dissolution" for a more complete description of the Plan of Liquidation).

We will incur significant costs in connection with the Asset Sales, whether or not we complete them.

We currently expect to incur approximately $4,500,000 of costs related to the Asset Sales. These expenses include, but are not limited to, financial advisory, legal and accounting fees and expenses, employee expenses, filing fees, printing expenses, proxy solicitation and other related charges. We may also incur additional unanticipated expenses in connection with the Asset Sales. Approximately $3,700,000 of the costs related to the Asset Sales, such as legal, financial advisory and accounting fees, will be incurred regardless of whether the Asset Sales are completed. If the Asset Sales are not approved by the stockholders, we are required to reimburse BGX and Novo for up to an aggregate of $500,000 each for any and all out-of-pocket expenses ("Potential Expense Reimbursements"). These expenses will decrease the remaining cash available for eventual distribution to stockholders in connection with our dissolution and liquidation or for use in connection with any future deployment in the business.

The Asset Sales will not be completed if they are not approved by our stockholders, and we may not be able to secure additional financing to continue our business.

As of September 30, 2008, we had $7,100,000 of cash and cash equivalents. If the Asset Sales are not approved by our stockholders, we believe that our existing cash and cash equivalents, expected proceeds from collaborations and license arrangements, and interest income would be sufficient to meet our operating and capital requirements (including payment of all costs and Potential Expense Reimbursements related to the Asset Sales) through the second quarter of 2009, although changes in our collaborative relationships or our business, whether or not initiated by us, may affect the rate at which we deplete our cash and cash equivalents. Assuming neither Asset Sale is consummated, we must obtain substantial additional financing in order to continue our operations beyond the second quarter of 2009. There are no assurances that funding will be available when we need it on terms that we find favorable, if at all. In the event that we determine that we are unable to secure additional funding when required, we expect to downsize or wind down our operations through liquidation or bankruptcy.

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Any decision to downsize or wind down our operations may occur at any point on or before the second quarter of 2009. Accordingly, if the Asset Sales are not completed, whether due to our stockholders not approving the transactions or due to all closing conditions not being satisfied or waived, we will attempt to secure additional financing. If we are unsuccessful in obtaining such financing, we may seek stockholder approval to wind down our operations. It is unclear whether there would be funds available for distribution to our stockholders if we seek stockholder approval to wind down our operations.

The rehypothecation of shares held by certain stockholders may make approval of the Asset Sales and the Plan of Liquidation by our stockholders less likely.

At least one of our stockholders, Tang Capital Partners, LP ("TCP"), held shares of our common stock in an account at Lehman Brothers International (Europe) ("LBIE"). On September 15, 2008, LBIE was placed into administration under United Kingdom law and four partners of PriceWaterhouseCoopers LLP were appointed as joint administrators (the "Joint Administrators"). The Joint Administrators advised TCP that most of TCP's 7,472,414 shares held at LBIE were rehypothecated by LBIE (i.e., LBIE used its customers' securities for its own purposes). The Joint Administrators and TCP's UK counsel have further advised TCP that LBIE's customers will not be able to recover rehypothecated shares, but instead will be entitled to a general unsecured claim with respect to such shares. As a result, we do not know who currently has the power to vote the shares that were rehypothecated by LBIE or if such rehypothecated shares will be voted at the Special Meeting. See "Important Information Concerning Neose Security Ownership of Certain Beneficial Owners and Management" for more detailed information regarding the rehypothecation of TCP's shares. Additionally, we do not know the number of shares of our common stock that have been rehypothecated. As noted above, approval of the Asset Sales and approval and adoption of the Plan of Liquidation requires the affirmative vote of the holders of a majority of our common stock issued and outstanding and entitled to vote as of the Record Date. If a large number of shares of our common stock have been rehypothecated and will not be voted, approval of the Asset Sales and approval and adoption of the Plan of Liquidation by our stockholders may be less likely.

Our executive officers have interests in the Asset Sales and the Plan of Liquidation other than, or in addition to, their interests as our stockholders generally.

Certain of our executive officers have employment and change in control agreements that provide for severance payments, continuation of medical benefits, outplacement services and full vesting of all unvested stock options if any such executive officer's employment is terminated by us without "cause" or due to the executive officer's resignation with "good reason" in connection with a "change in control." The consummation of the Asset Sales will be deemed a "change of control" under these agreements. The employment of each of these executive officers will be terminated by us either prior to or during the wind down of our activities. In either case, such terminations will likely be deemed terminations without cause in connection with a change in control. The cost for the severance payments, continuation of medical benefits and outplacement services for all executive officers is approximately $4,200,000, assuming no excise tax gross-up payments are due. There are 726,250 shares of common stock underlying unvested stock options held by our executive officers that will vest as a result of the Asset Sales. The weighted-average exercise price of those stock options is $1.69 per share. None of these stock options have an exercise price at or below our current highest estimate of the per share cash available for distribution to our stockholders in the Liquidation. See "Proposal No. 1: Approval of the BGX Asset Sale Interests of Certain Persons in the Asset Sales and the Plan of Liquidation."

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After completion of the Asset Sales, BGX and Novo will not be obligated to make any future royalty or other payments to us or our stockholders, and our stockholders will not have any other right to participate in any value derived from the intellectual property sold by us pursuant to the Asset Purchase Agreements.

Our agreements with BGX and Novo do not provide for the payment of any future royalties or other amounts to us or our stockholders based on the economic value derived by BGX, Novo or other parties from the intellectual property sold by us pursuant to the Asset Purchase Agreements. Accordingly, our stockholders will not have the right to participate, directly or indirectly, in any such value. The amount of the economic value that may be derived from BGX, Novo or other parties from the use of such intellectual property may be significant and may substantially exceed the amount of cash we receive from the Asset Sales. We and our stockholders will not have any right or recourse against BGX, Novo or any other party with respect to any portion of the economic value that may be derived from their use of such intellectual property.

Either or both of the Asset Sales may not be completed if our stockholders approve one of the Asset Sales, but vote against the other Asset Sale.

We are requesting that our stockholders separately approve each Asset Sale. Our stockholders could approve one Asset Sale and not the other. However, each Asset Purchase Agreement includes a condition that provides that the Purchaser is not obligated to close its Asset Sale unless a closing occurs under the Asset Purchase Agreement with the other Purchaser. Therefore, if only one of the Asset Sales is approved by our stockholders, the Purchaser in such approved Asset Sale has the contractual right, but not the obligation to close on its Asset Sale. Notwithstanding that contractual right, the Asset Sales were not structured to address all issues relating to closing one Asset Sale and not the other. For example, if stockholders vote to complete the Novo Asset Sale and not the BGX Asset Sale, even if Novo were to agree to do so, we may not be able to restructure the existing Novo transaction documents to do so or to obtain the consent of BGX under the existing BGX Collaboration Agreement to close the Novo Asset Sale. Similarly, if stockholders vote to complete the BGX Asset Sale and not the Novo Asset Sale, the intellectual property sharing and post-transaction cooperation agreements would have to be restructured in a manner that is compliant with the existing Novo Collaboration Agreement (as defined below) to proceed to close the BGX Asset Sale. Furthermore, material changes in the transaction documents of a particular Asset Sale would require re-approval by our Board of Directors and our stockholders, which may cause a significant delay in closing such Asset Sale. In addition, for the Purchaser in the Asset Sale not approved by our stockholders, we are required to reimburse such Purchaser for up to an aggregate of $500,000 of any and all out-of-pocket expenses.

If only one of the Asset Sales is completed, we would evaluate all of our available options, including, but not limited to attempting to secure additional financing. It is uncertain whether we can secure sufficient financing to fund our ongoing operations on terms acceptable to us, if at all, within a time frame necessary to continue our ongoing operations. If we are unable to secure additional financing on terms acceptable to us and on a timely basis, we may seek stockholder approval to dissolve or we may file for bankruptcy protection (See "Proposal No. 3: Approval of Plan of Complete Liquidation and Dissolution" for a more complete description of the Plan of Liquidation). Even if we are able to secure additional financing on terms acceptable to us after completing one of the Asset Sales, it is uncertain whether our remaining intellectual property assets would be sufficient for us to continue operating as an ongoing business.

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The opinions obtained by us from RBC will not reflect changes in circumstances between the signing of the Asset Purchase Agreements and the consummation of the Asset Sales.

We have not obtained updated fairness opinions from RBC. Changes in our operations and prospects, general market and economic conditions and other factors that may be beyond our control, and on which RBC's opinions were based, may significantly alter the value of our assets being sold in the Asset Sales. Neither of the fairness opinions speaks as of the time the Asset Sales will be consummated or as of any date other than the date of such opinions. Because we do not currently anticipate asking RBC to update its opinions, the opinions will not address the fairness of the Asset Sales, from a financial point of view, at the time the Asset Sales are consummated.

Risks Related to the Liquidation and Dissolution

If our stockholders approve the Asset Sales, but vote against the Plan of Liquidation, we intend to complete the Asset Sales, which will have transferred substantially all of our assets to the Purchasers, and we would have no material operations after the consummation of the Asset Sales.

The Plan of Liquidation is subject to the approval by our stockholders and subsequent consummation of the Asset Sales. If our stockholders do not approve and adopt the Plan of Liquidation, we will complete the Asset Sales if they are approved by our stockholders and the other conditions to closing are met. In this case, we will have transferred substantially all of our assets to BGX and Novo. We would have no material operations after the consummation of the Asset Sales, and would retain only a few employees required to maintain our corporate existence. We estimate the amount of our ongoing annual operating expenditures would be approximately $2,200,000, of which approximately $1,700,000 is estimated for real estate-related expenses, approximately $300,000 is estimated for salaries and related benefits, and approximately $200,000 is estimated for legal, consulting, and other general and administrative expenses. If we negotiate a termination of our real estate leases, we would no longer incur the estimated annual real estate-related expenses of approximately $1,700,000. At this time, our Board of Directors has not identified employees that would be retained under such circumstances. However, we do not anticipate that any of our current executive officers would be retained as employees.

Under such circumstances, with no material operating assets and no Plan of Liquidation approved, we intend to declare and pay to our stockholders a cash dividend of at least $15,900,000, or $0.29 per share of our common stock. This cash dividend amount assumes we will retain sufficient cash to fully meet our obligations under our real estate leases and to fund our ongoing non-facility-related operating expenditures for the remainder of the term of the real estate leases of approximately $500,000, of which approximately $300,000 is estimated for salaries and related benefits, and approximately $200,000 is estimated for legal, consulting, and other general and administrative expenses. The cash dividend amount also assumes we will not retain cash with respect to payment of liquidated damages to investors in our March 2007 equity financing because such damages would be payable only in connection with the Plan of Liquidation (see "Proposal No. 3: Approval of Plan of Complete Liquidation and Dissolution Background of the Liquidation" for a more detailed description of the potential payment of liquidated damages in connection with our March 2007 equity financing). If a cash dividend is paid, any cash in excess of such cash dividend will be retained to fund ongoing operating expenses.

If we fail to create an adequate contingency reserve for payment of our expenses and liabilities, each of our stockholders could be held liable for payment to our creditors for amounts owed to creditors in excess of the contingency reserve, up to the amount actually distributed to each such stockholder.

Under Delaware law, in the event we fail to create an adequate contingency reserve for payment of our expenses and liabilities, each stockholder could be held liable for the payment to our creditors

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of amounts received by such stockholder from our liquidating distributions. No stockholder will be liable for more than such stockholder's pro rata share of any such claim. Accordingly, in such event a stockholder could be required to return all distributions previously received from us in liquidation, and thus, would receive nothing from us as a result of the Plan of Liquidation. Moreover, in the event a stockholder has paid taxes on amounts theretofore received, a repayment of all or a portion of such amount could result in a situation in which a stockholder may incur a net tax cost if the repayment of the amount distributed does not cause a reduction in taxes payable in an amount equal to the amount of the taxes paid on amounts previously distributed (See "Material U.S. Federal Income Tax Consequences of the Plan of Liquidation"). While we cannot be certain, after a review of our assets and liabilities, we believe that the Contingency Reserve (as defined below) will be adequate and that a return of amounts previously distributed will not be required.

We cannot be certain of the amount, if any, of the distribution to our stockholders under the Plan of Liquidation.

Liquidation and dissolution may not create value to our stockholders or result in any remaining capital for distribution to our stockholders. Our current estimate is that there will be between $18,600,000 and $28,300,000, or $0.34 to $0.52 per share of our common stock, available for distribution over time to our stockholders. However, we cannot be certain of the precise amount available for distribution to our stockholders pursuant to the Plan of Liquidation. Uncertainties regarding contractual liability claims related to our real estate leases and to warrants issued in connection with our March 2007 equity financing make it difficult to predict with certainty the amount available for distribution, if any, to our stockholders.

We will continue to incur claims, liabilities and expenses that will reduce the amount available for distribution to our stockholders.

Claims, liabilities and expenses from operations (including, but not limited to, operating costs such as salaries, directors' fees, directors' and officers' insurance, payroll and local taxes, legal and accounting fees and miscellaneous office expenses) will continue to be incurred as we seek to close the Asset Sales and wind down operations in dissolution.

We anticipate that the total amount of employee severance costs will be approximately $5,700,000, of which approximately $4,200,000 will be paid to executive officers (assuming no excise tax gross-up payments are due (See "Proposal No. 1: Approval of the BGX Asset Sale Interests of Certain Persons in the Asset Sales and the Plan of Liquidation.")), approximately $1,300,000 will be paid to other employees and approximately $200,000 relates to associated payroll taxes. We have also guaranteed the payment of approximately $300,000 of 2008 bonuses to certain employees below the level of vice president if the employment of those individuals is terminated prior to the awarding of 2008 bonuses by the Compensation Committee of the Board of Directors. In addition, the Compensation Committee will decide whether to award 2008 employee bonuses to our executive officers and certain other employees ("Other Bonus Pool Employees"). The target amount of 2008 bonuses that may be awarded to the Other Bonus Pool Employees by the Compensation Committee is approximately $800,000. The actual amount paid with respect to 2008 employee bonuses may be more or less than the target amount depending on the Compensation Committee's evaluation of both our and our employees' performance during 2008.

We also estimate that salary, directors' fees, and related benefits payable to employees after the closing of the Asset Sales would be approximately $400,000, of which approximately $300,000 would be incurred during the initial 30 days following closing of the Asset Sales. These expenses will reduce the amount of assets available for ultimate distribution to stockholders. If available cash and amounts received on the sale of non-cash assets are not adequate to provide for our obligations, liabilities,

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expenses and claims, we may not be able to distribute meaningful cash, or any cash at all, to our stockholders.

Distribution of assets, if any, to our stockholders could be delayed.

Subject to the consummation of the Asset Sales and to stockholder approval of the Plan of Liquidation, we anticipate that an initial distribution of liquidation proceeds, if any, will be made to our stockholders within 60 days after the closing of the Asset Sales. As we liquidate our remaining assets and pay off our outstanding liabilities, including our real estate leases, we will distribute additional liquidation proceeds, if any, to our stockholders as our Board of Directors deems appropriate. The negotiations regarding the termination of our real estate leases may cause a significant delay to distribution of additional liquidation proceeds. Additionally, a creditor could seek an injunction against the making of distributions to our stockholders on the ground that the amounts to be distributed were needed to provide for the payment of our liabilities and expenses. Any action of this type could delay or substantially diminish the amount available for distribution to our stockholders.

Our stock transfer books will close on the date we file the certificate of dissolution with the Secretary of State of the State of Delaware, after which we will discontinue recording transfers of shares of our common stock.

We intend to close our stock transfer books and discontinue recording transfers of shares of our common stock at the close of business on the date we file the certificate of dissolution with the Secretary of State of the State of Delaware (the "Final Record Date"). Thereafter, certificates representing shares of our common stock will not be assignable or transferable on our books. The proportionate interests of all of our stockholders will be fixed on the basis of their respective stock holdings at the close of business on the Final Record Date, and, after the Final Record Date, any distributions made by us will be made solely to stockholders of record at the close of business on the Final Record Date.

We will continue to incur the expenses of complying with public company reporting requirements, which may be economically burdensome.

We have an obligation to continue to comply with the applicable reporting requirements of the Securities Exchange Act of 1934 (the "Exchange Act") even though compliance with such reporting requirements would be economically burdensome if we are unable to suspend our Exchange Act reporting obligations. In order to curtail expenses, contemporaneously with filing the certificate of dissolution with the Secretary of State of the State of Delaware, we intend to seek termination of the registration of our common stock and suspend our reporting obligations under the Exchange Act. To the extent that we are unable to terminate the registration of our common stock, we would be obligated to continue complying with the applicable reporting requirements of the Exchange Act.

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING

The Proposals to Be Voted On

Q: **What proposals will be voted on at the Special Meeting?**

A: The following four proposals will be voted on at the Special Meeting:

- to approve the BGX Asset Purchase Agreement and the BGX Asset Sale (See "Proposal No. 1: Approval of the BGX Asset Sale" beginning on page 35 of this Proxy Statement for a more detailed description of the transaction with BGX).

- to approve the Novo Asset Purchase Agreement and the Novo Asset Sale (See "Proposal No. 2: Approval of the Novo Asset Sale" beginning on page 79 of this Proxy Statement for a more detailed description of the transaction with Novo).

- to approve and adopt the Plan of Liquidation (See "Proposal No. 3: Approval of Plan of Complete Liquidation and Dissolution" beginning on page 112 of this Proxy Statement for a more detailed description of the proposed liquidation and dissolution of the Company).

- to adjourn the Special Meeting, regardless of whether a quorum is present. The fourth proposal will be voted on only if necessary to solicit additional votes in favor of approval of the BGX Asset Sale, the Novo Asset Sale and/or the approval and adoption of the Plan of Liquidation.

See "Notice of Special Meeting of Stockholders."

Recommendation of the Board of Directors

Q: **What is the Board of Directors' recommendation with respect to the BGX Asset Sale proposal, the Novo Asset Sale proposal and the Plan of Liquidation proposal?**

A: Our Board has unanimously:

- determined that the BGX Asset Sale, the Novo Asset Sale and the other transactions contemplated by the Asset Sales, are fair to, advisable and in the best interests of the Company and our stockholders;

- adopted the opinion of RBC that the consideration to be received by us from BGX upon the closing of the BGX Asset Sale is fair to us from a financial point of view and adopted the opinion of RBC that the consideration to be received by us from Novo upon the closing of the Novo Asset Sale is fair to us from a financial point of view;

- approved in all respects the BGX Asset Sale, the Novo Asset Sale and the other transactions contemplated by the Asset Sales; and

recommended that our stockholders vote "FOR" the approval of the BGX Asset Sale and "FOR" the approval of the Novo Asset Sale.

One member of our Board of Directors, Brian H. Dovey, abstained from voting on the Plan of Liquidation, due to a potential conflict of interest arising as a result of his position as the Managing Member of One Palmer Square Associates V, L.L.C., a Delaware limited liability company, which is the general partner of Domain Partners V, L.P., a Delaware limited partnership ("DPV"), and DP V Associates, L.P. ("DPVA", together with DPV, the "Dovey Affiliated Funds"). Each of the Dovey Affiliated Funds participated in our March 2007 equity financing. Other than the abstaining member, each member of our Board of Directors has:

determined that the Plan of Liquidation, and the other transactions contemplated thereby, are fair to, advisable and in the best interests of us and our stockholders;

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subject to the approval of the Asset Sales by our stockholders and the subsequent consummation of the Asset Sales, approved and adopted in all respects the Plan of Liquidation and the other transactions contemplated thereby; and

recommended that our stockholders vote "FOR" the approval and adoption of the Plan of Liquidation.

Accordingly, our Board of Directors recommends a vote "FOR" approval of the BGX Asset Sale, "FOR" approval of the Novo Asset Sale, "FOR" approval and adoption of the Plan of Liquidation and "FOR" the adjournment of the Special Meeting, regardless of whether a quorum is present, if necessary to solicit additional votes in favor of the BGX Asset Sale, the Novo Asset Sale and/or the Plan of Liquidation.

The Asset Sales

Q: **What will happen if the BGX Asset Sale and the Novo Asset Sale are approved?**

A: If the BGX Asset Sale and the Novo Asset Sale are approved, we will consummate the Asset Sales subject to satisfaction of the closing conditions set forth in the Asset Purchase Agreements. We anticipate that the transactions will close shortly after the Special Meeting.

Q: **Why did we enter into the Asset Purchase Agreements?**

A: After due consideration of all other alternatives reasonably available to us, our Board of Directors concluded that the completion of the sale of substantially all of our assets to BGX and Novo for an aggregate of $43,000,000 in cash was the only alternative reasonably likely to enable us to satisfy our outstanding obligations and to maximize value to our stockholders.

Q: **Who are the Purchasers?**

A:

BioGeneriX AG

Since 2004, we have collaborated with BGX to use our proprietary GlycoPEGylation technology to co-develop a long-acting version of granulocyte colony stimulating factor, or G-CSF. BGX, a subsidiary of ratiopharm, was founded in June 2000 to develop biopharmaceutical drugs with known modes of action and established drug markets. Ratiopharm is a producer of generic pharmaceuticals and is based in Germany.

Novo Nordisk A/S

Since 2003, we have collaborated with Novo to use our GlycoPEGylation technology to develop next-generation versions of recombinant Factors VIIa, VIII and IX, one of which, Factor VIIa, is currently marketed by Novo. Novo is a company organized under the laws of Denmark. Novo is a healthcare company that markets products for diabetes care, hemostasis management, growth hormone therapy and hormone replacement therapy. With headquarters in Denmark, Novo employs approximately 26,550 employees in 80 countries, and markets its products in 179 countries.

Q: **What is the purchase price for the assets being sold in the Asset Sales?**

A: The Purchasers will pay us an aggregate amount of $43,000,000 in cash for the assets to be sold.

Q: **What assets are being sold to the Purchasers?**

A:

The assets we propose to sell to Novo consist of substantially all of our intellectual property assets, including substantially all of our intellectual property assets that relate to the discovery, research, development, commercialization or other exploitation of any compound or product developed for the use in the prevention or treatment of acquired or hereditary hemorrhagic disorders, our books, records, files and documents related to such assets and our inventory of reagents related to the use of such assets or manufactured by us in connection with our collaboration with Novo. The assets

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we propose to sell to BGX consist of certain intellectual property assets that relate to the discovery, research, development, commercialization or other exploitation of any compound or product developed relating to G-CSF and to any other peptide or protein not otherwise purchased by Novo, our books, records, files and documents related to such assets and our inventory of materials related to the use of such assets.

Q:

What assets are not being sold to the Purchasers?

A:

We are not selling our cash, cash equivalents and investments, accounts receivable, potential tax refunds, property, plant and equipment, our real estate leases and certain other immaterial assets, including our intellectual property related to the exploitation of non-GlycoPEGylated glycolipids or oligosaccharides not attached to a peptide or protein.

Q:

What liabilities will be assumed by the Purchasers?

A:

Each Purchaser will assume only certain specified liabilities related to the assets purchased by such Purchaser. All other liabilities will remain our obligation, including, but not limited to, contract claims, obligations under our real estate leases and employee-related plans and agreements.

Q:

What will happen if the Asset Sales are not approved?

A:

As of September 30, 2008, we had $7,100,000 of cash and cash equivalents. If the Asset Sales are not approved by our stockholders, we believe that our existing cash and cash equivalents, expected proceeds from collaborations and license arrangements, and interest income would be sufficient to meet our operating and capital requirements (including payment of all costs and Potential Expense Reimbursements related to the Asset Sales) through the second quarter of 2009, although changes in our collaborative relationships or our business, whether or not initiated by us, may affect the rate at which we deplete our cash and cash equivalents.

Assuming neither Asset Sale is consummated, we must obtain substantial additional financing in order to continue our operations beyond the second quarter of 2009. There are no assurances that funding will be available when we need it on terms that we find favorable, if at all. In the event that we determine that we are unable to secure additional funding when required, we expect to downsize or wind down our operations through liquidation or bankruptcy. Any decision to downsize or wind down our operations may occur at any point on or before the second quarter of 2009.

Accordingly, if the Asset Sales are not completed, whether due to our stockholders not approving the transactions or due to all closing conditions not being satisfied or waived, we will attempt to secure additional financing. If we are unsuccessful in obtaining such financing, we may seek stockholder approval to wind down our operations. It is unclear whether there would be funds available for distribution to stockholders if we seek stockholder approval to wind down our operations.

Q:

What will happen if only one of the Asset Sales is approved?

A:

We are requesting that our stockholders separately approve each Asset Sale. Our stockholders could approve one Asset Sale and not the other. However, each Asset Purchase Agreement includes a condition that provides that the Purchaser is not obligated to close its Asset Sale unless a closing occurs under the Asset Purchase Agreement with the other Purchaser. Therefore, if only one of the Asset Sales is approved by our stockholders, the Purchaser in such approved Asset Sale has the contractual right, but not the obligation to close on its Asset Sale. Notwithstanding that contractual right, the Asset Sales were not structured to address all issues relating to closing one Asset Sale and not the other. For example, if stockholders vote to complete the Novo Asset Sale and not the BGX Asset Sale, even if Novo were to agree to do so, we may not be able to restructure the existing Novo transaction documents to do so or to obtain the consent of BGX under the existing BGX Collaboration Agreement to close the Novo Asset Sale. Similarly, if

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stockholders vote to complete the BGX Asset Sale and not the Novo Asset Sale, the intellectual property sharing and post-transaction cooperation agreements would have to be restructured in a manner that is compliant with the existing Novo Collaboration Agreement to proceed to close the BGX Asset Sale. Furthermore, material changes in the transaction documents of a particular Asset Sale would likely require re-approval by our Board of Directors and stockholders, which may cause a significant delay in closing such Asset Sale, if such closing occurs at all. In addition, for the Purchaser in the Asset Sale not approved by our stockholders, we are required to reimburse such Purchaser for up to an aggregate of $500,000 of any and all out-of-pocket expenses.

If only one of the Asset Sales is completed, we would evaluate all of our available options, including, but not limited to attempting to secure additional financing. It is uncertain whether we can secure sufficient financing to fund our ongoing operations on terms acceptable to us, if at all, within a time frame necessary to continue our ongoing operations. If we are unable to secure additional financing on terms acceptable to us and on a timely basis, we may seek stockholder approval to dissolve or we may file for bankruptcy protection (See "Proposal No. 3: Approval of Plan of Complete Liquidation and Dissolution" beginning on page 112 of this Proxy Statement for a more complete description of the Plan of Liquidation). Even if we are able to secure additional financing on terms acceptable to us after completing one of the Asset Sales, it is uncertain whether our remaining intellectual property assets would be sufficient for us to continue operating. It is uncertain whether we would pay our stockholders a cash dividend from the proceeds of the completed Asset Sale.

Q:

What are the other conditions to closing the Asset Sales?

A:

Conditions to closing of the Asset Sales include, but are not limited to, the absence of any event or development of a state of circumstances that, individually or in the aggregate, has had, or could reasonably be expected to result in, a "Material Adverse Effect" as that term is defined in the Asset Purchase Agreements, the simultaneous closing of the BGX Asset Sale and the Novo Asset Sale, the receipt by us of an acknowledgment of or consent to assignment, as applicable, of certain third party license agreements (all of which have been obtained), the issuance and effectiveness of a clinical trial liability tail policy and the payment by us of premiums thereunder, and, with respect to the BGX Asset Sale, the issuance and effectiveness of a representation and warranty insurance policy and the payment by us of the premiums thereunder.

Q:

What are the federal and state income tax consequences to us of the Asset Sales?

A:

We believe that we will not incur any federal or state income taxes as a result of the BGX Asset Sale or the Novo Asset Sale because our basis in the assets being sold exceeds the sale proceeds that will be received from BGX and Novo.

The Plan of Liquidation and Possible Distributions to Stockholders

Q:

What will happen if the Plan of Liquidation is approved and adopted?

A:

If the Plan of Liquidation is approved and adopted and the Asset Sales are consummated, we intend to file, within 60 days of the closing of the Asset Sales, a certificate with the Delaware Secretary of State to dissolve the Company as a legal entity, complete the liquidation of our remaining assets, and satisfy (or make provisions to satisfy) our remaining obligations. We would take all steps necessary to reduce our operating expenses through the termination of employees and other cost-cutting measures. Subject to the consummation of the Asset Sales and to stockholder approval of the Plan of Liquidation, we anticipate that an initial distribution of liquidation proceeds, if any, will be made to our stockholders within 60 days after the closing of the Asset Sales. As we liquidate our remaining assets and pay off our outstanding liabilities, including our real estate leases, we will distribute additional liquidation proceeds, if any, to our stockholders as our Board of Directors deems appropriate. The negotiations regarding the

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termination of our real estate leases may cause a significant delay to distribution of additional liquidation proceeds. Additionally, a creditor could seek an injunction against the making of distributions to our stockholders on the ground that the amounts to be distributed were needed to provide for the payment of our liabilities and expenses. Any action of this type could delay or substantially diminish the amount available for distribution to our stockholders.

Q:

What is the amount of the payment that stockholders will receive from our liquidation assuming that the Asset Sales are consummated?

A:

Assuming that the Asset Sales are consummated on the terms described herein, and that we complete the liquidation of our remaining assets and the payment of, or provision for, all of our liabilities, we estimate that the aggregate amount ultimately distributed to our stockholders would be $0.34 per share at the low end of the range and $0.52 per share at the high end of the range. The most significant variables in the amount we would distribute to stockholders are the contractual liability claims related to our real estate leases and the cash payment value for warrants issued in connection with our March 2007 equity financing.

Other factors that may affect the per share distribution amount to stockholders include, but are not limited to, the actual amount of expenses we incur for such things as legal and accounting fees related to the Asset Sales and the Plan of Liquidation, operating expenses and other liabilities we incur that would reduce the per share distribution amount (See "Proposal No. 3: Approval of Plan of Complete Liquidation and Dissolution Liquidating Distributions; Nature; Amount; Timing" beginning on page 115 including the chart on page 118 of this Proxy Statement for a more detailed description of the fees, expenses and liabilities described above). Such factors could reduce the estimated distribution amounts (See "Caution Regarding Forward-Looking Statements" beginning on page 10 of this Proxy Statement).

Q:

When will stockholders receive any payment from our liquidation?

A:

Subject to the consummation of the Asset Sales and to stockholder approval of the Plan of Liquidation, we anticipate that an initial distribution of liquidation proceeds, if any, will be made to our stockholders within 60 days after the closing of the Asset Sales. As we liquidate our remaining assets and pay off our outstanding liabilities, including our real estate leases, we will distribute additional liquidation proceeds, if any, to our stockholders as our Board of Directors deems appropriate. The negotiations regarding the termination of our real estate leases may cause a significant delay to distribution of additional liquidation proceeds. Additionally, a creditor could seek an injunction against the making of distributions to our stockholders on the ground that the amounts to be distributed were needed to provide for the payment of our liabilities and expenses. Any action of this type could delay or substantially diminish the amount available for distribution to our stockholders.

Q:

If you purchased shares and warrants in our 2007 equity financing, will you receive any consideration in respect of such warrants?

A:

Each warrant holder has an option to receive a cash payment within 30 days of the closing of the Asset Sales in exchange for such holder's warrants. The aggregate cash payment amount, which will be determined according to the terms of the warrants, is expected to be up to $4,300,000, or up to $0.45 per warrant share, depending on the trading volatility of our common stock prior to, and common stock price at the time of, valuing the warrants. Various estimates of the aggregate cash payment amount for the warrants have been factored into the estimated aggregate distribution per share of common stock.

Q:

Do our executive officers and directors have any interest in the Plan of Liquidation or the Asset Sales?

A:

Certain of our executive officers have employment and change in control agreements that provide for severance payments, continuation of medical benefits, outplacement services and full vesting of

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all unvested stock options if any such executive officer's employment is terminated by us without "cause" or due to the executive officer's resignation with "good reason" in connection with a "change in control." The consummation of the Asset Sales will be deemed a "change of control" under these agreements. The employment of each of these executive officers will be terminated by us either prior to or during the wind down of our activities. In either case, such terminations will likely be deemed terminations without cause in connection with a change in control. The cost for the severance payments, continuation of medical benefits and outplacement services for all executive officers is approximately $4,200,000, assuming no excise tax gross-up payments are due. There are 726,250 shares of common stock underlying unvested stock options held by our executive officers that will vest as a result of the Asset Sales (See "Proposal No. 1: Approval of the BGX Asset Sale Interests of Certain Persons in the Asset Sales and the Plan of Liquidation" beginning on page 76 of this Proxy Statement). None of these stock options have an exercise price at or below our current highest estimate of the per share cash available for distribution to our stockholders in the Liquidation. We do not plan to terminate the employment of executive officers until at least 30 days after the closing of the Asset Sales. We have had preliminary discussions with Mr. Davis regarding the retention of his services. We do not know whether BGX or Novo will enter into employee or consulting arrangements with any of our executive officers.

Our non-employee directors have an aggregate of 27,870 restricted stock units ("RSUs") in the Company. In accordance with each such director's Restricted Share Unit Agreement, each such director will receive stock certificates evidencing the conversion of his or her RSUs into an equal number of shares of our common stock immediately following the consummation of the Asset Sales.

Q:

Does the Plan of Liquidation involve any risk of liability to our stockholders?

A:

As part of our Plan of Liquidation, we are obligated to pay, or make provision for the payment of, our expenses and our fixed and contingent liabilities. Under Delaware law, a stockholder could be held personally liable to our creditors for any deficiency, to the extent of such stockholder's previous distributions from us in liquidation, if we fail to make adequate provision for the payment of our expenses and liabilities. Moreover, if a stockholder has paid taxes on distributions previously received by the stockholder, a repayment of all or a portion of the prior distribution could result in a stockholder incurring a net tax cost if the stockholder's repayment of an amount previously distributed does not cause a commensurate reduction in taxes payable by that stockholder. If we fail to create an adequate contingency reserve for payment of our expenses and liabilities, each of our stockholders could be held liable for payment to our creditors for amounts owed to creditors in excess of the contingency reserve, up to the amount actually distributed to such stockholder.

Relationship Between the Asset Sales and Plan of Liquidation Proposals

Q:

Is the Plan of Liquidation conditioned upon the completion of the Asset Sales?

A:

Yes. The Plan of Liquidation is conditioned upon our stockholders' approval of the Asset Sales and the subsequent consummation of the Asset Sales. If the Asset Sales are not approved by our stockholders or otherwise fail to be consummated, we will attempt to secure additional financing. It is uncertain whether we can secure sufficient financing to fund our ongoing operations on terms acceptable to us, if at all, within a time frame necessary to continue our ongoing operations. If we are unable to secure additional financing on terms acceptable to us and on a timely basis, we may seek stockholder approval to dissolve or file for, or be forced to resort to, bankruptcy protection.

Q:

Are the Asset Sales conditioned upon the Plan of Liquidation being approved and adopted?

A:

No. The Asset Sales are not conditioned upon the Plan of Liquidation being approved and adopted.

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Q:

What will happen if the Asset Sales are approved and the Plan of Liquidation is not approved and adopted?

A:

If our stockholders do not approve and adopt the Plan of Liquidation, we will complete the Asset Sales if they are approved by our stockholders and the other conditions to closing are met. In this case, we will have transferred substantially all of our assets to BGX and Novo. We would have no material operations after the Asset Sales, and will retain only a few employees required to maintain our corporate existence. We estimate the amount of our ongoing annual operating expenditures would be approximately $2,200,000, of which approximately $1,700,000 is estimated for real estate-related expenses, approximately $300,000 is estimated for salaries and related benefits, and approximately $200,000 is estimated for legal, consulting, and other general and administrative expenses. If we negotiate a termination of our real estate leases, we would no longer incur the estimated annual real estate-related expenses of approximately $1,700,000. At this time, our Board of Directors has not identified employees who would be retained under such circumstances. However, we do not anticipate that any of our current executive officers would be retained as employees.

Under such circumstances, with no material operating assets and no Plan of Liquidation approved, we intend to declare and pay to our stockholders a cash dividend of at least $15,900,000, or $0.29 per share of our common stock. This cash dividend amount assumes we will retain sufficient cash to fully meet our obligations under our real estate leases and to fund our ongoing annual non-facility-related operating expenditures for the remainder of the term of our real estate leases of approximately $500,000, of which approximately $300,000 is estimated for salaries and related benefits and approximately $200,000 is estimated for legal, consulting, and other general and administrative expenses. The cash dividend amount also assumes we will not retain cash with respect to payment of liquidated damages to investors in our March 2007 equity financing because we believe such damages are payable only in connection with the Plan of Liquidation (see "Proposal No. 3: Approval of Plan of Complete Liquidation and Dissolution Background of the Liquidation" beginning on page 112 of this Proxy Statement for a more detailed description of the potential payment of liquidated damages in connection with our March 2007 equity financing). If a cash dividend is paid, any cash in excess of such cash dividend will be retained to fund ongoing operating expenses.

Q:

Will the distributions be taxable?

A:

In general, if the Plan of Liquidation is approved and adopted, our stockholders will recognize gain or loss based on the difference between the aggregate value of distributions to such stockholders and such stockholder's tax basis in the common stock (See "Proposal No. 3: Approval of Plan of Complete Liquidation and Dissolution Material U.S. Federal Income Tax Consequences of the Plan of Liquidation" beginning on page 124 of this Proxy Statement).

If the Plan of Liquidation is not approved and adopted and we declare and pay a cash dividend to our stockholders, the stockholders will have taxable dividend income to the extent of the stockholders' share of our current and accumulated earnings and profits. As of the date of this Proxy Statement, we have no accumulated earnings and profits, and we do not expect to have any current earnings and profits. To the extent the cash dividend exceeds this amount, the excess will first be treated as tax-free return of capital to the extent of the stockholders' basis in our stock and the remainder will be treated as capital gain from the sale of our stock.

Voting Matters

Q:

What vote is required?

A:

The proposals to approve each of the Asset Sales and the Plan of Liquidation require the affirmative vote of a majority of the outstanding shares of our common stock entitled to vote on

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such proposals. Since the affirmative vote of a majority of the outstanding shares of our common stock is required for each of these three proposals, it is critical that as many stockholders as possible vote their shares.

Q:

What happens if we do not have a quorum or enough affirmative votes at the Special Meeting?

A:

If we do not have a quorum at the Special Meeting or if we do not have sufficient affirmative votes in favor of the three proposals, we may seek to adjourn the Special Meeting to a later time to permit further solicitation of proxies if necessary to obtain additional votes in favor of the foregoing items. We may seek to adjourn the Special Meeting without notice, other than by the announcement made at the Special Meeting. Under our bylaws, we can adjourn the Special Meeting by approval of the holders of a majority of the shares of our common stock present in person or represented by proxy at the Special Meeting and entitled to vote. We are soliciting proxies to vote in favor of adjournment of the Special Meeting, regardless of whether a quorum is present, if necessary to provide additional time to solicit votes in favor of approval of each of the Asset Sales and/or the Plan of Liquidation. If adjourning the Special Meeting does not enable a quorum to be established, the proposals will not pass. Further, if adjourning the Special Meeting does not enable us to attract sufficient affirmative votes in favor of one or more of the proposals, such proposals will not pass.

Q:

What do you need to do now?

A:

You should read the information contained in this Proxy Statement carefully and promptly submit your proxy card in the enclosed pre-addressed envelope (or vote by telephone or Internet) or promptly submit your voting instruction card to your broker, banker or other nominee (or vote by telephone or Internet if your broker, bank or other nominee offers such options) to ensure that your vote is counted at the Special Meeting.

Q:

Do you have to attend the Special Meeting in order to vote?

A:

No. If you want to have your vote count at the Special Meeting, but not actually attend the Special Meeting in person, you may vote by granting a proxy by submitting a proxy card or by voting by telephone or the Internet or, for shares held through a broker, bank or other nominee, by submitting voting instructions to your broker, bank or other nominee. If you hold your shares in "street name," most brokerage firms, banks and other nominees offer telephone and Internet voting options. Check the information forwarded by your bank, broker or other nominee to see which options are available to you. You can vote by the following methods:

Proxies

By Mail You may submit your proxy by mail by signing and dating your proxy card and mailing it in the enclosed pre-addressed envelope. Proxy cards properly executed, duly returned to us and not revoked will be voted in accordance with the specifications made in the proxy card.

By Internet Use the Internet to transmit your voting instructions and for electronic delivery of information. Have your proxy card in hand when you access the website at *www.proxyvote.com*. You will be prompted to enter your 12-digit Control Number, which is located below the voting instructions on your proxy card, to obtain your records and create an electronic proxy card for your voting instructions.

By Phone Use any touch tone telephone to transmit your voting instructions by dialing telephone number (800) 690-6903. Have your proxy card in hand when you call.

Voting Instructions

If you hold your shares through a broker, bank or other nominee, you should follow the directions provided by your broker, bank or other nominee regarding how to instruct your broker, bank or other nominee to vote your shares. Most of these organizations offer voting by telephone or Internet.

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Q:

What happens if you do not return a proxy card, vote by Internet, vote by phone or vote in person at the Special Meeting?

A:

The failure to vote will have the same effect as voting AGAINST approval of the Asset Sales and approval and adoption of the Plan of Liquidation and will have no effect on the proposal to adjourn the Special Meeting if necessary to provide additional time to solicit votes in favor of approval of each of the Asset Sales and/or approval and adoption of the Plan of Liquidation.

Q:

What happens if you vote to ABSTAIN?

A:

A vote to abstain will have the same effect as a vote AGAINST the Asset Sales and the Plan of Liquidation proposals and will have no effect on the proposal to adjourn the Special Meeting if necessary to provide additional time to solicit votes in favor of approval of each of the Asset Sales and/or approval and adoption of the Plan of Liquidation.

Q:

What happens if you return a signed proxy card, but do not indicate how to vote your shares?

A:

If you do not include instructions on how to vote your properly signed and dated proxy, your shares will be voted FOR the proposals.

Q:

Can you change your vote after you have mailed your signed proxy or voting instruction card?

A:

Yes. You can change your vote at any time before proxies are voted at the Special Meeting. Proxies may be revoked by any of the following actions:

Delivering a written notice to A. Brian Davis, our Senior Vice President and Chief Financial Officer, at 102 Rock Road, Horsham, PA 19044, that you are revoking your proxy;

submitting new voting instructions using any of the methods described above; or

attending the Special Meeting and voting in person (although attendance at the Special Meeting will not, by itself, revoke a proxy).

If your shares are held in "street name" by your broker, bank or other nominee, you must submit new voting instructions to your broker, bank or other nominee, or obtain the proper documentation from your broker, bank or other nominee to vote your shares at the Special Meeting.

Q:

If your shares are held in "street name" by your broker, bank or other nominee, will your broker, bank or other nominee vote your shares on your behalf?

A:

If your shares are held in a stock brokerage account or by a bank or other nominee, then you are considered the beneficial owner of shares held in "street name," and these proxy materials are being forwarded to you by your broker, bank or other nominee. As the beneficial owner, you have the right to direct your broker, bank or other nominee on how to vote and are also invited to attend the Special Meeting. However, since you are not the stockholder of record, you may not vote these shares in person at the Special Meeting, unless you request a proxy from your broker, bank or other nominee. Your broker, bank or other nominee has enclosed a voting instruction card for you to use in directing it on how to vote your shares.

Brokers who hold shares in "street name" for customers have the authority to vote on "routine" proposals when they have not received voting instructions from beneficial owners. However, brokers are precluded from exercising their voting discretion with respect to approval of non-routine matters, such as the approval of the Asset Sales and approval and adoption of the Plan of Liquidation and, as a result, absent specific instructions from the beneficial owner of such shares, brokers are not empowered to vote those shares, referred to generally as "broker non-votes." Broker non-votes will, however, be considered as "present" for purposes of determining a quorum. Broker non-votes will have the effect of a vote AGAINST proposals 1, 2 and 3 and will have no effect on proposal 4. Your broker will send you information regarding how to instruct it on how to vote on your behalf. **If you do not receive a voting instruction card from**

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your broker, bank or other nominee, please contact your broker to get the voting instruction card. YOUR VOTE IS CRITICAL TO THE SUCCESS OF OUR PROPOSALS. We encourage all stockholders whose shares are held in "street name" to provide their broker, bank or other nominee with instructions on how to vote.

Q:

Can you still sell your shares of common stock?

A:

Yes, however, during 2008, we have received a number of letters from NASDAQ indicating deficiencies related to our failure to satisfy certain NASDAQ listing standards. Any of these deficiencies may constitute a basis for delisting of our common stock. We have an appeal hearing with NASDAQ scheduled for December 18, 2008. We continue to evaluate whether or not to pursue the appeal hearing. If we are unsuccessful at the appeal hearing, or if we decide not to pursue the appeal hearing, our common stock will be delisted from NASDAQ and we will promptly seek eligibility to commence trading of our common stock on the OTC Bulletin Board or the Pink OTC Markets Inc.

If the Plan of Liquidation is approved and adopted by our stockholders and the Asset Sales are approved by our stockholders and the Asset Sales are consummated, our Board of Directors will file a certificate of dissolution with the Delaware Secretary of State. We will close our stock transfer books and discontinue recording transfers of shares of our common stock at the close of business on the date we file the certificate of dissolution with the Delaware Secretary of State. Thereafter, certificates representing shares of our common stock will not be assignable or transferable on our books. In order to curtail expenses, after filing our certificate of dissolution, we intend to terminate the registration of our common stock and suspend our reporting obligations under the Exchange Act.

Q:

Do you have any appraisal rights in connection with the Asset Sales or the Plan of Liquidation?

A:

No. Our stockholders do not have appraisal rights in connection with the Asset Sales or the Plan of Liquidation.

Stockholder Questions

Q:

Who can help answer your questions?

A:

If you have any questions about the Special Meeting or the proposals to be voted on at the Special Meeting, or if you need additional copies of this Proxy Statement or copies of any of our public filings referred to in this Proxy Statement, you should contact Georgeson, Inc., our proxy solicitor, at (800) 261-1054 or A. Brian Davis, our Senior Vice President and Chief Financial Officer, at:

Neose Technologies, Inc.
102 Rock Road
Horsham, Pennsylvania 19044
215-315-9000

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GENERAL BACKGROUND OF THE SALE PROCESS APPLICABLE TO BOTH ASSET SALES AND THE PLAN OF LIQUIDATION

During the first half of 2006, we began efforts to obtain the additional funding necessary to continue our operations and considered a variety of alternatives, including renegotiating our collaborations with Novo and BGX to provide greater up-front payments, entering into an alternative strategic alliance that could include a substantial up-front payment, completing an equity financing and completing a debt financing. Although our preference was to obtain funding in a non-dilutive manner to our then existing stockholders, we were unable to conclude a transaction during the second half of 2006 and early 2007 to avoid an equity financing.

In March 2007, we sold, through a private placement, 21.4 million shares of our common stock and warrants to purchase 9.6 million shares of our common stock, at a price of $2.02 per unit, generating net proceeds of $40,500,000. In connection with the equity financing, we implemented a restructuring of operations in March 2007. The restructuring was designed to allow for significantly higher clinical development costs for GlycoPEG-EPO ("NE-180"), at that time our lead product candidate being developed as an erythropoiesis-stimulating agent ("ESA") for the treatment of anemia in patients with chronic kidney disease and cancer patients receiving chemotherapy. The restructuring included a workforce reduction of approximately 40%.

In late 2006 and early 2007, the U.S. Food and Drug Administration (the "FDA") issued public health advisories describing emerging safety information about the use of ESAs. In March 2007, the FDA revised the product labeling of existing marketed ESAs to include updated warnings, a new boxed warning, and modifications to the dosing instructions.

In May 2007, the FDA convened a meeting of the Oncologic Drugs Advisory Committee ("ODAC") to discuss the recently reported information on risks of ESAs for use in the treatment of anemia due to cancer chemotherapy. ODAC recommended that the results of certain clinical trials be submitted for FDA review as soon as the data are available, that additional clinical trials be conducted by the sponsors to evaluate the safety of the recommended doses, and that further marketing authorization be contingent upon additional changes in product labeling and additional clinical trials. ODAC also recommended a number of revisions to product labeling to provide more direction on safe use in cancer patients.

In July 2007, the FDA announced a joint meeting of the Cardiovascular and Renal Drugs Advisory Committee ("CRDAC") and the Drug Safety and Risk Management Advisory Committee ("DSRMAC") would be held in September 2007 to discuss updated information on the risks and benefits of ESAs when used in the treatment of anemia due to chronic renal failure.

On July 30, 2007, the Centers for Medicaid and Medicare Services released their national coverage determination ("NCD") for the use of ESAs in cancer and related neoplastic conditions for Medicare patients. The final NCD limited Medicare coverage of ESA treatment in Medicare beneficiaries by establishing dosing restrictions for the treatment of anemia secondary to myelosuppressive anticancer chemotherapy in certain cancer conditions.

On August 9, 2007, at a regular meeting of our Board of Directors, Dr. George J. Vergis, our President and Chief Executive Officer, summarized the recent regulatory activity for ESAs and its potential negative impact to the NE-180 program and discussed its negative impact on our ability to raise additional capital. Our Board of Directors began discussion in earnest about our strategic alternatives, which included attempts to partner the NE-180 program or potentially discontinue all or part of the NE-180 program in light of future expenditures necessary to support the NE-180 program. Dr. Vergis discussed the possibility that even though we had no safety concerns specific to NE-180, the recent regulatory activity for ESAs, or the failure or negative results of products or product candidates similar to NE-180, could diminish the commercial opportunity for NE-180 by, among other factors,

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increasing public safety concerns or imposing governmental restrictions applicable to all products and product candidates in the drug category. Our Board of Directors discussed the possibility that failed or less than favorable clinical trial results of other ESA products or product candidates could adversely affect our ability to gain regulatory approval of NE-180 by increasing government examination and complexity of clinical trials. There was further discussion that government and public concerns over safety issues associated with ESAs could potentially result in termination of clinical trials for all ESAs, lengthen the clinical trial process for ESAs, increase legal and production costs relating to ESAs, and/or expand the safety labeling for marketed ESAs. Dr. Vergis further discussed that any changes in product labeling and reimbursement policies, and any further regulatory action by the FDA or other governmental agencies (including any further revisions to labeling), could adversely affect the conduct of our clinical trials and the commercialization opportunities for NE-180. There was further discussion that an adverse impact to our commercialization opportunities for NE-180 would have a negative impact on our ability to raise additional capital. Our Board of Directors also generally discussed the management of our remaining cash. Our Board of Directors directed management to prepare a financial analysis of the impact of discontinuing all or part of the NE-180 program.

On August 13, 2007, at a special meeting of our Board of Directors, management presented its financial analysis regarding the NE-180 program. Our Board of Directors determined to continue the NE-180 clinical trials, but to contemporaneously speak to investment bankers and consultants about possible strategic alternatives, which could include discontinuing the NE-180 program, partnering one or more of our assets, engaging in a merger or acquisition transaction, or selling the Company.

In September 2007, the CRDAC and DSRMAC met and recommended additional changes to product labeling of ESAs to inform patients of the risks associated with the use of ESAs.

On September 26, 2007, at a special meeting, our Board of Directors, after interviewing several investment banks, retained RBC to explore strategic alternatives. Dr. Vergis also reported to our Board of Directors that we continued our discussions with L.E.K. Consulting LLC ("LEK"), a company with expertise in life sciences product development, corporate strategy, product strategy and transaction services, to establish a timeline and cost projections regarding the NE-180 program. Our Board of Directors determined to engage each of RBC and LEK so that our Board of Directors could make well-informed decisions regarding strategic alternatives with the benefit of reasonably known timelines and financial projections. We selected RBC based upon their reputation in the life science industry as well as their international capabilities. We selected LEK based upon recommendations from members of our Board of Directors and LEK's reputation as a strategic consultant in the life sciences sector.

In October 2007, RBC, after consultation with management and our Board of Directors, identified 66 potential acquirers, all of whom were considered potential strategic acquirers based on their product portfolios and pipelines, their known acquisitions, interests, financial considerations and their familiarity with us as an independent entity. Included among the 66 potential acquirers were domestic and international major pharmaceutical companies, moderate-size and specialty pharmaceutical companies, and large and small biotechnology companies. RBC recommended that we focus on strategic, rather than financial, acquirers to realize value beyond our historic financial performance, particularly with no short term path to profitability.

In November 2007, the FDA published final revisions of product labeling changes for ESAs incorporating the recommendations and discussions of the May 2007 ODAC meeting and the September 2007 CRDAC and ODAC committee meetings. The labeling changes consisted of strengthened boxed warnings, safety information and revised dosing information. In addition, the FDA also provided additional details and clarifications to the revisions made in the previous labeling update (March 2007) and included recommendations from FDA advisory committees on appropriate ESA use in cancer and chronic renal failure patients. Based upon the continued regulatory activities, we modified our engagement with LEK. The modified engagement with LEK included the evaluation of

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possible strategic opportunities for us without the NE-180 program in active development, focusing on our early research initiatives, re-acquiring all or part of our partnered program with BGX, acquiring late-stage compounds, and exploring acquisition or merger opportunities with other pharmaceutical and biotechnology companies.

Throughout November and December 2007, RBC contacted the 66 potential acquirers and discussed the opportunity with representatives from each potential acquirer. Of these parties, 44 declined to receive further information, 15 chose to review a Non-Confidential Information Memorandum and seven signed a Confidentiality and Non-Disclosure Agreement. The most commonly cited reasons by parties that declined to receive additional information were that:

our technology was not a good fit;

our technology was too early stage;

the regulatory environment was too uncertain for biosimilars;

the declining party did not want to pursue development of biologics;

the declining party was too resource constrained;

the declining party was too occupied with other acquisition opportunities; and

the landscape was too competitive.

After further discussions with the 22 interested parties during November and early December 2007, five companies expressed interest in learning more about us and the terms of a potential transaction. The five companies were BGX, Novo, a large global healthcare company, a large biopharmaceutical company, and a European-based specialty pharmaceutical company. Four of those parties elected to attend in-person management presentations that were held between November 28, 2007 and December 19, 2007 in Philadelphia. After the four parties attended the in-person management presentations, only BGX expressed interest in moving forward with any potential transaction. Novo did not attend a management presentation, but on December 14, 2007, RBC received an expression of interest from Novo, indicating an interest in purchasing our intellectual property that is the subject of its collaboration with us. The reasons cited why three out of the remaining five interested parties passed on the opportunity to pursue a potential transaction with us included some or all of the following:

our products and platform were too early stage;

our products were outside of the potential acquirer's strategic focus;

concern over the breadth and robustness of our technology;

uncertainty surrounding a regulatory approval pathway for biosimilars in the U.S. market; and

concern that the products of interest to such potential acquirers were already encumbered by licenses with BGX and Novo.

No potential buyers expressed significant interest in the NE-180 program or in acquiring the entire company.

On December 21, 2007, at a special meeting, our Board of Directors reviewed management's summary of progress in the sale process described above, including the terms received by RBC from Novo on December 14, 2007 (See "Proposal No. 2: Approval of the Novo Asset Sale Background of the Novo Asset Sale"). Management advised our Board of Directors that LEK's evaluation of possible strategic opportunities for us without the NE-180 program in active development indicated that focusing on our early research initiatives, re-acquiring all or part of our partnered program with BGX, or acquiring late-stage compounds, would be challenging due to our current financial condition, our

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inability to raise additional capital and the competitive environment to obtain late stage compounds at an attractive price. The methodology used in LEK's evaluation consisted of a financial analysis of our product development programs, an analysis of the competitive landscape for in-licensing or acquiring late-stage compounds, and a historical analysis of other companies' strategic decisions and outcomes subsequent to failure of, delay to, regulatory challenges to, or inability to partner their lead program. Therefore, LEK narrowed its focus to exploring acquisition or merger opportunities with other pharmaceutical and biotechnology companies. In addition, management reviewed with our Board of Directors the recent regulatory actions in the U.S. and Europe relating to safety concerns about marketed ESAs and their impact on both the market potential for new ESAs, and the likelihood that a collaborative relationship could be formed for the future development of NE-180 in the near future. Our Board of Directors discussed our strategic direction in light of management's summary of the progress by RBC and LEK.

In January 2008, management discussed with LEK the sale process and the initial terms received by RBC from Novo on December 14, 2007 and from BGX on January 11, 2008 (See "Proposal No. 1: Approval of the BGX Asset Sale Background of the BGX Asset Sale" and "Proposal No. 2: Approval of the Novo Asset Sale Background of the Novo Asset Sale"). LEK advised management that we were more likely to achieve an outcome favorable to our stockholders by pursuing the Asset Sales with BGX and Novo, rather than continuing on with the LEK engagement. LEK's advice was based on its judgment and experience, and was not based on a formal comparative analysis of the merits of pursuing the Asset Sales compared to the merits of continuing with the LEK engagement.

In January 2008, RBC made a presentation to management regarding potential financing alternatives available to us. The presentation reviewed recent PIPE activity, the market for PIPE transactions and timing of a possible PIPE transaction.

On January 22, 2008, at a special meeting, our Board of Directors reviewed the initial terms received by RBC from Novo on December 14, 2007 and from BGX on January 11, 2008. Management updated our Board of Directors regarding the RBC presentation delivered to management regarding potential financing alternatives and with respect to discussions that management recently had with potential lenders, none of which issued a term sheet. Our Board of Directors did not make any decisions, but determined to convene in about a week to discuss the status of the NE-180 program, including whether to continue or discontinue the NE-180 program.

On January 28, 2008, at a special meeting, our Board of Directors formally determined to discontinue the NE-180 program. Our Board of Directors decided to discontinue further development of NE-180 primarily as a result of an evaluation of commercial prospects and the lack of likelihood of entering into a timely collaboration for the compound in the context of increased safety concerns in the category. There were no adverse events or safety concerns specific to NE-180 that led us to discontinue the NE-180 program. In connection with the discontinuation of the NE-180 program, we implemented a workforce reduction of approximately 35%.

On February 27, 2008, at a regularly scheduled meeting, our Board of Directors was given an update by management on our financial position, which included projected cash balances through the third quarter of 2009. Our Board of Directors discussed the possibility of raising capital, noting the likely difficulty of a successful financing on acceptable terms in the current market environment and with our revised strategic direction after the discontinuation of our lead product, NE-180. In addition, our Board of Directors was advised that on February 19, 2008, we received a letter from NASDAQ warning that we faced delisting from NASDAQ for the failure to meet NASDAQ's minimum closing bid price requirement. Since BGX and Novo were the only parties that expressed an interest in pursuing a transaction with us and neither BGX or Novo were interested in acquiring the entire company or the NE-180 program, our Board of Directors determined that our best path was to pursue

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two parallel processes to sell our remaining material assets in two separate transactions with BGX and Novo.

In early March 2008, we retained Morgan, Lewis & Bockius LLP ("Morgan Lewis"), our historic intellectual property counsel, as special M&A counsel to work with RBC to complete the sale process. Our Board of Directors established a committee (the "Transaction Committee") to assist management in exploring and evaluating potential strategic initiatives, to coordinate our Board of Directors' communication with RBC and Morgan Lewis, and to monitor our activities in pursuit of strategic alternatives. The Transaction Committee consisted of three independent directors with financial and transactional experience and who expressed availability to participate: L. Patrick Gage, Ph.D., Brian H. Dovey and H. Stewart Parker. Our Board of Directors agreed that each member of the Transaction Committee should receive $500 for their attendance at each meeting of the Transaction Committee. Our Board of Directors expressly reserved for the full Board of Directors the right to consider and approve any definitive agreement for any proposed strategic transaction. Management provided the Transaction Committee with feedback with respect to the sale process, potential deal structures and indications of interest expressed by various parties. The Transaction Committee provided feedback, but did not recommend or take any formal action regarding the Asset Sales.

On May 8, 2008, RBC presented to our Board of Directors a review of the sale process to date, including a brief evaluation of the initial terms received from Novo and BGX. RBC's presentation also included an evaluation of the positive and negative aspects of maintaining the Company as a public cash shell, as opposed to making a liquidating distribution to our stockholders. Based upon RBC's judgment and experience, RBC indicated that there were substantial risks and challenges of maintaining a public cash shell company, including the likelihood of lower proceeds or value to our stockholders, a possible turnover in the stockholder base, the possibility of being delisted from NASDAQ and the need for future financings. The RBC presentation also included an overview of the then-current life sciences equity capital markets activity as well as the environment for transactions similar to the Asset Sales. The overview of the equity capital markets activity demonstrated that despite outperformance by the Amex Biotechnology Index relative to the NASDAQ Composite Index over the past two years, public life sciences companies with market capitalizations of less than $50 million had been relatively unsuccessful in raising equity capital during that time, particularly during the nine months preceding the presentation. Following the presentation by RBC, our Board of Directors determined that value to our stockholders could likely be maximized by selling: (i) substantially all of our intellectual property and the exclusive use of that intellectual property for hemorrhagic disorders to Novo, and (ii) all other business fields of use relating to that intellectual property and certain additional intellectual property to BGX. Our Board of Directors authorized management to further determine if any assets that were not of interest to Novo or BGX could be monetized, and whether and how the corporate entity should be liquidated or maintained as a public shell.

On May 9, 2008, we entered into a non-binding indication of interest for BGX to purchase the G-CSF Assets.

On May 16, 2008, we entered into a non-binding indication of interest for Novo to purchase substantially all of our intellectual property and the exclusive use of that intellectual property for hemorrhagic disorders.

On May 23, 2008, RBC, on our behalf, forwarded to BGX initial drafts of the BGX Asset Purchase Agreement and ancillary intellectual property agreements proposed to be entered into between BGX and Novo relating to the intellectual property purchased from us.

On May 23, 2008, RBC, on our behalf, forwarded to Novo an initial draft of the Novo Asset Purchase Agreement with the draft of a patent cooperation agreement proposed to be entered into between BGX and Novo relating to the intellectual property purchased from us (the "PCA").

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Between May 23, 2008 and early July 2008, we and BGX continued to negotiate the terms of the BGX Asset Purchase Agreement and ancillary transaction documents proposed to be entered into between BGX and Novo relating to the intellectual property purchased from us.

Between May 23, 2008 and early July 2008, we and Novo continued to negotiate the terms of the Novo Asset Purchase Agreement and ancillary transaction documents proposed to be entered into between BGX and Novo relating to the intellectual property purchased from us.

From July 8, 2008 through July 11, 2008, we, RBC and Morgan Lewis met with BGX and Baker & McKenzie LLP ("Baker & McKenzie"), counsel for BGX, in Morgan Lewis' offices in New York to further negotiate and finalize the BGX Asset Purchase Agreement and the ancillary intellectual property agreements.

In a telephone call on July 8, 2008 and in meetings on July 10, 2008 and July 11, 2008 at Morgan Lewis' offices in New York, we, RBC, Morgan Lewis, Novo, and Davis Polk & Wardwell ("Davis Polk"), counsel for Novo, further negotiated and finalized the Novo Asset Purchase Agreement and the ancillary intellectual property agreements.

Our Board of Directors held a special telephonic meeting on July 16, 2008 to discuss the status of the transactions and potential post-transaction alternatives. RBC presented to our Board of Directors a review of the then-current progress of the BGX and Novo transactions, with a focus on timing and steps necessary to complete the negotiation of the terms of the proposed Asset Sales. RBC's presentation also included an equity capital markets update reviewing recent biotechnology PIPE transactions along with an overview of life sciences M&A activity. Our Board of Directors discussed with RBC whether any other potential buyers who previously declined to pursue a strategic transaction may now be interested. As a result of the complexity of negotiating two asset sale deals at once and the ensuing cross-license obligations, especially in light of the fact that no other potential acquirer expressed interest in pursuing a transaction with us, our Board of Directors determined that completing negotiations with Novo and BGX as quickly as possible was in the best interest of our stockholders so long as the definitive transaction documents contained a market standard "fiduciary out" allowing our Board of Directors to consider any superior post-announcement offers to acquire the entire company.

On August 7, 2008, our Board of Directors held a regularly scheduled meeting. As part of the meeting, our Board of Directors was updated by RBC, Morgan Lewis and management with respect to the status of the Asset Sales. RBC's presentation included an overview of the Asset Sales process and timing, outstanding issues related to the Asset Sales, alternatives to the Asset Sales, and the potential positive and negative aspects of those alternatives. RBC's presentation also included an overview of the then-current life sciences equity capital markets activity as well as the environment for transactions similar to the Asset Sales. Based upon RBC's judgment and experience, RBC indicated that the alternatives to the Asset Sales, which include operating as a standalone entity, completing either Asset Sale alone, raising additional financing or instructing RBC to recommence the process of considering strategic alternatives, were not attractive alternatives given the risks associated with them. These risks included a further decline in our market value, the potential delisting of our common stock from NASDAQ, the inability to raise additional capital, and the risk that BGX and Novo may no longer pursue the Asset Sales. Also, the overview of the equity capital markets activity demonstrated that despite outperformance by the Amex Biotechnology Index relative to the NASDAQ Composite Index over the past two years, publicly traded life sciences companies with market capitalizations of less than $50.0 million had suffered significant value erosion and were trading close to the value of cash on their balance sheets. Based upon the preceding, RBC recommended to our Board of Directors that we continue to pursue the Asset Sales and revisit alternatives at a later time if the Asset Sales were not consummated.

In addition, Morgan Lewis discussed the timing and the required steps to complete the negotiation of terms related to the proposed Asset Sales. Management sought guidance from our Board of

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Directors with respect to BGX's and Novo's concern about the lack of recourse against us if we breached a representation or warranty contained in the Asset Sale Agreements in light of our planned liquidation following consummation of the Asset Sales. Our Board of Directors discussed various alternatives to address the Purchasers' concern, including establishing an escrow, procuring representation and warranty insurance and agreeing to a purchase price reduction.

Based on the presentations from RBC and Morgan Lewis, our Board of Directors concluded that the potential risk of losing one or both of the Asset Sales and the low likelihood of success of a superior alternative favored compromising with respect to the Purchasers' concern in a manner designed to maximize the near-term cash available for distribution to our stockholders.

On September 10, 2008, our Board of Directors held a special telephonic meeting attended by RBC and Morgan Lewis to discuss the status of the transactions. The participants discussed the proposed resolution of the Purchasers' concern over their lack of recourse in the event of our breach of a representation or warranty in the Asset Purchase Agreements. The participants also discussed the request by each Purchaser that certain third party licensors consent to the assignment and sublicensing of license agreements. Our Board of Directors also received a presentation by RBC regarding its proposed fairness opinions for the Asset Sales, expected timelines to close the Asset Sales and potential post-transaction alternatives. For a more detailed background regarding post-transaction alternatives, see "Proposal No. 3: Approval of the Complete Liquidation and Dissolution Background of the Liquidation."

On September 17, 2008, our Board of Directors held a special meeting to consider and vote upon resolutions relating to the BGX Asset Sale, the Novo Asset Sale, and the Plan of Liquidation. Following presentations by RBC regarding the BGX Asset Sale and the Novo Asset Sale, review of the fairness opinions to be delivered by RBC for each Asset Sale and review of the Asset Purchase Agreements for each Asset Sale, our Board of Directors considered the reasons for and against the Asset Sales and the Plan of Liquidation. Our Board of Directors voted to approve the BGX Asset Sale, the Novo Asset Sale and to approve and adopt the Plan of Liquidation. RBC delivered its written fairness opinions later that day prior to execution of the Asset Purchase Agreements by us. For a more detailed description of the procedures followed and the bases for, and methods of, arriving at RBC's fairness opinions, see "Proposal No. 1: Approval of the BGX Asset Sale Fairness Opinions of RBC Capital Markets Corporation" and "Proposal No. 2: Approval of the Novo Asset Sale Fairness Opinions of RBC Capital Markets Corporation."

For a more detailed background regarding the BGX Asset Sale, see "Proposal No. 1: Approval of the BGX Asset Sale Background of the BGX Asset Sale." For a more detailed background regarding the Novo Asset Sale, see "Proposal No. 2: Approval of the Novo Asset Sale Background of the Novo Asset Sale."

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PROPOSAL NO. 1
APPROVAL OF THE BGX ASSET SALE

General

On September 17, 2008, our Board of Directors unanimously approved the BGX Asset Purchase Agreement, dated as of September 17, 2008, by and between us and BGX and the BGX Asset Sale. **A copy of the BGX Asset Purchase Agreement is attached as*Annex A*to this Proxy Statement. The BGX Asset Purchase Agreement provides for a sale of certain of our assets to BGX for $22,000,000 in cash.** The material terms of the BGX Asset Purchase Agreement are summarized below. This summary does not purport to be complete and is subject in all respects to the provisions of, and is qualified in its entirety by reference to, the BGX Asset Purchase Agreement. **Stockholders are urged to read the BGX Asset Purchase Agreement in its entirety.**

Background of the BGX Asset Sale

Since April 2004, we have collaborated with BGX on the research, development and commercialization of a next-generation version of a G-CSF product, GlycoPEG-GCSF, pursuant to which each party licensed certain of its technology to the other party. Under the agreement between us and BGX, as amended to date, we have the commercial rights in the U.S., Japan, Canada, and Mexico, and BGX has commercial rights in Europe and the rest of the world. Each company is responsible for the preparation and submission of all regulatory applications within its territories, and each company has the ability to search for its own marketing partner for its territories.

During the time preceding announcement of the Phase I data for GlycoPEG-GCSF in November 2007, we conducted general business development activities, including having meetings with many companies at partnering, business development and investor conferences. Subsequent to the announcement of the Phase I data in the second quarter of 2008, we met with many companies in North America, Europe and Japan. These companies included domestic and international pharmaceutical and biotechnology companies, including those focused on oncology and cancer supportive care. We also met with domestic and international specialty pharmaceutical and generic companies that had branded strategies or an oncology interest. There was not sufficient interest from any of these companies to lead to a collaboration relating to our territories.

In late 2006, BGX informed us that, while it was proceeding with development of GlycoPEG-GCSF under the BGX Collaboration Agreement (as defined below), it was declining to exercise its option for worldwide rights to use our GlycoPEGylation technology with GlycoPEGylated erythropoietin or GlycoPEG-CHO-EPO. In addition, BGX informed us that it had not been successful in its efforts to find a strategic partner to develop GlycoPEG-CHO-EPO.

On November 20, 2007, after being approached by RBC, BGX expressed interest in a potential acquisition transaction and entered into a confidentiality and non-disclosure agreement with us and was provided access to an online data room which contained information about our operations, assets and liabilities.

On November 30, 2007, BGX approached RBC and requested the opportunity to discuss a possible joint bid transaction with Novo. This was rejected by us and RBC in an effort to achieve a higher bid through increased competition within the process.

On December 17, 2007, BGX submitted a letter indicating they were not interested in acquiring the entire company, but indicated that it might be interested in a possible transaction relating solely to the use of our GlycoPEGylation technology in combination with G-CSF.

On December 19, 2007, BGX sent an e-mail to RBC requesting a call to have a discussion about a potential purchase of all of our rights in the G-CSF program. During late December, RBC had

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multiple telephone calls with BGX and Novo to determine if the best aggregate deal structure involved selling the Company in parts, rather than as a whole.

On December 27, 2007, BGX sent an e-mail to RBC stating that they were actively working on a proposal to acquire our rights in the G-CSF program, and that they expected to be able to make a proposal in the second week of January.

On January 11, 2008, BGX delivered to us an indication of interest to purchase all rights in technologies owned or controlled by us necessary to enable BGX to fully and independently continue research, development and commercialization of GlycoPEGylated G-CSF without any restrictions with regard to therapeutic indication or to territory (the "G-CSF Assets") for $18,000,000, of which $9,000,000 would be delivered upon the execution of a definitive agreement and the other $9,000,000 would be delivered upon the transfer of all purchased intellectual property and the existing supply chain. The indicative offer further clarified that the transfer of rights in technologies was to include the transfer of all corresponding know-how available to and/or controlled by us and were to include, but are not limited to, the GlycoPEGylation, GlycoAdvance® and GlycoConjugation technologies.

On January 22, 2008, at a special meeting, our Board of Directors discussed the January 11, 2008 indication of interest from BGX, as well as the December 14, 2007 indication of interest from Novo. Our Board of Directors discussed each of the Purchasers' product development programs, anticipated timing of value inflection points and projected cash flow needs. Management indicated to our Board of Directors its opinion that the proposed offer from BGX was not adequate. Our Board of Directors directed management to seek a higher offer.

During February 2008, BGX continued its business due diligence. On February 21, 2008, RBC delivered to BGX a counter-proposal to BGX's January 11, 2008 indication of interest. The material differences in the counter-proposal were a $25,000,000 purchase price, full payment of the purchase price upon execution of the definitive agreement, and acquisition by BGX of most of its rights to the G-CSF Assets through a license instead of an outright transfer of ownership.

On February 27, 2008, BGX replied via e-mail with initial thoughts to our February 21, 2008 counter-proposal. BGX wanted to expand the definition of G-CSF. They also needed to rework the intellectual property proposal to both broaden the intellectual property transferred to include a second generation G-CSF and they mentioned patents that they felt they needed to have in order to have freedom to operate. They also needed clarity as to what rights we or any legal successor would have in any residual intellectual property and remedies for lack of compliance with the definitive agreement with respect to intellectual property. BGX promised to respond in further detail the following week.

On March 3, 2008, BGX sent a written response to our February 21, 2008 counter-proposal. This proposal reduced the offer price from $18,000,000 to $15,000,000. In the cover letter they explained the reasons for this reduction. The first reason claimed the manufacturing process for an enzyme provided by us was not stable enough. The second reason claimed that BGX had, at our recommendation, paid for over $1,000,000 of equipment related to the manufacturing process of a reagent and had nowhere to install it. They claimed they had to either transfer the reagent manufacturing process to a BGX affiliate or to a third party contract manufacturing organization, either of which would require additional BGX investment. They also reduced the price to compensate for their belief that there would be no ability to raise claims against any potential post-closing failure by us to perform our contractual obligations. In their proposal, BGX also asked for, in addition to the fully paid-up license, transfer to BGX of the ownership of all intellectual property rights related to their field.

RBC and our management team continued to pursue this possible transaction and met with BGX management on March 5, 2008 in Mannheim, Germany and discussed the purchase price reduction claims made by BGX in their March 3, 2008 letter, without resolution.

On March 6, 2008, BGX informed RBC via e-mail that it wished to continue with the negotiation of an indication of interest, but that they would only be able to provide a more defined position with

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respect to the consideration by March 19, 2008 due to internal senior management scheduling issues. In the meantime, the suggestion was made for all parties to work to clarify the other open items, which were:

- the scope of the assets to be purchased by BGX;
- the process for completing a transfer of intellectual property documents and inventory; and
- the extent of BGX access to our employees before and after the Asset Sale.

On March 14, 2008, the Transaction Committee convened and received an update from management on the progress and status of the BGX negotiations, including the potential expansion of the scope of the transaction to include all peptides and proteins outside the Novo field of use, and the status of purchase price discussions.

On March 16, 2008, RBC sent BGX a revised proposal via e-mail intended to clarify the intellectual property that would be transferred to each of BGX and Novo, and to suggest resolutions to the open items. The letter had a number of important revisions as follows:

- assignment of certain enumerated patents;
- a license from Novo to BGX of certain patents;
- sublicenses to BGX of in-licensed agreements being transferred to Novo;
- agreement to limit new expenses created by us under the BGX Collaboration Agreement and to provide for BGX and us to work together to transition the supply chain pre-closing;
- raised the concept of a patent cooperation agreement between BGX and Novo with specific enumerated terms; and
- lowered the asking purchase price from $25,000,000 to $22,000,000.

On March 19, 2008, BGX responded to RBC that they would be prepared to meet the asking price of $22,000,000 if BGX received additional rights to our technology beyond just G-CSF to encompass all rights, including for the NE-180 program, outside of hemostasis products. BGX requested a three-party meeting with us and Novo to discuss the allocation of rights and responsibilities relating to intellectual property between BGX and Novo.

On March 27, 2008, BGX sent a mark-up to our March 16, 2008 letter. BGX indicated the comments had not been reviewed by its counsel. In the mark-up, BGX's material comments were related to:

- the right to use our technology in all fields outside of hematology;
- expanded diligence to include materials and production of any molecule in the expanded BGX field of use;

transfer of tangible materials related to the intellectual property in the expanded BGX field of use;

a requirement that we use reasonable efforts to make certain of our employees available to BGX for 30 days after closing;

movement of four patents that are co-owned by BGX and us from the exhibit of patents to be licensed to BGX to the exhibit of patents for which ownership would be assigned to BGX; and

changed proposed terms of the PCA to be more favorable to BGX, to provide that Novo would:

not abandon cooperation patents without BGX approval;

allow BGX to continue patent prosecution related to the BGX field; and

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pay for all patent expenses, as compared to the original proposal to share such patent expense equally between BGX and Novo.

On March 28, 2008, RBC wrote an e-mail declining to respond until BGX counsel had commented on our March 16, 2008 letter.

On April 14, 2008, BGX submitted a revised offer letter, including comments from its counsel. The mark-up contained one additional material comment from those contained in BGX' March 27, 2008 letter. BGX requested that transition of the existing reagent supply chain for GlycoPEG-GCSF commence upon execution of an indication of interest.

On April 21, 2008, the Transaction Committee convened and received an update from management on the progress and status of the BGX transaction, including the expansion of the scope of the BGX transaction and proposal to divide intellectual property between BGX and Novo.

On April 24, 2008, RBC sent a revised mark-up to BGX of their April 14, 2008 letter. The primary substantive changes related to revising the intellectual property schedules.

On April 25, 2008, George J. Vergis Ph.D., our Chief Executive Officer, A. Brian Davis, our Senior Vice President and Chief Financial Officer, RBC, and members of BGX's executive management team met at our headquarters to discuss how the intellectual property that would be transferred by us to BGX and Novo as part of the Asset Sales would be allocated between BGX and Novo. The parties discussed the fact that certain intellectual property proposed to be used by both Novo and BGX for different fields of use could only be owned by one of the Purchasers due to United States terminal disclaimer patent laws. RBC articulated Novo's position that Novo would not move forward with any transaction unless Novo had ownership of the shared intellectual property. BGX indicated at this meeting that even though BGX would have rights and a certain degree of control over the intellectual property that was to be transferred to Novo, through a licensing agreement (the "BGX License") and the PCA, BGX was generally concerned over the lack of complete control over all intellectual property relating to G-CSF.

On April 30, 2008, BGX wrote an e-mail to RBC in which BGX:

requested confirmation that any indication of interest would be non-binding upon execution;

objected to the removal of certain patents that are jointly owned by BGX and us from the intellectual property schedules;

objected to the inclusion of patents in the intellectual property schedules that are not related to hemostasis, but rather the BGX field of use (patents that would be owned by Novo and licensed to BGX);

requested to revisit a transaction structure that would provide for joint ownership of patents between BGX and Novo;

indicated their desire to become the direct transferee of the third party patents, either alone or in parallel with Novo; and

objected to our request that BGX consent to the Novo Asset Sale whether or not the BGX Asset Sale is consummated.

On May 7, 2008, there was a telephonic conference call among us, RBC, BGX, and each party's respective counsel to discuss final open issues, primarily the issue of allocation of ownership of the intellectual property and the impact on deal structure. We agreed to drop the request that BGX consent, at that time, to the Novo Asset Sale whether or not the BGX Asset Sale is consummated. On May 8, 2008, BGX sent an e-mail clarifying that their license rights in their field needed to be exclusive even with respect to Novo. BGX also requested that all intellectual property schedules be deleted from the indication of interest and resolved during the definitive documentation stage once they had completed their intellectual property due diligence. We agreed to their requests.

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On May 9, 2006, we entered into a non-binding indication of interest with BGX, under which BGX agreed to purchase for $22,000,000 in cash our intellectual property that relates to the discovery, research, development, commercialization or other exploitation of any compound or product developed relating to G-CSF, and certain intellectual property assets used to modify peptides and proteins for all indications, except for the right to use such intellectual property for use in the prevention or treatment of acquired or hereditary hemorrhagic disorders, subject to due diligence and negotiation of mutually satisfactory definitive documentation. The non-binding indication of interest also provided that we and BGX would enter into a license agreement and a sublicense agreement immediately prior to the closing of the BGX Asset Sale and the Novo Asset Sale (although we did not execute the non-binding indication of interest with Novo until May 16, 2008, we had almost finalized the non-binding indication of interest with Novo by May 9, 2008), pursuant to which we would license or sublicense to BGX certain intellectual property to be acquired by Novo from us pursuant to the Novo Asset Purchase Agreement. At the closing of the Novo Asset Sale, we would assign our interest in such license agreement and sublicense agreement to Novo.

On May 23, 2008, RBC, on our behalf, forwarded to BGX initial drafts of the BGX Asset Purchase Agreement, the BGX License and the PCA. On June 20, 2008, Baker & McKenzie provided RBC with BGX's initial comments to the BGX Asset Purchase Agreement. On June 24, 2008, BGX provided its initial comments to the BGX License, which it divided into a license agreement with Novo for the intellectual property proposed to be purchased by Novo and a sublicense agreement for certain third party agreements proposed to be assigned to Novo (the "BGX Sublicense"), and to the PCA. After internal discussions, RBC, on our behalf, proposed that the parties meet in person to discuss the outstanding issues in the transaction documents and, on July 4, 2008, circulated to BGX a list of open issues for discussion.

The list circulated to BGX included the following major issues in the BGX Asset Purchase Agreement:

- BGX proposed unspecified escrow and indemnification provisions continuing past closing that were inconsistent with our plans to liquidate and wind down our operations shortly after closing;

- the terms of a non-solicitation covenant with a "fiduciary out" to permit our Board of Directors to consider any unsolicited superior proposal and, if appropriate, to terminate the BGX Asset Purchase Agreement, and the termination fees payable upon any such event needed to be discussed and to be made consistent with the obligations in the Novo Asset Purchase Agreement; and

- BGX required that the BGX Asset Sale and the Novo Asset Sale should each be contingent on the occurrence of the other due to concerns relating to our solvency post-closing.

The primary issues raised for discussion in the BGX License, the BGX Sublicense and the PCA related to the scope of the fields of use for each of Novo and BGX, BGX's proposal for liquidated damages payable for material breaches under each of the ancillary intellectual property agreements, the sharing of fees payable in connection with the sublicensed intellectual property, and the division of the patents under the PCA into core patents controlled by Novo and BGX-specific patents controlled by BGX.

Throughout the week of July 7, 2008, we, RBC and Morgan Lewis met with BGX and Baker & McKenzie in Morgan Lewis' offices in New York to further negotiate and finalize the BGX Asset Purchase Agreement and the ancillary intellectual property agreements. Beginning on July 8, 2008, the parties discussed the outstanding issues described above in the BGX Asset Purchase Agreement. On July 9, 2008, Morgan Lewis circulated a revised draft of the BGX Asset Purchase Agreement reflecting the parties' discussions the previous day. Also during that week, we simultaneously negotiated the Novo Asset Purchase Agreement with Novo. On the afternoon of July 10, 2008, Novo and BGX met together for the first time, with us, RBC and Morgan Lewis in attendance, to directly negotiate the outstanding

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issues described above in the BGX License, the BGX Sublicense and the PCA. These discussions continued on July 11, 2008.

During the negotiations described above, we discussed with BGX potential alternatives to an indemnification escrow, including representation and warranty insurance. We further agreed with BGX to a "fiduciary out" permitting our Board of Directors to consider any unsolicited superior proposal and to pay a $1,000,000 termination fee and up to $500,000 of any and all out-of-pocket expenses upon acceptance of any superior third party proposal. We agreed that completing the Novo Asset Sale could be a condition for BGX completing the BGX Asset Sale. We also discussed resolution of open contract issues, the most material of which were representations related to our intellectual property and litigation, a post-closing confidentiality agreement among us, BGX and Novo, warranties related to our cooperation with respect to transfer of assets, and representation and warranty insurance for the benefit of BGX.

Promptly after the conclusion of the negotiations described above, Morgan Lewis distributed a revised draft of the BGX Asset Purchase Agreement and Baker & McKenzie forwarded comments to the draft on July 15, 2008. On July 17, 2008, Morgan Lewis forwarded a further revised draft of the BGX Asset Purchase Agreement reflecting the parties' further discussions, including a proposal for representation and warranty insurance proposing policy limits of $4,000,000, with a deductible of $500,000 and a two year policy term. BGX's revised draft of July 31, 2008 left open all monetary amounts in the representation and warranty insurance for further discussion.

Davis Polk, counsel for Novo, forwarded revised drafts of the BGX License, the BGX Sublicense and the PCA on July 18, 2008 to both us and BGX. The parties had further discussions on July 28, 2008, August 13, 2008 and August 22, 2008 to resolve the open issues in the BGX License, BGX Sublicense and the PCA. Baker & McKenzie forwarded further revised drafts to us and Novo on August 27, 2008, proposing, among other things, that BGX be allowed to participate in the prosecution and maintenance of any core patents for which it shares costs. The parties also discussed the transition plan relating to the transfer of the purchased and licensed assets and the status of the parties' review of the third party license agreements being assumed by each party.

On August 7, 2008, we received a quote for the representation and warranty insurance proposing policy limits of $4,000,000 with a $240,000 premium or $8,000,000 with a $465,000 premium, a deductible of $500,000 for all representations and warranties other than intellectual property, a deductible of $2,000,000 for intellectual property representations, and a term of two years with the ability to extend for an additional year for an additional fee equal to 10% of the premium. At a meeting on August 7, 2008, our Board of Directors instructed our management to pursue the representation and warranty insurance or a purchase price reduction rather than escrow (unless the escrow term was six months or less) if economically viable to do so.

On August 13, 2008, Morgan Lewis forwarded revised drafts of the BGX Asset Purchase Agreement reflecting the discussions between the parties on July 28, 2008 relating to the transition plan for the purchased assets and payment of termination fees upon a lack of stockholder vote. The draft BGX Asset Purchase Agreement also included the proposed terms for representation and warranty insurance with limits as described above. On August 14, 2008, BGX provided a counterproposal for the representation and warranty insurance leaving open the policy limits and term, with the primary issue being the $2,000,000 deductible for the intellectual property representations. There were further discussions related to the representation and warranty insurance on September 2, 2008 and on September 9, 2008, with BGX requesting a higher policy limit with a lower deductible and an extended policy term for intellectual property representations. Other than lowering the deductible to $1,500,000 for intellectual property claims, we were not able to meet these requests, as the insurer indicated that any further changes to the policy were not acceptable to it, or would have been cost prohibitive.

On September 4, 2008, Baker & McKenzie forwarded a revised draft of the BGX Asset Purchase Agreement proposing that obtaining consents to certain of the third party license agreements be a

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condition to closing and also requiring that we prepare all patent assignments in all jurisdictions at our cost (rather than simply preparing a form of assignment) with BGX agreeing to make and pay all patent assignment filing fees. On September 8, 2008, Morgan Lewis forwarded a further revised draft, removing these consents as a condition to closing, agreeing to the patent assignment preparation after receiving a cost estimate of $50,000 100,000 from outside patent counsel and including the representation and warranty proposal described above. Between September 12 and September 17, 2008, Morgan Lewis and Baker & McKenzie finalized an acknowledgement letter pursuant to which it would be a condition to closing that The Regents of the University of California acknowledge our contractual right to assign its license agreement to Novo with a sublicense to BGX.

On the morning of September 17, 2008, Morgan Lewis and Baker & McKenzie finalized all open language issues in the BGX Asset Purchase Agreement. Also on September 17, 2008, Baker & McKenzie and Davis Polk finalized all open language issues in the BGX License Agreement, BGX Sublicense Agreement and the PCA. In the late afternoon of September 17, 2008, we and BGX each signed the BGX Asset Purchase Agreement.

Reasons for the BGX Asset Sale

In considering the BGX Asset Sale, our Board of Directors consulted with RBC regarding the financial aspects of the transactions and sought and received RBC's written opinion as to the fairness, as of the date of such opinion, from a financial point of view, of the consideration to be received by us from BGX pursuant to the BGX Asset Sale. For information regarding such fairness opinion received from RBC, see "Proposal No. 1: Approval of the BGX Asset Sale Fairness Opinions of RBC Capital Markets Corporation." Based on the fairness opinion and the factors discussed below, our Board of Directors unanimously: (i) determined that the BGX Asset Sale is fair, advisable and in the best interests of us and our stockholders, (ii) approved the BGX Asset Purchase Agreement and the BGX Asset Sale, and (iii) recommended that our stockholders vote in favor of the approval of the BGX Asset Purchase Agreement and the BGX Asset Sale.

In the course of reaching that determination and recommendation, our Board of Directors considered a number of potentially supportive factors in its deliberations including:

- the then current and historical market prices of our common stock relative to the then estimated range of $0.27 to $0.45 per share anticipated to be distributed following the closing of the Asset Sales and our subsequent liquidation. The high-end estimate of $0.45 per share represented a premium of 350% over the 52-week low sale price of $0.10 per share for the 12 month period ended September 16, 2008, and the low-end estimate of $0.27 per share represented a premium of 170% over the 52-week low sale price for the same period. Although the high-end estimate of $0.45 per share represented a discount of 74% from the 52-week high sale price of $1.70 per share for the 12 month period ended September 16, 2008 and the low-end estimate of $0.27 per share represented a discount of 84% from the 52-week high price for the same period, our Board of Directors believed that the Asset Sales and the Plan of Liquidation protected our stockholders against future potential declines to our stock price, which could occur for the other reasons set forth below;

- the determination by management and our Board of Directors, after evaluating various strategic alternatives and conducting an extensive review of our financial condition, results of operations and business prospects, that continuing to operate as a going concern was not reasonably likely to create greater value for our stockholders as compared to the value obtained for our stockholders pursuant to the Asset Sales and the Plan of Liquidation due primarily to the following reasons:

  - our need to obtain significant additional capital to finance our operations, including meeting our performance obligations under the existing collaborative agreement with BGX;

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our limited ability to raise such capital through equity financings before exhausting our cash resources without significant dilution to our stockholders, including limited near-term prospects for financing small-cap public companies due to current general economic and market conditions;

the inability to monetize our historic investment in the NE-180 program due to increased safety concerns in the ESA category;

the belief by our Board of Directors, based on our business development efforts and the RBC marketing process, that any partnering of our territories for our GlycoPEG-GCSF program to a third party during at least the next two years, even assuming positive data from the ongoing Phase II clinical trial, would not result in significant cash payments to us because of the significance of the royalty obligations due to BGX for sales of the compound in our territories;

the belief by our Board of Directors, based on our business development efforts and the RBC marketing process, that any monetizing during the next two years of the royalty obligations due from Novo to us upon the commercialization of next-generation versions of Factors VIIa, VIII, or IX would not result in significant cash payments to us from a third party because of the amount of time remaining until commercialization of any of the compounds;

the limited likelihood of a significant new product collaboration over the next two years for other research and development programs because we ceased investing in such new programs due to funding constraints and focused our resources on the NE-180, GlycoPEG-GCSF, and Novo programs; and

the belief of our Board of Directors that a number of remaining scientific, regulatory, and collaboration management employees that are critical to meeting the performance obligations to BGX and Novo under the existing collaborative agreements will not be interested in continuing employment with us due to the lack of funding for future research and development programs;

the extent of negotiations with BGX indicated that we obtained the highest consideration that BGX was willing to pay or that we were likely to obtain from any other potential buyers;

the marketing process conducted by management and RBC in seeking potential buyers, and the fact that aside from the Novo and BGX proposals, no other bona fide inquiries or proposals to acquire us or our assets were received, even as our stock price continued to decrease;

the marketing process conducted by management and RBC in seeking potential buyers indicated a low likelihood that a third party would offer a higher price than BGX;

the consideration for the BGX Asset Sale is in cash and will provide our stockholders with greater certainty than if we continue operations as a going concern or if the consideration included equity;

the belief by our Board of Directors that cash to be received by us from the combination of the BGX Asset Sale and the Novo Asset Sale would be the best available way to return value to our stockholders;

the lack of a financing condition on the obligations of BGX;

the potential negative impact on our stock price if our stock were delisted from NASDAQ;

the BGX Asset Sale is subject to the approval of our stockholders (although Novo and BGX each have conditions to closing that the other transaction occur);

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the provisions in the BGX Asset Purchase Agreement allowing our Board of Directors to withdraw its recommendation that our stockholders vote in favor of the BGX Asset Sale if our Board of Directors receives a superior acquisition proposal (as defined in the BGX Asset Purchase Agreement) subject to certain confidentiality, notice and counter-proposal provisions;

the provisions in the BGX Asset Purchase Agreement allowing our Board of Directors to terminate the BGX Asset Purchase Agreement in order to accept a superior proposal subject to certain conditions contained in the BGX Asset Purchase Agreement and the payment to BGX of a termination fee of $1,000,000, and any and all out-of-pocket expenses up to $500,000 incurred by BGX in connection with the transactions contemplated by the BGX Asset Purchase Agreement; and

the conclusion of our Board of Directors that such termination fees and transaction expenses were reasonable in light of the benefits of the BGX Asset Sale and were at customary levels for termination fees and transaction expenses for comparable sized transactions.

Our Board of Directors also considered a number of potentially countervailing factors in its deliberations concerning the BGX Asset Sale, including, but not limited to:

the inability to commercialize our GlycoPEG-GCSF technology in the U.S. and other retained territories if our pending clinical trial data turns out positive;

the fact that the high-end estimate of $0.45 per share represented a discount of 74% from the 52-week high sale price of $1.70 per share for the 12 month period ended September 16, 2008, and the low-end estimate of $0.27 per share represented a discount of 84% from the 52-week high price for the same period;

the restrictions on the conduct of our business prior to completion of the Asset Sales, including, but not limited to, requiring us to conduct our business only in the ordinary course, subject to specific limitations or BGX's and/or Novo's consent, which may delay or prevent us from undertaking business opportunities that may arise pending completion of the Asset Sales;

conditions to closing that must be satisfied or waived, including, but not limited to, obtaining a third party acknowledgement outside our control;

the lack of certainty of the timing and amounts of distributions of cash to our stockholders;

interests of certain of our executive officers and directors in the proceeds from the Asset Sales and the Plan of Liquidation (for information regarding interests of certain executive officers and directors in the Asset Sales and Plan of Liquidation, see "Proposal No. 1: Approval of the BGX Asset Sale Interests of Certain Persons in the Asset Sales and the Plan of Liquidation");

the risk of diverting management focus and resources from other strategic opportunities and from operational matters while working to implement the Asset Sales;

the potential effect on our business and vendor relationships going forward should the Asset Sales not be consummated for any reason;

the potential $3,500,000 German tax withholding obligation, which may delay availability of these funds for distribution to our stockholders until a refund can be processed;

the restrictions on our ability to solicit or engage in discussions or negotiations with a third party regarding specified transactions and the requirement that we pay BGX a termination fee of $1,000,000, plus any and all out-of-pocket expenses up to $500,000, if the BGX Asset Purchase Agreement is terminated under certain circumstances; and

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the requirement that we purchase a representation and warranty insurance policy for the benefit of BGX covering the breach of our representations or warranties under the BGX Asset Purchase Agreement.

The preceding discussion is not meant to be an exhaustive description of the information and factors considered by our Board of Directors, but addresses the material information and factors considered. In view of the wide variety of factors considered in connection with its evaluation of the BGX Asset Sale and the complexity of these matters, our Board of Directors did not quantify or otherwise attempt to assign relative weights to the various factors considered in reaching its determination. In considering the factors described above, individual members of our Board of Directors may have given different weight to different factors. After taking into account all of the factors set forth above, as well as others, our Board of Directors unanimously agreed that the benefits of the BGX Asset Sale outweigh the risks.

Fairness Opinions of RBC Capital Markets Corporation

General Information Regarding RBC's Fairness Opinions

On September 17, 2008, RBC, in its capacity as our financial adviser, rendered its written opinion to our Board of Directors that, as of that date and subject to the assumptions, qualifications and limitations set forth in its opinion, the purchase price to be received by us from BGX for the sale of the BGX Purchased Assets to BGX was fair, from a financial point of view, to us (the "BGX Opinion"). The full text of the BGX Opinion, dated September 17, 2008, is attached to this Proxy Statement as *Annex D*.

In addition, on September 17, 2008, RBC, in its capacity as our financial adviser, rendered its written opinion to our Board of Directors that, as of that date and subject to the assumptions, qualifications and limitations set forth in its opinion, the purchase price to be received by us from Novo for the sale of the Novo Purchased Assets to Novo was fair, from a financial point of view, to us (the "Novo Opinion"). The full text of the Novo Opinion dated September 17, 2008, is attached to this Proxy Statement as *Annex E*.

RBC's BGX Opinion and Novo Opinion (collectively, the "Opinions") were both approved by the RBC Fairness Opinion Committee. **Any summary of the Opinions is qualified in its entirety by reference to the full text of each Opinion. Our stockholders are urged to read both the BGX Opinion and the Novo Opinion in their entirety.**

The Opinions were addressed to, and provided for the information and assistance of, our Board of Directors in connection with its evaluation of the BGX Asset Purchase Agreement and the Novo Asset Purchase Agreement. RBC's Opinions did not address the merits of our underlying decision to enter into the Asset Purchase Agreements or the relative merits of the Asset Purchase Agreements compared to any alternative business strategies or transactions in which we might engage. RBC's Opinions and its presentation to our Board of Directors were only two of many factors taken into consideration by our Board of Directors in making its determination to approve the Asset Purchase Agreements. **The Opinions do not constitute a recommendation to any stockholder as to how such stockholder should vote with respect to the Asset Purchase Agreements. The Opinions should not be construed as creating any fiduciary duty on the part of RBC to us, to our Board of Directors, or to any other party.**

RBC's Opinions addressed solely the fairness, from a financial point of view, of the purchase price under each of the BGX Asset Purchase Agreement and the Novo Asset Purchase Agreement, and did not in any way address other terms or arrangements of the BGX Asset Purchase Agreement or the Novo Asset Purchase Agreement. In rendering the Opinions, RBC did not assume any responsibility to perform, and did not perform, an independent evaluation or appraisal of any of the BGX Purchased Assets, the Novo Purchased Assets or of our liabilities. RBC did not assume any obligation to conduct,

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and did not conduct, a physical inspection of our property or facilities. RBC did not investigate, and made no assumption regarding, any litigation or other claims affecting us. RBC's Opinions relate only to us as a going concern and, accordingly, RBC expresses no opinion regarding our liquidation value.

In rendering its opinions, RBC assumed and relied upon the accuracy and completeness of all information that was publicly available to RBC and all of the financial, legal, tax, operating, and other information provided to or discussed with RBC by us (including, but not limited to, our financial statements and related notes thereto). RBC did not assume responsibility for independently verifying, and did not independently verify, this information. RBC assumed that our financial projections and forecasts (referred to in RBC's Opinions and this section as the "Company Forecasts") provided by management and reviewed by RBC, were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the future of our financial performance. RBC expressed no opinion as to the Company Forecasts or the assumptions on which they were based. For a more detailed description related to the Company Forecasts, see "Proposal No. 1: Approval of the BGX Asset Sale Company Forecasts" and "Proposal No. 2: Approval of the Novo Asset Sale Company Forecasts."

In rendering its Opinions, RBC assumed, in all respects material to its analysis, that all conditions to the consummation of each of the BGX Asset Sale and the Novo Asset Sale would be satisfied without waiver and also assumed that the executed version of the BGX Asset Purchase Agreement and the Novo Asset Purchase Agreement would not differ, in any respect material to its Opinions, from the proposed execution versions of such agreements that RBC reviewed.

RBC's Opinions spoke only as of the date each was rendered, were based on the conditions as they existed and information with which RBC was supplied as of such date, and were without regard to any market, economic, financial, legal or other circumstances or event of any kind or nature that may exist or occur after such date. RBC did not undertake to reaffirm or revise its Opinions or otherwise comment on events occurring after the date of its Opinions and does not have an obligation to update, revise or reaffirm its Opinions. There have been no material changes in our operations, performance or in any of the projections or assumptions upon which RBC based its opinions since the delivery of such opinions or that we anticipate to occur prior to the Special Meeting. Unless otherwise noted, all analyses were performed based on market and other information available as of September 16, 2008, the last trading day preceding the finalization of RBC's analysis.

For the purpose of rendering its Opinions, RBC undertook the review and inquiries it deemed necessary and appropriate under the circumstances, including, but not limited to:

- reviewing the financial terms of the proposed execution version of the BGX Asset Purchase Agreement and the Novo Asset Purchase Agreement, each as received by RBC on September 16, 2008;
- reviewing and analyzing certain publicly available financial and other data with respect to us and certain other relevant historical operating data relating to us made available to RBC from published sources and from our internal records and as provided by our management;
- reviewing the Company Forecasts;
- conducting discussions with members of our senior management with respect to our business prospects and financial outlook; and
- performing other studies and analyses as RBC deemed appropriate.

In arriving at its Opinions, in addition to reviewing the matters listed above, RBC performed the following analyses:

- RBC performed discounted cash flow analyses using the Company Forecasts;

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RBC compared market valuation metrics, to the extent publicly available, of selected precedent transactions with terms RBC deemed comparable to those of each of the BGX Asset Purchase Agreement and the Novo Asset Purchase Agreement, with the market valuation metrics implied by the purchase price under each agreement; and

RBC compared selected market valuation metrics of publicly-traded companies that RBC deemed comparable to us with metrics implied by the purchase price under each agreement.

The following is a summary of the material financial analyses performed by RBC in connection with the preparation of the BGX Opinion. A summary of the material financial analyses performed by RBC in connection with the preparation of the Novo Opinion follows below in "Proposal No. 2: Approval of the Novo Asset Sale Fairness Opinions of RBC Capital Markets Corporation." The summaries of the analyses used by RBC contained in these sections include information presented in tabular format. To fully understand the summaries of the analyses used by RBC, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the analyses.

For purposes of its analyses with respect to the BGX Asset Sale, RBC used $22,000,000 as the purchase price that would be received by us, without deduction for any transaction expenses (the "BGX Consideration").

Comparable Company Analysis

In conducting its analysis, RBC prepared a comparable company analysis of the value of the BGX Consideration relative to the corresponding total enterprise valuation ("TEV") of a group of publicly traded companies (listed below) that RBC deemed, for purposes of this analysis, to be comparable to us. The comparable companies were selected based on their similarity to us in stage of development, therapeutic focus and/or market characteristics. The peer group included companies with failed or terminated lead programs with other pipeline products that were generally encumbered by collaboration or developmental agreements and which were in stages of development similar to us.

RBC compared the TEVs of the comparable companies to the BGX Consideration as an implied measure of our market valuation. RBC defined TEV as total market capitalization as of September 16, 2008 plus net debt, which was defined by RBC as total debt less cash (other than restricted cash) and

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cash equivalents, preferred stock, and minority interests. No control premium was reflected in the TEV of peer group companies, listed below:

Comparable Company	TEV as of September 16, 2008 ($ in millions)
Maxygen, Inc.	$ 22.4
Trubion Pharmaceuticals, Inc.	$ 11.1
Icagen, Inc.	$ 18.0
Anadys Pharmaceuticals, Inc.	$ 31.2
NeurogesX, Inc.	$ 18.9
Entremed, Inc.	$ 21.5
Metabasis Therapeutics, Inc.	$ 28.6
Memory Pharmaceuticals Corp.	$ 14.3
Achillion Pharmaceuticals, Inc.	$ 38.8
Sciclone Pharmaceuticals, Inc.	$ 37.1
OXiGENE, Inc.	$ 17.6
Pharmacyclics, Inc.	$ 36.3
Rosetta Genomics Ltd.	$ 26.3
Pharmos Corporation	$ 0.9
Low:	$ 0.9
Mean:	$ 25.7
Median:	$ 22.0
High:	$ 38.8

The implied TEVs ranged from $0.9 million to $38.8 million, with a mean of $25.7 million and a median of $22.0 million. Given that the BGX Consideration of $22.0 million was well within the range of comparable company TEVs, RBC determined that the value received by us compared favorably to TEVs of publicly traded comparable companies.

	Comparable Companies			
($ in millions)	Min.	Mean	Median	Max.
Total Enterprise Value	$0.9	$25.7	$ 22.0	$38.8

Precedent Transactions Analysis

In conducting its analysis, RBC prepared a precedent transaction analysis of the value of the BGX Consideration relative to the corresponding TEV of a group of precedent transactions (listed below) that RBC deemed, for purposes of this analysis, to be comparable to the BGX Asset Sale. The transactions were selected based on the target company's similarity to us in stage of development, therapeutic focus and/or market characteristics. The precedent list included companies with failed or

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terminated lead programs with other pipeline products that are generally encumbered by collaboration or developmental agreements and which are in stages of development similar to us.

Date Announced	Acquirer	Target	TEV of Target as of Announcement Date ($ in millions)
08/05/2008	The Medicines Company	Curacyte Discovery GmbH	$ 22.6
07/08/2008	Eli Lilly and Company	SGX Pharmaceuticals, Inc.	$ 42.2
04/10/2008	Paion AG	CeNes Pharmaceuticals plc	$ 7.7
03/17/2008	EUSA Pharma Inc.	Cytogen Corporation	$ 13.8
12/20/2006	GlaxoSmithKline Beecham Corporation	Praecis Pharmaceuticals Incorporated	$ 23.1
03/15/2006	Pharmos Corporation	Vela Pharmaceuticals Inc.	$ 44.2
Mean:			$ 25.6
Median:			$ 22.8

RBC compared the TEVs of the target companies to the BGX Consideration as an implied measure of our market valuation. RBC defined TEV as total market capitalization as of September 16, 2008 plus net debt, which was defined by RBC as total debt less cash (other than restricted cash) and cash equivalents, preferred stock and minority interests.

The implied TEVs ranged from $7.7 million to $44.2 million, with a mean of $25.6 million and a median of $23.1 million. Given that the BGX Consideration of $22.0 million was well within the range of selected precedent transaction TEVs, RBC determined that the value received by us compared favorably to TEVs of target companies in precedent transactions.

Discounted Cash Flow Analysis

RBC performed a discounted cash flow, or DCF, analysis to calculate the estimated present value of the stand-alone, unlevered, after-tax free cash flows that we could be expected to generate from our GlycoPEG-GCSF program from 2008 through 2023, which includes 10 years of product sales, based on (i) estimates of our management for such time periods and (ii) industry research and analysis on the probability of clinical success, timing of product launches, and estimated market shares for drugs developed under the program. Consideration was given to the stage of development of our GlycoPEG-GCSF program. Our GlycoPEG-GCSF program is currently being evaluated in a Phase II clinical trial. RBC used cumulative probabilities of product success of 20.0% and 29.0%, respectively.

RBC did not assign a terminal value due to our management's assessment that at the terminal date any drugs developed from the GlycoPEG-GCSF program would be near patent expiration and would, as a result, become subject to competition from generics and expected cash flows would decline significantly.

RBC's DCF analysis with respect to the GlycoPEG-GCSF program was based on applied discount rates reflecting a weighted-average cost of capital, or WACC, of 15.0% to 25.0%. RBC defined WACC as the cost of equity plus the after-tax cost of debt, weighted for capital structure using industry standard practices. The range of discount rates used in this analysis was based on RBC's estimate of our equity cost of capital after taking into account Bloomberg's estimated two-year betas of the Company and the selected comparable publicly traded companies used in the Comparable Company Analysis above.

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These calculations indicated implied DCF values for our GlycoPEG-GCSF program ranging from $25.2 million to $61.1 million.

NPV Cash Flows ($ in millions)				
Discount Rate				
15.0%	17.5%	18.7%	22.5%	25.0%
$61.1	$48.5	$43.7	$31.1	$25.2

As described above, as part of its analysis, RBC took into consideration that we were marketed to 66 potential acquirers and only one offer was received to acquire the GlycoPEG-GCSF program.

Additional Qualifications and Assumptions

No single company or transaction used in the above analysis as a comparison is identical to us and an evaluation of the results of the analysis is not entirely mathematical. Rather, the analysis involves complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies, businesses, or transactions analyzed. The analysis was prepared solely for purposes of RBC providing an opinion as to the fairness of the purchase price to be received by us under the BGX Asset Purchase Agreement, from a financial point of view, to us and does not purport to be an appraisal or necessarily reflect the price at which assets, businesses or securities actually may be acquired, which is inherently subject to uncertainty.

The preparation of a fairness opinion is a complex process that involves the application of subjective business judgment in determining the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Several analytical methodologies were used by RBC in preparing the BGX Opinion and no one method of analysis should be regarded as critical to the overall conclusion reached. Each analytical technique has inherent strengths and weaknesses, and the nature of the available information may further affect the value of particular techniques. The overall conclusions of RBC were based on all the analyses and factors presented herein taken as a whole and also on application of RBC's own experience and judgment. Such conclusions may involve significant elements of subjective judgment and qualitative analysis. RBC therefore believes that its analyses must be considered as a whole and that selecting portions of the analyses and of the factors considered, without considering all factors and analyses, could create an incomplete or misleading view of the processes underlying its opinion.

RBC is an internationally recognized investment banking firm and is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, corporate restructurings, underwritings, secondary distributions of listed and unlisted securities, private placements, and valuations for corporate and other purposes. In the ordinary course of business, RBC may act as a market maker and broker in our publicly-traded securities and receive customary compensation, and may also actively trade our securities for its own account and the accounts of its customers, and, accordingly, RBC and its affiliates may hold a long or short position in such securities.

RBC was engaged to render the BGX Opinion and the Novo Opinion to our Board of Directors as to the fairness of the BGX Consideration and the Novo Consideration, respectively, from a financial point of view, to us with respect to the BGX Asset Sale and the Novo Asset Sale, respectively, and received a fee of $350,000 upon delivery of each of the BGX Opinion and the Novo Opinion. RBC is also entitled to the following additional fee:

If the BGX Asset Sale and the Novo Asset Sale are consummated, $800,000; or

If only the BGX Asset Sale or only the Novo Asset Sale is consummated, $300,000.

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Company Forecasts

In connection with the BGX Opinion, we provided certain forecasted financial data for our economic interest in GlycoPEG-GCSF for the years 2008 through 2023 to RBC. We do not, as a matter of course, make public projections as to future revenues, earnings or other results. We are presenting the forecasted financial information set forth below solely to give our stockholders access to forecasted financial information that was materially similar to the forecasted financial information made available to RBC in connection with the BGX Opinion.

The accompanying forecasted financial information was not prepared with a view toward public disclosure or with a view toward complying with any guidelines or policies of regulatory authorities in the United States, including but not limited to, the published guidelines of the SEC, the principles established by the Financial Accounting Standards Board, or the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in our view as of the date of its preparation, was prepared on a reasonable basis, reflected the best available estimates and judgments at the time, and presented, to the best of our knowledge and belief, the expected course of action and the expected future financial performance of GlycoPEG-GCSF. This information should not be relied upon as being necessarily indicative of actual future results, and our stockholders are cautioned not to place undue reliance on the prospective financial information.

Neither our independent registered public accounting firm, nor any other independent accountants have compiled, examined, or performed any procedures with respect to the forecasted financial information contained below, nor have they expressed any opinion or other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the forecasted financial information. Also, in rendering its opinion, RBC has assumed and relied upon the financial projections provided, and has not assumed responsibility for independently verifying and has not independently verified them.

The assumptions and estimates underlying the forecasted financial information are inherently uncertain and, though considered reasonable by us as of the date of its preparation, are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the forecasted financial information. The forecasts below were prepared for the fiscal years ended December 31, 2008 through 2023, and were based on market and other data and assumptions available to us.

The inclusion of these forecasts in this Proxy Statement should not be regarded as a representation to our stockholders by us or any of our advisors, agents or representatives that the results reflected in these forecasts will be realized. Our stockholders are cautioned not to place undue reliance on the projection information provided below.

The forecasts below are or involve forward-looking statements and are based upon a variety of assumptions, including the timing of any regulatory approval and commercial launch of GlycoPEG-GCSF. These assumptions involve judgments with respect to future economic, competitive and regulatory conditions, financial market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Many important factors, in addition to those discussed elsewhere in this Proxy Statement, could cause results to differ materially from those expressed or implied by the forward-looking statements (See "Caution Regarding Forward-Looking Statements"). Accordingly, there can be no assurance that any of the forecasts are necessarily indicative of GlycoPEG-GCSF's actual future performance or that actual results will not differ materially from those in the forecasts set forth below.

The forecasts were prepared using a number of assumptions, including assumptions that were valid at the time the forecasts were prepared and which may have changed over time due to changed circumstances. Such assumptions have not been updated since the forecasts were prepared. The table below presents our risk-adjusted revenues related to GlycoPEG-GCSF, except that the revenues exclude

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the impact of reimbursements received by us from BGX for our costs incurred under the BGX Collaboration Agreement. The revenues presented have been risk-adjusted by multiplying the non-risk adjusted revenues in each year by our estimate of the cumulative probability of achieving those revenues. The cumulative probability used for 2014 (the first year of the forecasted revenues) and beyond was 20%.

Year	Risk-adjusted Revenues ($ in millions)
2009-2013	$
2014	$ 9
2015	$ 26
2016	$ 42
2017	$ 41
2018	$ 49
2019	$ 48
2020	$ 47
2021	$ 47
2022	$ 46
2023	$ 45

We do not intend to make publicly available any update or other revisions to the foregoing projections, except as required by law.

Principal Provisions of the BGX Asset Purchase Agreement

The following is a summary of the principal provisions of the BGX Asset Purchase Agreement. While we believe this description covers the material terms of the BGX Asset Purchase Agreement, it may not contain all of the information that is important to you and is qualified in its entirety by reference to the BGX Asset Purchase Agreement. The BGX Asset Purchase Agreement is attached as *Annex A* to this Proxy Statement, and is considered part of this document. We urge you to carefully read the BGX Asset Purchase Agreement in its entirety for a more complete understanding of the BGX Asset Sale.

The Parties to the BGX Asset Purchase Agreement

BGX is a company organized under the laws of Germany. BGX develops biopharmaceutical drugs with known modes of action and established drug markets. BGX is a subsidiary of ratiopharm GmbH, a company organized under the laws of Germany and a producer of generic pharmaceuticals.

We and BGX are currently party to that certain Research, Co-Development and Commercialization Agreement, dated April 20, 2004, as amended (the "BGX Collaboration Agreement"), pursuant to which we and BGX have collaborated in the development of a next generation G-CSF (the "BGX Collaboration"). Additionally, we and BGX are currently party to that certain Supply Agreement, dated October 13, 2008 to be effective as of October 10, 2008 (the "BGX Supply Agreement"), pursuant to which the parties agreed to begin transitioning responsibility from us to BGX for the supply of the various process reagents under the BGX Collaboration Agreement. The BGX Collaboration Agreement and the BGX Supply Agreement will terminate as of the closing date of the BGX Asset Sale. For more detailed information regarding the principal provisions of these agreements, see the section of this Proxy Statement entitled "Proposal No. 1: Approval of the BGX Asset Sale Existing Agreements with BGX."

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The BGX Asset Sale

At the closing of the BGX Asset Sale, we will transfer and convey to BGX certain assets and BGX will assume specified liabilities related to such assets. The assets we are transferring to BGX consist of the BGX Purchased Assets (as defined below) and the Licensed Assets (as defined below). The Licensed Assets consist of a license to BGX pursuant to a license agreement (the "BGX License Agreement") and a sublicense to BGX pursuant to a sublicense agreement (the "BGX Sublicense Agreement" and, together with the BGX License Agreement, the "BGX License Agreements"). We and BGX will enter into the BGX License Agreements immediately prior to the closing of the BGX Asset Sale, pursuant to which we will license or sublicense to BGX certain intellectual property to be acquired by Novo from us pursuant to the Novo Asset Purchase Agreement. At the closing of the Novo Asset Sale we will assign the BGX License Agreements to Novo.

BGX Purchased Assets

The "BGX Purchased Assets" mean:

- certain of our patents, trademarks and know-how related to our intellectual property (the "BGX Transferred IP");
- all tangible embodiments of the BGX Transferred IP;
- all of our inventory of raw materials, DNA sequences, vectors, plasmids, cells, cell clones, enzymes, substrates, products, intermediates, references, analytical standards and retained samples related to the BGX Purchased Assets and the Licensed Assets (including materials to be delivered to BGX in accordance with the transition plan, but excluding materials that are Novo Purchased Assets (as defined below) or materials that relate to the BGX Excluded Assets (as defined below);
- all of our regulatory documentation exclusively or primarily related to the activities conducted under the BGX Collaboration, but excluding any Investigational New Drug Applications included in such regulatory documentation;
- all claims, counterclaims, credits, causes of action, rights of recovery, and rights of indemnification or setoff against third parties, insurance benefits and other claims and rights of ours to the extent relating to our activities under the BGX Collaboration, any BGX Purchased Assets or the BGX Assumed Liabilities (as defined below), and all other intangible property rights that relate to our activities under the BGX Collaboration, any BGX Purchased Assets or the BGX Assumed Liabilities; and
- all of our rights in, under and to certain contracts (the "BGX Assumed Contracts"), including, but not limited to, all rights to receive goods and services purchased pursuant to such contracts, and to exploit intellectual property licensed pursuant to such contracts, and rights to assert claims and take other actions in respect of breaches or other violations of the foregoing.

Licensed Assets

The "Licensed Assets" mean the intellectual property licensed or sublicensed to BGX, as applicable, pursuant to the BGX License Agreements.

BGX Excluded Assets

BGX will not acquire the following assets, which we refer to as the "BGX Excluded Assets":

- all assets to be transferred to Novo pursuant to the Novo Asset Purchase Agreement;
- all of our cash, cash equivalents, investments, securities and bank or other deposit accounts;

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any refunds, claims for refunds and rights to receive refunds with respect to taxes paid or to be paid by us;

all of our equipment, office supplies, accessories, tooling, tools, fixtures and furniture that are not BGX Purchased Assets;

any of our records (including, but not limited to, accounting records) related to taxes paid or payable by us and all of our financial or tax records that form part of our general ledger;

any insurance benefits payable to us arising from or related to the BGX Excluded Assets or the BGX Excluded Liabilities (as defined below);

our certificate of incorporation, bylaws, minute books, stock records, and corporate seal;

any of our contracts, that are not BGX Assumed Contracts, including, but not limited to, license agreements with respect to the BGX Transferred IP or Licensed Assets that are licensed to us by third party licensors;

any of our rights, title or interest to intellectual property related to the exploitation of non-GlycoPEGylated glycolipids or oligosaccharides not attached to a peptide or protein; and

any of our rights under the BGX Asset Purchase Agreement, and all related agreements, certificates and documents signed and delivered by either party and any of our rights under the Novo Asset Purchase Agreement and any related ancillary documents.

BGX Assumed Liabilities

At the closing of the BGX Asset Sale, BGX has agreed to assume our liabilities relating to performance obligations arising: (i) after the closing date of the BGX Asset Sale in connection with the regulatory documentation included in the assets purchased by BGX (but excluding any such obligations arising out of or resulting from any breach or violation of such regulatory documentation or any related requirement of applicable law by us on or prior to the closing date of the BGX Asset Sale), or (ii) under the contracts assigned to BGX accruing with respect to the period commencing, as applicable, after the closing date of the BGX Asset Sale (or if consent to assignment is required, the date such consent is obtained and such contracts are assigned to BGX), other than liabilities or obligations attributable to any failure by us to comply with the terms of such contracts (collectively, the "BGX Assumed Liabilities").

BGX Excluded Liabilities

Other than the BGX Assumed Liabilities and the Novo Assumed Liabilities (as defined below), all of our other liabilities and obligations will be retained by us, which liabilities and obligations we refer to as the "BGX Excluded Liabilities," and include, but are not limited to:

all of our liabilities and obligations, or the liabilities and obligations of any member of any consolidated, affiliated, combined or unitary group of which we are a member or have been a member, for taxes, except transfer taxes, the handling of which is separately set forth in the BGX Asset Purchase Agreement;

all our liabilities and obligations relating to employee benefits or compensation arrangements, whether relating or attributable to, or arising during, the period before or after the closing of the BGX Asset Sale, including, all liabilities or obligations under any employee benefit agreements, plans or other arrangements;

all liabilities and obligations arising from any action relating to us, the BGX Purchased Assets or the Licensed Assets or pending before any arbitrator or governmental authority;

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all liabilities and obligations relating to or arising from any asset, property or business of ours that is not a BGX Purchased Asset or a Licensed Asset, whether relating or attributable to, or arising during, the period before or after the closing of the BGX Asset Sale; and

all liabilities and obligations relating or attributable to any owned, leased or operated BGX Purchased Asset or Licensed Asset prior to closing of the BGX Asset Sale, including in relation to any contract, agreement, lease, license, commitment, sales or purchase order or other instrument.

BGX Purchase Price

At the closing of the BGX Asset Sale, BGX will pay us $22,000,000 in cash, by wire transfer of immediately available funds.

Closing

If the BGX Asset Purchase Agreement is approved by our stockholders, the closing of the BGX Asset Sale is expected to take place shortly after the Special Meeting and will occur simultaneously with the closing of the Novo Asset Sale.

Transition Plan

We are obligated to make delivery of such tangible embodiments of all intellectual property with respect to the BGX Purchased Assets and the Licensed Assets in accordance with a transition plan.

Representations and Warranties

The BGX Asset Purchase Agreement contains certain representations and warranties made by us and by BGX. We have made representations and warranties to BGX relating to, among other things:

corporate organization, good standing and corporate power to operate our business;

corporate power and authority to enter into the BGX Asset Purchase Agreement and to consummate the BGX Asset Sale;

the adoption and recommendation by our Board of Directors of the BGX Asset Sale in accordance with our organizational documents and Delaware law;

our valid and binding obligations regarding the BGX Asset Purchase Agreement, except to the extent that enforceability is limited by law;

the absence of any conflict or breach of our organizational documents or applicable law as a result of our entering into the BGX Asset Purchase Agreement and the consummation of the BGX Asset Sale;

the absence of any conflict with, right of termination, cancellation or acceleration of any rights or obligations under any agreement or other instrument or obligation to which we are a party, or by which we, the BGX Collaboration or any of the BGX Purchased Assets or Licensed Assets may be bound or affected;

the absence of the creation or imposition of any lien upon any BGX Purchased Asset or Licensed Asset arising out of the execution and delivery by us of the BGX Asset Purchase Agreement, the documents that are ancillary to the BGX Asset Purchase Agreement and the consummation of the transactions contemplated thereby;

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the absence of required stockholder or equityholder approval for the execution, delivery or performance of the BGX Asset Purchase Agreement, the agreements that are ancillary to the BGX Asset Purchase Agreement and the transactions contemplated thereby; other than the approval by the majority of the outstanding shares of our common stock;

sufficiency of and title to the BGX Purchased Assets and Licensed Assets;

the absence of knowledge of any claims challenging our ownership of and title to the BGX Purchased Assets and Licensed Assets;

the absence of any event or development of a state of circumstances that, individually or in the aggregate, has had, or could reasonably be expected to result in a "Material Adverse Effect," as that term is defined in the BGX Asset Purchase Agreement;

the taking of all action necessary to prosecute all of our existing applications and to maintain all such registrations in full force and effect, including having paid all required maintenance fees, and not taking or having failed to take any action that could reasonably be expected to have the effect of waiving any rights to the BGX Transferred IP or the Licensed Assets;

the effectiveness, enforceability, absence of default, absence of material breach by us related to the Third Party License Agreements;

the enforceability and validity of the BGX Transferred IP and the Licensed Assets;

the contemplated use of the BGX Transferred IP and the Licensed Assets by BGX shall not conflict with the intellectual property rights of third parties;

the absence of any pending action, order, agreement or other limitation restricting the use of the BGX Transferred IP and the Licensed Assets;

the absence of any threatened action or claim of infringement to which we are a party regarding the BGX Transferred IP or the Licensed Assets;

the absence of unauthorized use, infringement, misappropriation or violation of the BGX Transferred IP or the Licensed Assets;

the timely payment of fees and filing of documents related to the maintenance of the BGX Transferred IP and the Licensed Assets;

the completeness of the BGX Transferred IP and the Licensed Assets relating to G-CSF;

the compliance of our activities under the BGX Collaboration with applicable law;

the absence of action pending, or to our knowledge threatened, before any governmental authority that could reasonably be expected to have a Material Adverse Effect;

the maintenance of insurance policies in accordance with the BGX Collaboration;

timely payment of all material taxes with respect to the BGX Purchased Assets or the Licensed Assets;

the absence of undisclosed broker fees;

the absence of any notification by a governmental authority informing us that our activities under the BGX Collaboration were or are in violation of any applicable law or the subject of any investigation; and

our solvency.

These representations and warranties have been made solely for the benefit of the parties to the BGX Asset Purchase Agreement and are not intended to be relied on by any other person.

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In addition, these representations and warranties are qualified by specific disclosures made to BGX in connection with the BGX Asset Purchase Agreement, are subject to the materiality standards contained in the BGX Asset Purchase Agreement, which may differ from what may be viewed as material by investors, and were made only as of the date of the BGX Asset Purchase Agreement or such other date as is specified in the BGX Asset Purchase Agreement.

Additional Agreements and Obligations

Standstill Agreement

Commencing on the date of the signing of the BGX Asset Purchase Agreement and ending on the earlier of (i) the termination of the BGX Asset Purchase Agreement, (ii) the closing date of the BGX Asset Sale, and (iii) if after receipt of a Superior Acquisition Proposal, our Board of Directors, in the exercise of its fiduciary duties, determines in good faith that it shall fail to make, withdraw or modify its recommendation to our stockholders that the BGX Asset Purchase Agreement be approved by our stockholders, BGX shall not, without our prior written consent:

acquire, or attempt to acquire, any voting securities or direct or indirect rights or options to acquire any of our voting securities;

effect, offer, seek, propose or attempt to effect any recapitalization, restructuring, liquidation, dissolution or other extraordinary transaction with respect to us;

seek or propose to influence or control our management or policies or to obtain representation on our Board of Directors;

make any public announcement with respect to, or submit a proposal for any extraordinary transaction involving us or our securities or assets;

enter into a "group" (as such term is used in Section 13(d)(3) of the Exchange Act) in connection with any of the foregoing; or

seek or request permission or participate in any effort to do any of the foregoing or make, or seek permission to make, any public announcement with respect to the foregoing.

Withholding Tax

BGX has informed us that it has received a Certificate of Exemption from the German General Tax Office that relieves BGX of the requirement to withhold any taxes from the payment of the sales proceeds to us.

Technical Transition Assistance

During the period of time commencing on the date of the signing of the BGX Asset Purchase Agreement and ending 30 days after the closing date of the BGX Asset Sale, we will provide technical assistance to BGX as may be reasonably required to ensure an efficient and orderly transition of the BGX Transferred IP. BGX will bear any out-of-pocket costs that we incur in connection with providing such technical assistance. During the technical transition period, we will use reasonable efforts to continue to make available to BGX certain of our employees with training and experience relating to the BGX Purchased Assets and will make reasonable efforts to retain or have access to such employees, including using commercially reasonable efforts to structure the incentive compensation, stay bonuses or other similar payments to such employees to be payable in whole or in substantial part as of the end of the technical transition period and BGX shall reimburse us for the payment of such salary or other compensation.

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No Solicitation of Alternative Proposals

We have agreed not to, and will cause all of our officers, directors, employees, financial advisors, attorneys, accountants or other advisors or consultants retained by us not to, solicit, initiate, or encourage any inquiries with respect to, or the making of, any acquisition proposal, or engage in any negotiations or discussions with, furnish any information or data to, or enter into any letter of intent, agreement in principle, acquisition agreement or similar agreement with any party related to an acquisition proposal.

Notwithstanding the foregoing, in circumstances not involving a breach of the BGX Asset Purchase Agreement, in response to a written and unsolicited acquisition proposal received from a third party prior to the date of our Special Meeting or its adjournment, we may engage in discussions or negotiations with, and furnish information and data to, any such party if:

- our Board of Directors determines in good faith that such acquisition proposal will, or is reasonably likely to, result in an acquisition proposal for all of our stock or substantially all of our assets that is superior to our stockholders from a financial point of view and is reasonably likely to be consummated on its terms (a "Superior Acquisition Proposal");

- our Board of Directors determines in good faith that the failure to take such action would be inconsistent with our Board of Directors' fiduciary duties under applicable law;

- at least 48 hours has elapsed from the time we shall have provided BGX with notice of such determination by our Board of Directors; and

- material, non-public information regarding us is provided to a party that submits an unsolicited written acquisition proposal pursuant to a confidentiality agreement with terms no less favorable to us than those contained in our confidentiality agreement with BGX.

Within 24 hours after receipt of any written acquisition proposal, we will provide BGX with a copy of such acquisition proposal or, in connection with any non-written acquisition proposal, a written statement setting forth in reasonable detail the material terms and conditions of such acquisition proposal. We will furnish to BGX copies of any written proposals and draft documentation or, if drafted, written summaries of any material oral inquiries or discussions involving the acquisition proposal. If we provide any non-public information to any party submitting an acquisition proposal that has not previously been provided to BGX, we agree to provide a copy of such information to BGX within 24 hours after the time it is first provided to such other party.

Our Board of Directors recommends that the BGX Asset Purchase Agreement, the BGX Asset Sale and the transactions contemplated thereby are in our best interests and the interests of our stockholders. However, if we receive a Superior Acquisition Proposal, and our Board of Directors determines in good faith that to do otherwise would likely result in a breach of its fiduciary duties under Delaware law, our Board of Directors may fail to make, withdraw or modify its recommendation that the BGX Asset Purchase Agreement, the BGX Asset Sale and the transactions contemplated thereby are in the best interest of us and our stockholders (a "BGX Change in Recommendation").

Subject to the provisions outlined in the paragraph below, our Board of Directors may terminate the BGX Asset Purchase Agreement if: (i) we receive an unsolicited written acquisition proposal prior to the date of our Special Meeting or its adjournment, (ii) our Board of Directors determines in good faith that such acquisition proposal constitutes a Superior Acquisition Proposal, and (iii) our Board of Directors determines in good faith that failure to take such action would result in the breach of our Board of Directors' fiduciary duties under Delaware law.

In the event that our Board of Directors makes a determination to: (i) make a BGX Change in Recommendation, or (ii) terminate the BGX Asset Purchase Agreement in response to a unsolicited written acquisition proposal, we agree to provide BGX with prior written notice of not less than three

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business days that we plan to take any of the foregoing actions. We agree to provide notice that shall contain a description of the reasons for any Change of Recommendation, if any, and a copy of the most recent version of any written agreement relating to the Superior Acquisition Proposal. If requested by BGX after the delivery of such notice, we shall engage in reasonable, good faith negotiations with BGX regarding any modifications to the terms and conditions of the BGX Asset Purchase Agreement proposed by BGX. If BGX proposes any such modifications to the terms and conditions of the BGX Asset Purchase Agreement prior to the expiration of the three business day period following delivery of our notice and such modifications were material, our Board of Directors may not effect a BGX Change in Recommendation or terminate the BGX Asset Purchase Agreement unless and until our Board of Directors determines in good faith that the acquisition proposal resulting in the proposed BGX Change in Recommendation or termination continues to constitute a Superior Acquisition Proposal, after taking into account any changes in the terms and conditions of the BGX Asset Purchase Agreement proposed by BGX. If any material modifications are made to the terms and conditions of any acquisition proposal after the date that notice of BGX Change in Recommendation or termination of the BGX Asset Purchase Agreement is provided by us to BGX, we shall again be required to comply with the notice provisions with respect to such modified acquisition proposal.

Representation and Warranty Insurance

We have agreed to use reasonable best efforts to purchase a representation and warranty insurance policy for the benefit of BGX and its affiliates with respect to any inaccuracy in or breach of any representation or warranty by us contained in the BGX Asset Purchase Agreement. The representation and warranty insurance policy shall be subject to a deductible of $500,000 generally and $1,500,000 for any inaccuracy in or breach of certain representations made by us with respect to the BGX Transferred IP or the Licensed Assets, a cap of $4,000,000 and shall only cover claims asserted by BGX prior to the second anniversary of the closing date. The premium payable by us for such policy is $240,000.

Clinical Trial Liability Insurance

We have agreed to use reasonable best efforts to purchase extended reporting or "tail" coverage with respect to our clinical trial liability insurance policies in effect for all periods during which we were conducting human clinical trials and have agreed to name BGX as an additional insured party to the policy.

Conditions to the BGX Asset Sale

The obligations of the parties to complete the BGX Asset Sale are subject to certain conditions, including, but not limited to:

- approval of the BGX Asset Sale by our stockholders;
- the absence of any law or pending action by a governmental authority prohibiting the consummation of all or part of the BGX Asset Sale and no action shall be pending or threatened by any governmental authority or other person seeking a writ, judgment, decree, injunction or similar order or seeking to recover any damages or obtain other relief as a result of the consummation of the BGX Asset Sale; and
- completion of all notifications and filings with governmental authorities and expiration or termination of any waiting periods required by governmental authorities.

The obligations of BGX to complete the BGX Asset Sale are subject to certain additional conditions, including, but not limited to:

- the accuracy of the representations and warranties made by us to BGX;

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the performance of our obligations under the BGX Asset Purchase Agreement;

the absence of any event or development of a state of circumstances that, individually or in the aggregate, has had, or could reasonably be expected to result in a "Material Adverse Effect," as that term is defined in the BGX Asset Purchase Agreement;

the receipt by BGX of a certificate of our good standing from the State of Delaware, and a certificate from one of our officers certifying that the conditions to the obligations of BGX to complete the BGX Asset Sale have been satisfied and that the execution and delivery of the BGX Asset Purchase Agreement is validly authorized and executed;

the receipt by BGX of all documents reasonably requested relating to consummation of ancillary transactions contemplated by the BGX Asset Purchase Agreement, including executed counterparts of documents required to be executed by us;

the simultaneous closing of the BGX Asset Sale and the Novo Asset Sale without any waiver or amendment by Novo of any of the conditions precedent to the Novo Asset Purchase Agreement that would reasonably be expected to have a Material Adverse Effect on the rights or interests of BGX under the BGX Asset Purchase Agreement;

the issuance and effectiveness of the representation and warranty insurance policy and the clinical trial liability tail policy as required by the BGX Asset Purchase Agreement and the payment by us of the premiums thereunder; and

the receipt by us of an acknowledgment of assignment from the Regents of the University of California of our right to assign to Novo and sublicense to BGX an exclusive license agreement by and between the Regents of the University of California and us (which acknowledgement has been obtained).

Our obligation to complete the BGX Asset Sale is subject to certain conditions, including, but not limited to:

the accuracy of the representations and warranties made by BGX to us;

the performance of BGX's obligations under the BGX Asset Purchase Agreement;

the receipt by us of a certificate from an officer of BGX certifying that the conditions to our obligation to complete BGX Asset Sale have been satisfied, and that the execution and delivery of the BGX Asset Purchase Agreement is validly authorized and executed; and

the receipt by us of all documents reasonably requested relating to the consummation of ancillary transactions contemplated by the BGX Asset Purchase Agreement, including executed counterparts of documents required to be executed by BGX.

Termination of the BGX Asset Purchase Agreement

The BGX Asset Purchase Agreement may be terminated and the transactions contemplated thereby abandoned at any time prior to the closing of the BGX Asset Sale, whether before or after the BGX Asset Purchase Agreement has been approved by our stockholders, as follows:

by BGX or us:

upon mutual written agreement;

if our stockholders do not approve the BGX Asset Sale;

if the closing of the BGX Asset Sale shall not have occurred prior to January 31, 2009 (the "End Date") other than due to a breach of any representation or warranty of the party

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seeking termination, or as a result of the failure of such party to comply with its obligations; or

if there shall be in effect any applicable law that prohibits the closing of the BGX Asset Sale or if the closing of the BGX Asset Sale would violate any non-appealable order.

by BGX if:

any of the conditions precedent to the obligations of both parties, or any of the conditions precedent to BGX's obligations to complete the BGX Asset Sale shall become incapable of fulfillment on or prior to the End Date and such condition or conditions shall not have been waived by BGX; or

if our Board of Directors effects a BGX Change in Recommendation.

by us if:

any of the conditions precedent to the obligations of both parties, or any of the conditions precedent to our obligation to complete the BGX Asset Sale shall become incapable of fulfillment on or prior to the End Date and such condition or conditions shall not have been waived by us; or

provided that we comply with the conditions and procedures set forth in the BGX Asset Purchase Agreement with respect to a Superior Acquisition Proposal, immediately prior to our entering into a definitive agreement with a third party with respect to such Superior Acquisition Proposal.

Termination Fee and Payment of Expenses

We have agreed to pay BGX the sum of $1,000,000 (the "BGX Termination Fee") if the BGX Asset Purchase Agreement is terminated under the circumstances set forth below:

by BGX or us if:

our stockholders do not approve the BGX Asset Sale and prior to our Special Meeting: (i) an acquisition proposal is publicly announced or is communicated to our Board of Directors, or any person has publicly announced an intention, whether or not conditional, to make an acquisition proposal, and (ii) within 12 months after termination of the BGX Asset Purchase Agreement, we enter into a definitive agreement with respect to an acquisition proposal or an acquisition proposal is otherwise consummated.

by BGX if:

our Board of Directors effects a BGX Change in Recommendation (as defined below).

by us if:

we enter into a definitive agreement with a third party with respect to a Superior Acquisition Proposal.

We have also agreed to reimburse BGX for up to an aggregate of $500,000 of any and all out-of-pocket expenses if the BGX Asset Purchase Agreement is terminated: (i) under any circumstance that would trigger the payment of the BGX Termination Fee (such out-of-pocket expenses shall be payable by us to BGX in addition to the BGX Termination Fee), or (ii) if our stockholders do not approve the BGX Asset Sale, but without the occurrence of such additional conditions that would trigger our obligation to pay BGX the BGX Termination Fee.

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Non-Survival of Representations, Warranties and Agreements

From and after the closing of the BGX Asset Sale, we shall have no liability to BGX with respect to any inaccuracy or breach of any of the representations or warranties made by us in the BGX Asset Purchase Agreement or any related documents, and BGX's sole recourse and remedy with respect to any such inaccuracy or breach shall be to assert a claim or claims for coverage pursuant to the representation and warranty insurance policy.

Fees and Expenses

Other than our potential reimbursement to BGX of up to $500,000 of any and all of BGX's out-of-pocket expenses as described above and other specified immaterial reimbursements by each party to the other, each party will bear its own costs and expenses with respect to the transactions contemplated by the BGX Asset Purchase Agreement, whether or not such transaction is consummated.

Amendment and Waiver

The BGX Asset Purchase Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by each of BGX and us, or in the case of a waiver, by the party against whom the waiver is to be effective.

Absence of Appraisal Rights

Under Delaware law, our stockholders are not entitled to appraisal rights for their shares of our common stock in connection with the transactions contemplated by the BGX Asset Purchase Agreement or to any similar rights of dissenters under Delaware law.

Material Federal and State Income Tax Consequences of the BGX Asset Sale

We believe we will not incur any federal or state income taxes as a result of the BGX Asset Sale because our basis in the assets being sold exceeds the sale proceeds that will be received from BGX.

BGX has informed us that it has received a Certificate of Exemption from the German General Tax Office that relieves BGX of the requirement to withhold any taxes from the payment of the sales proceeds to us.

Required Vote

The affirmative vote of the holders of a majority of our common stock issued and outstanding and entitled to vote is required for approval of the BGX Asset Sale.

Regulatory Approvals

No United States federal or state regulatory requirements must be complied with or approvals obtained as a condition to the BGX Asset Sale.

Pro Forma Financial Information

Consummation of BGX Asset Sale Alone

The unaudited pro forma financial data set forth below has been derived by the application of pro forma adjustments to our historical financial statements for the years ended December 31, 2005, 2006 and 2007, and for the nine months ended September 30, 2008. The unaudited pro forma financial data gives effect to the consummation of the BGX Asset Sale as if it had occurred on January 1, 2005, in the case of the statement of operations, and September 30, 2008, in the case of the balance sheet. The

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unaudited pro forma financial data does not give effect to the consummation of the Novo Asset Sale, the consummation of both Asset Sales, or the Liquidation.

We present an unaudited pro forma balance sheet as of September 30, 2008. We also present unaudited pro forma statements of operations for each of the years ended December 31, 2005, 2006, and 2007, and for the nine months ended September 30, 2008. The information should be read in conjunction with our audited financial statements and the related notes as filed as part of our Annual Report on Form 10-K for the year ended December 31, 2007, as amended, which is attached as *Annex F* and *Annex G* to this Proxy Statement, and our unaudited financial statements and the related notes filed as part of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, which is attached as *Annex H* to this Proxy Statement.

The following unaudited pro forma financial data is not necessarily indicative of our financial position or results of operations that actually would have been attained had the BGX Asset Sale been consummated at the dates indicated, and is not necessarily indicative of our financial position or results of operations that will be achieved in the future. In addition, as noted above, BGX may elect to terminate the BGX Asset Purchase Agreement if the Novo Asset Sale is not consummated for any reason, including failure by us to obtain stockholder approval of the Novo Asset Sale.

We have included the following unaudited pro forma financial data solely for the purpose of providing stockholders with information that may be useful for purposes of considering and evaluating the proposal to approve the BGX Asset Sale. Our future results are subject to prevailing economic and industry specific conditions and financial, business and other known and unknown risks and uncertainties, certain of which are beyond our control. These factors include, without limitation, those described in this Proxy Statement and those described under Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2007, as amended, which is attached as *Annex F* and *Annex G* to this Proxy Statement, and in Item 1A of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, which is attached as *Annex H* to this Proxy Statement.

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Neose Technologies, Inc.
Pro Forma Balance Sheet
(unaudited)
(in thousands, except per share amounts)

	September 30, 2008		
	Historical	**Adjustments**	**Pro Forma**
Assets			
Current assets:			
Cash and cash equivalents	$ 7,097	$ 17,975(1)	$ 25,072
Accounts receivable, net	1,758		1,758
Prepaid expenses and other current assets	425		425
Total current assets	9,280	17,975	27,255
Property and equipment, net	12,612		12,612
Other assets	71		71
Total assets	$ 21,963	$ 17,975	$ 39,938
Liabilities and Stockholders' Equity			
Current liabilities:			
Note payable	$ 136	$	$ 136
Current portion of long-term debt and capital lease obligations	68		68
Accounts payable	629		629
Accrued compensation	1,107		1,107
Accrued expenses	1,919		1,919
Deferred revenue	938	(55)(2)	883
Total current liabilities	4,797	(55)	4,742
Warrant liability	993	1,537(3)	2,530
Long-term debt and capital lease obligations	137		137
Deferred revenue	7,538	(698)(2)	6,840
Other liabilities	571		571
Total liabilities	14,036	784	14,820
Contingencies			
Stockholders' equity:			
Preferred stock, par value $.01 per share, 5,000 shares authorized, none issued			
Common stock, par value $.01 per share, 150,000 shares authorized; 54,468 shares issued and outstanding	545		545
Additional paid-in capital	313,576		313,576
Accumulated deficit	(306,194)	17,191(4)	(289,003)
Total stockholders' equity	7,927	17,191	25,118
Total liabilities and stockholders' equity	$ 21,963	$ 17,975	$ 39,938

(1) Assumes receipt of $22,000,000 less $4,025,000 of costs related to the BGX Asset Sale, which include $1,075,000 in financial advisory fees due to RBC in the event that only one asset sale is consummated as well as a 100% allocation to the BGX Asset Sale of

all other transaction costs incurred in connection with the BGX Asset Sale and the Novo Asset Sale (the "Other Transaction Costs"). The Other Transaction Costs consist of $1,980,000 of legal and other professional fees, $625,000 of insurance payments, $175,000 of costs related to the preparation and mailing of this Proxy Statement as well as solicitation of the related proxies, and $170,000 of miscellaneous costs, including the costs related to preparing the intellectual property, inventory, and associated documents to be transferred in connection with the Asset Sales.

(2)

As of September 30, 2008, our deferred revenue included $753,000 related to the BGX Collaboration, of which $55,000 was a current liability and $698,000 was a noncurrent liability. Because we would

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have no continuing performance obligations to BGX following consummation of the Asset Sales, we have recognized as revenue the remaining deferred revenue liability relating to BGX.

(3)

Consists of an adjustment of warrant liability valuation from fair value to cash settlement value. The warrants issued in our March 2007 equity financing contain a net cash settlement feature, which is available to the warrant holders at their option, in certain change of control circumstances. We believe consummation of the BGX Asset Sale alone would trigger this option. Under the net cash settlement feature, each warrant holder would have the option to receive, in exchange for each of its warrants, an amount of cash equal to the value of the warrant as of the trading day immediately prior to the closing of the BGX Asset Sale determined in accordance with the Black-Scholes option pricing formula. This option would be exercisable during the period beginning on the date of the closing of the BGX Asset Sale and ending on the date 30 days thereafter. As of September 30, 2008, the cash settlement value of the warrants was $2,530,000, which was $1,537,000 greater than the carrying value of the warrant liability on our balance sheet.

(4)

The accumulated deficit adjustment includes the gain associated with the BGX Asset Sale and the recognition of BGX-related deferred revenue as described above, offset in part by an adjustment of our warrant liability from fair value to cash settlement value as described above.

Neose Technologies, Inc.
Pro Forma Statement of Operations
(unaudited)
(in thousands, except per share amounts)

	Year ended December 31, 2005		
	Historical	Adjustments	Pro Forma
Revenue from collaborative agreements	$ 6,137	$ (3,341)(1)	$ 2,796
Operating expenses:			
Research and development	33,136	(8,527)(2)	24,609
General and administrative	10,878	(3)	10,878
Restructuring charges	14,206		14,206
Total operating expenses	58,220	(8,527)	49,693
Operating loss	(52,083)	5,186	(46,897)
Other income	22		22
Interest income	1,536		1,536
Interest expense	(1,314)		(1,314)
Net loss	$(51,839)	$ 5,186	$(46,653)
Basic and diluted net loss per share	$ (1.64)		$ (1.48)
Weighted-average shares outstanding used in computing basic and diluted net loss per share	31,590		31,590

(1)

Consists of $2,939,000 of research and development funding, and $402,000 of license fee and milestone revenue recognized during the period under the BGX Collaboration.

(2)

Includes third party research and development expenses of $4,944,000 and $2,780,000 incurred by us for the NE-180 program (which is included in the BGX Asset Sale) and the BGX Collaboration, respectively. Also includes $803,000 of direct payroll expenses

incurred by us for the BGX Collaboration. We have assumed the direct payroll expenses associated with the NE-180 program would have been allocated to other projects and, therefore, have not made an adjustment for such costs.

(3)

General and administrative expenses for the year ended December 31, 2005 included $3,003,000 of legal expenses associated with our intellectual property portfolio. Our intellectual property portfolio is complex, with many elements providing simultaneous intellectual property protection to many of our programs. BGX and Novo negotiated a cost sharing arrangement for the intellectual

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property portfolio that is specific to their negotiated allocation of ownership, control, and usage rights of many elements of the portfolio. In assuming completion of the BGX Asset Sale alone for purposes of the pro forma financial information, we would require continued rights to the intellectual property to maintain our Novo Collaboration. This continued right to the intellectual property is not contemplated by the BGX Asset Sale. As a result of the difference in the implied allocation of ownership, control, and usage rights for the pro forma financial information as compared to the BGX Asset Sale, we have not estimated the amount of legal expenses that BGX would have borne during the period following the BGX Asset Sale.

Neose Technologies, Inc.
Pro Forma Statement of Operations
(unaudited)
(in thousands, except per share amounts)

	Year ended December 31, 2006		
	Historical	Adjustments	Pro Forma
Revenue from collaborative agreements	$ 6,184	$ (1,400)(1)	$ 4,784
Operating expenses:			
Research and development	29,013	(11,747)(2)	17,266
General and administrative	11,551	(3)	11,551
Total operating expenses	40,564	(11,747)	28,817
Gain on sale of Witmer Road Facility	7,333		7,333
Operating loss	(27,047)	10,347	(16,700)
Interest income	1,211		1,211
Interest expense	(1,271)		(1,271)
Net loss	$(27,107)	$ 10,347	$(16,760)
Basic and diluted net loss per share	$ (0.82)		$ (0.51)
Weighted-average shares outstanding used in computing basic and diluted net loss per share	32,857		32,857

(1) Consists of $1,191,000 of research and development funding, and $209,000 of license fee and milestone revenue recognized during the period under the BGX Collaboration.

(2) Includes third party research and development expenses of $8,401,000 and $3,118,000 incurred by us for the NE-180 program (which is included in the BGX Asset Sale) and the BGX Collaboration, respectively. Also includes $228,000 of direct payroll expenses incurred by us for the BGX Collaboration. We have assumed the direct payroll expenses associated with the NE-180 program would have been allocated to other projects and, therefore, have not made an adjustment for such costs.

(3) General and administrative expenses for the year ended December 31, 2006 included $2,506,000 of legal expenses associated with our intellectual property portfolio. Our intellectual property portfolio is complex, with many elements providing simultaneous intellectual property protection to many of our programs. BGX and Novo negotiated a cost sharing arrangement for the intellectual property portfolio that is specific to their negotiated allocation of ownership, control, and usage rights of many elements of the portfolio. In assuming completion of the BGX Asset Sale alone for purposes of the pro forma financial information, we would require continued rights to the intellectual property to maintain our Novo Collaboration. This continued right to the intellectual property is not contemplated by the BGX Asset Sale. As a result of the difference in the implied allocation of ownership, control, and usage rights for the pro forma financial information as compared to the BGX Asset Sale, we have not estimated the amount of legal expenses that

BGX would have borne during the period following the BGX Asset Sale.

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Neose Technologies, Inc.
Pro Forma Statement of Operations
(unaudited)
(in thousands, except per share amounts)

	Year ended December 31, 2007		
	Historical	Adjustments	Pro Forma
Revenue from collaborative agreements	$ 8,805	$ (2,706)(1)	$ 6,099
Operating expenses:			
Research and development	34,918	(17,989)(2)	16,929
General and administrative	10,855	(3)	10,855
Total operating expenses	45,773	(17,989)	27,784
Operating loss	(36,968)	15,283	(21,685)
Decrease in fair value of warrant liability	6,560		6,560
Interest income	1,504		1,504
Interest expense	(147)		(147)
Loss before income tax benefit	(29,051)	15,283	(13,768)
Income tax benefit	533		533
Net loss	$(28,518)	$ 15,283	$(13,235)
Basic and diluted net loss per share	$ (0.57)		$ (0.26)
Weighted-average shares outstanding used in computing basic and diluted net loss per share	50,262		50,262

(1) Consists of $2,650,000 of research and development funding, and $56,000 of license fee and milestone revenue recognized during the period under the BGX Collaboration.

(2) Includes third party research and development expenses of $14,978,000 and $2,472,000 incurred by us for the NE-180 program (which is included in the BGX Asset Sale) and the BGX Collaboration, respectively. Also includes $539,000 of direct payroll expenses incurred by us for the BGX Collaboration. We have assumed the direct payroll expenses associated with the NE-180 program would have been allocated to other projects and, therefore, have not made an adjustment for such costs.

(3) General and administrative expenses for the year ended December 31, 2007 included $2,383,000 of legal expenses associated with our intellectual property portfolio. Our intellectual property portfolio is complex, with many elements providing simultaneous intellectual property protection to many of our programs. BGX and Novo negotiated a cost sharing arrangement for the intellectual property portfolio that is specific to their negotiated allocation of ownership, control, and usage rights of many elements of the portfolio. In assuming completion of the BGX Asset Sale alone for purposes of the pro forma financial information, we would require continued rights to the intellectual property to maintain our Novo Collaboration. This continued right to the intellectual property is not contemplated by the BGX Asset Sale. As a result of the difference in the implied allocation of ownership, control, and usage rights for the pro forma financial information as compared to the BGX Asset Sale, we have not estimated the amount of legal expenses that BGX would have borne during the period following the BGX Asset Sale.

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Neose Technologies, Inc.
Pro Forma Statement of Operations
(unaudited)
(in thousands, except per share amounts)

	Nine Months Ended September 30, 2008		
	Historical	Adjustments	Pro Forma
Revenue from collaborative agreements	$ 7,688	$ (3,252)(1)	$ 4,436
Operating expenses:			
Research and development	15,035	(6,365)(2)	8,670
General and administrative	7,785	(3)	7,785
Total operating expenses	22,820	(6,365)	16,455
Operating loss	(15,132)	3,113	(12,019)
Decrease in fair value of warrant liability	3,212		3,212
Interest income	303		303
Interest expense	(35)		(35)
Loss before income tax benefit	(11,652)	3,113	(8,539)
Income tax benefit	303		303
Net loss	$ (11,349)	$ 3,113	$ (8,236)
Basic and diluted net loss per share	$ (0.21)		$ (0.15)
Weighted-average shares outstanding used in computing basic and diluted net loss per share	54,468		54,468

(1) Consists of $3,210,000 of research and development funding, and $42,000 of license fee and milestone revenue recognized during the period under the BGX Collaboration.

(2) Includes third party research and development expenses of $2,688,000 and $3,047,000 incurred by us for the NE-180 program (which is included in the BGX Asset Sale) and the BGX Collaboration, respectively. Also includes $630,000 of direct payroll expenses incurred by us for the BGX Collaboration. We have assumed the direct payroll expenses associated with the NE-180 program would have been allocated to other projects and, therefore, have not made an adjustment for such costs.

(3) General and administrative expenses for the nine months ended September 30, 2008 included $1,152,000 of legal expenses associated with our intellectual property portfolio. Our intellectual property portfolio is complex, with many elements providing simultaneous intellectual property protection to many of our programs. BGX and Novo negotiated a cost sharing arrangement for the intellectual property portfolio that is specific to their negotiated allocation of ownership, control, and usage rights of many elements of the portfolio. In assuming completion of the BGX Asset Sale alone for purposes of the pro forma financial information, we would require continued rights to the intellectual property to maintain our Novo Collaboration. This continued right to the intellectual property is not contemplated by the BGX Asset Sale. As a result of the difference in the implied allocation of ownership, control, and usage rights for the pro forma financial information as compared to the BGX Asset Sale, we have not estimated the amount of legal expenses that BGX would have borne during the period following the BGX Asset Sale.

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Consummation of Both BGX and Novo Asset Sales; No Liquidation

The unaudited pro forma financial data set forth below has been derived by the application of pro forma adjustments to our historical financial statements for the years ended December 31, 2005, 2006 and 2007, and for the nine months ended September 30, 2008. The unaudited pro forma financial data gives effect to the consummation of both the BGX and Novo Asset Sales as if they had occurred on January 1, 2005, in the case of the statement of operations, and September 30, 2008, in the case of the balance sheet. The unaudited pro forma financial data does not give effect to the Liquidation.

We present an unaudited pro forma balance sheet as of September 30, 2008. We also present unaudited pro forma statements of operations for each of the years ended December 31, 2005, 2006, and 2007, and for the nine months ended September 30, 2008. The information should be read in conjunction with our audited financial statements and the related notes as filed as part of our Annual Report on Form 10-K for the year ended December 31, 2007, as amended, which is attached as *Annex F* and *Annex G* to this Proxy Statement, and our unaudited financial statements and the related notes filed as part of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, which is attached as *Annex H* to this Proxy Statement.

The following unaudited pro forma financial data is not necessarily indicative of our financial position or results of operations that actually would have been attained had each of the BGX Asset Sale and Novo Asset Sale been consummated at the dates indicated, and is not necessarily indicative of our financial position or results of operations that will be achieved in the future.

We have included the following unaudited pro forma financial data solely for the purpose of providing stockholders with information that may be useful for purposes of considering and evaluating the proposals to approve the BGX Asset Sale and the Novo Asset Sale. Our future results are subject to prevailing economic and industry specific conditions and financial, business and other known and unknown risks and uncertainties, certain of which are beyond our control. These factors include, without limitation, those described in this Proxy Statement and those described under Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2007, as amended, which is attached as *Annex F* and *Annex G* to this Proxy Statement, and in Item 1A of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, which is attached as *Annex H* to this Proxy Statement.

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Neose Technologies, Inc.
Pro Forma Balance Sheet
(unaudited)
(in thousands, except per share amounts)

	September 30, 2008		
	Historical	Adjustments	Pro Forma
Assets			
Current assets:			
Cash and cash equivalents	$ 7,097	$ 38,475(1)	$ 45,572
Accounts receivable, net	1,758		1,758
Prepaid expenses and other current assets	425		425
Total current assets	9,280	38,475	47,755
Property and equipment, net	12,612		12,612
Other assets	71		71
Total assets	$ 21,963	$ 38,475	$ 60,438
Liabilities and Stockholders' Equity			
Current liabilities:			
Note payable	$ 136	$	$ 136
Current portion of long-term debt and capital lease obligations	68		68
Accounts payable	629		629
Accrued compensation	1,107	5,643(2)	6,750
Accrued expenses	1,919		1,919
Deferred revenue	938	(938)(3)	
Total current liabilities	4,797	4,705	9,502
Warrant liability	993	1,537(4)	2,530
Long-term debt and capital lease obligations	137		137
Deferred revenue	7,538	(7,538)(3)	
Other liabilities	571		571
Total liabilities	14,036	(1,296)	12,740
Contingencies			
Stockholders' equity:			
Preferred stock, par value $.01 per share, 5,000 shares authorized, none issued			
Common stock, par value $.01 per share, 150,000 shares authorized; 54,468 shares issued and outstanding	545		545
Additional paid-in capital	313,576		313,576
Accumulated deficit	(306,194)	39,771(5)	(266,423)
Total stockholders' equity	7,927	39,771	47,698
Total liabilities and stockholders' equity	$ 21,963	$ 38,475	$ 60,438

(1) Assumes receipt of $43,000,000 less $4,525,000 of costs related to the Asset Sales. The costs related to the Asset Sales include $1,980,000 of legal and other professional fees, $1,575,000 of financial advisory fees due to RBC, $625,000 of insurance payments,

$175,000 of costs related to the preparation and mailing of this Proxy Statement as well as solicitation of the related proxies, and $170,000 of miscellaneous costs, including the costs related to preparing the intellectual property, inventory, and associated documents to be transferred in connection with the Asset Sales.

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(2)

Adjustment for severance and bonus payments due to employees terminated as a result of the Asset Sales.

(3)

As of September 30, 2008, our deferred revenue included $8,476,000 related to the BGX Collaboration and the Novo Collaboration, of which $938,000 was a current liability and $7,538,000 was a noncurrent liability. Because we would have no continuing performance obligations to BGX and Novo following consummation of the Asset Sales, we have recognized as revenue the remaining deferred revenue liability relating to BGX and Novo.

(4)

Consists of an adjustment of warrant liability valuation from fair value to cash settlement value. The warrants issued in our March 2007 equity financing contain a net cash settlement feature, which is available to the warrant holders at their option, in certain change of control circumstances. The consummation of the BGX Asset Sale and the Novo Asset Sale would trigger this option. Under the net cash settlement feature, each warrant holder would have the option to receive, in exchange for each of its warrants, an amount of cash equal to the value of the warrant as of the trading day immediately prior to the closing of the BGX Asset Sale and the Novo Asset Sale determined in accordance with the Black-Scholes option pricing formula. This option would be exercisable during the period beginning on the date of the closing of the BGX Asset Sale and the Novo Asset Sale and ending on the date 30 days thereafter. As of September 30, 2008, the cash settlement value of the warrants was $2,530,000, which was $1,537,000 greater than the carrying value of the warrant liability on our balance sheet.

(5)

The accumulated deficit adjustment includes the gain associated with the Asset Sales and the recognition of deferred revenue as described above, offset in part by the severance and bonus payments described above, and further offset in part by an adjustment of our warrant liability from fair value to cash settlement value as described above.

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Neose Technologies, Inc.
Pro Forma Statement of Operations
(unaudited)
(in thousands, except per share amounts)

	Year ended December 31, 2005		
	Historical	Adjustments	Pro Forma
Revenue from collaborative agreements	$ 6,137	$ (6,137)(1)	$
Operating expenses:			
Research and development	33,136	(9,902)(2)	23,234
General and administrative	10,878	(3,003)(3)	7,875
Restructuring charges	14,206		14,206
Total operating expenses	58,220	(12,905)	45,315
Operating loss	(52,083)	6,768	(45,315)
Other income	22		22
Interest income	1,536		1,536
Interest expense	(1,314)		(1,314)
Net loss	$ (51,839)	$ 6,768	$ (45,071)
Basic and diluted net loss per share	$ (1.64)		$ (1.43)
Weighted-average shares outstanding used in computing basic and diluted net loss per share	31,590		31,590

(1) Consists of $4,966,000 of research and development funding, and $1,171,000 of license fee and milestone revenue recognized during the period under the BGX Collaboration and the Novo Collaboration.

(2) Includes third party research and development expenses of $4,944,000, $2,780,000, and $664,000 incurred by us for the NE-180 program (which is included in the BGX Asset Sale), the BGX Collaboration, and the Novo Collaboration, respectively. Also includes $803,000 and $711,000 of direct payroll expenses incurred by us for the BGX Collaboration and the Novo Collaboration, respectively. We have assumed the direct payroll expenses associated with the NE-180 program would have been allocated to other projects and, therefore, have not made an adjustment for such costs.

(3) General and administrative expenses for the year ended December 31, 2005 included $3,003,000 of legal expenses associated with our intellectual property portfolio. Substantially all of those legal expenses related to the intellectual property included in the BGX and Novo Asset Sales. Therefore, we have assumed that BGX and Novo would have borne all such expenses during the period following the BGX Asset Sale and the Novo Asset Sale.

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Neose Technologies, Inc.
Pro Forma Statement of Operations
(unaudited)
(in thousands, except per share amounts)

	Year ended December 31, 2006		
	Historical	Adjustments	Pro Forma
Revenue from collaborative agreements	$ 6,184	$ (6,184)(1)	$
Operating expenses:			
Research and development	29,013	(13,425)(2)	15,588
General and administrative	11,551	(2,506)(3)	9,045
Total operating expenses	40,564	(15,931)	24,633
Gain on sale of Witmer Road Facility	7,333		7,333
Operating loss	(27,047)	9,747	(17,300)
Interest income	1,211		1,211
Interest expense	(1,271)		(1,271)
Net loss	$ (27,107)	$ 9,747	$ (17,360)
Basic and diluted net loss per share	$ (0.82)		$ (0.53)
Weighted-average shares outstanding used in computing basic and diluted net loss per share	32,857		32,857

(1) Consists of $4,768,000 of research and development funding, and $1,416,000 of license fee and milestone revenue recognized during the period under the BGX Collaboration and the Novo Collaboration.

(2) Includes third party research and development expenses of $8,401,000, $3,118,000, and $1,354,000 incurred by us for the NE-180 program (which is included in the BGX Asset Sale), the BGX Collaboration, and the Novo Collaboration, respectively. Also includes $228,000 and $324,000 of direct payroll expenses incurred by us for the BGX Collaboration and the Novo Collaboration, respectively. We have assumed the direct payroll expenses associated with the NE-180 program would have been allocated to other projects and, therefore, have not made an adjustment for such costs.

(3) General and administrative expenses for the year ended December 31, 2006 included $2,506,000 of legal expenses associated with our intellectual property portfolio. Substantially all of those legal expenses related to the intellectual property included in the BGX and Novo Asset Sales. Therefore, we have assumed that BGX and Novo would have borne all such expenses during the period following the BGX Asset Sale and the Novo Asset Sale.

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Neose Technologies, Inc.
Pro Forma Statement of Operations
(unaudited)
(in thousands, except per share amounts)

	Year ended December 31, 2007		
	Historical	Adjustments	Pro Forma
Revenue from collaborative agreements	$ 8,805	$ (8,805)(1)	$
Operating expenses:			
Research and development	34,918	(22,796)(2)	12,122
General and administrative	10,855	(2,383)(3)	8,472
Total operating expenses	45,773	(25,179)	20,594
Operating loss	(36,968)	16,374	(20,594)
Decrease in fair value of warrant liability	6,560		6,560
Interest income	1,504		1,504
Interest expense	(147)		(147)
Loss before income tax benefit	(29,051)	16,374	(12,677)
Income tax benefit	533		533
Net loss	$(28,518)	$ 16,374	$(12,144)
Basic and diluted net loss per share	$ (0.57)		$ (0.24)
Weighted-average shares outstanding used in computing basic and diluted net loss per share	50,262		50,262

(1) Consists of $8,004,000 of research and development funding, and $801,000 of license fee and milestone revenue recognized during the period under the BGX Collaboration and the Novo Collaboration.

(2) Includes third party research and development expenses of $14,978,000, $2,472,000, and $4,460,000 incurred by us for the NE-180 program (which is included in the BGX Asset Sale), the BGX Collaboration, and the Novo Collaboration, respectively. Also includes $539,000 and $347,000 of direct payroll expenses incurred by us for the BGX Collaboration and the Novo Collaboration, respectively. We have assumed the direct payroll expenses associated with the NE-180 program would have been allocated to other projects and, therefore, have not made an adjustment for such costs.

(3) General and administrative expenses for the year ended December 31, 2007 included $2,383,000 of legal expenses associated with our intellectual property portfolio. Substantially all of those legal expenses related to the intellectual property included in the BGX and Novo Asset Sales. Therefore, we have assumed that BGX and Novo would have borne all such expenses during the period following the BGX Asset Sale and the Novo Asset Sale.

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Neose Technologies, Inc.
Pro Forma Statement of Operations
(unaudited)
(in thousands, except per share amounts)

	Nine Months Ended September 30, 2008		
	Historical	Adjustments	Pro Forma
Revenue from collaborative agreements	$ 7,688	$ (7,688)(1)	$
Operating expenses:			
Research and development	15,035	(9,595)(2)	5,440
General and administrative	7,785	(1,152)(3)	6,633
Total operating expenses	22,820	(10,747)	12,073
Operating loss	(15,132)	3,059	(12,073)
Decrease in fair value of warrant liability	3,212		3,212
Interest income	303		303
Interest expense	(35)		(35)
Loss before income tax benefit	(11,652)	3,059	(8,593)
Income tax benefit	303		303
Net loss	$ (11,349)	$ 3,059	$ (8,290)
Basic and diluted net loss per share	$ (0.21)		$ (0.15)
Weighted-average shares outstanding used in computing basic and diluted net loss per share	54,468		54,468

(1) Consists of $7,039,000 of research and development funding, and $649,000 of license fee and milestone revenue recognized during the period under the BGX Collaboration and the Novo Collaboration.

(2) Includes third party research and development expenses of $2,688,000, $3,047,000, and $2,606,000 incurred by us for the NE-180 program (which is included in the BGX Asset Sale), the BGX Collaboration, and the Novo Collaboration, respectively. Also includes $630,000 and $624,000 of direct payroll expenses incurred by us for the BGX Collaboration and the Novo Collaboration, respectively. We have assumed the direct payroll expenses associated with the NE-180 program would have been allocated to other projects and, therefore, have not made an adjustment for such costs.

(3) General and administrative expenses for the nine months ended September 30, 2008 included $1,152,000 of legal expenses associated with our intellectual property portfolio. Substantially all of those legal expenses related to the intellectual property included in the BGX and Novo Asset Sales. Therefore, we have assumed that BGX and Novo would have borne all such expenses during the period following the BGX Asset Sale and the Novo Asset Sale.

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Existing Agreements with BGX

We are parties to the BGX Collaboration Agreement with BGX to use our proprietary GlycoPEGylation technology to develop a long-acting version of G-CSF ("GlycoPEG-GCSF"). If we and BGX commercialize GlycoPEG-GCSF, we would have commercial rights in the U.S., Canada, Mexico, and Japan (the "Neose Territories"), and BGX would have commercial rights in Europe and the rest of the world (the "BGX Territories"). Upon commercial launch of GlycoPEG-GCSF in the U.S., we would be required to pay a milestone payment of $3,500,000 to BGX. For all Neose Territories other than Japan, we would be required to pay BGX royalties of 17% on the first $150,000,000 of net sales of GlycoPEG-GCSF in a calendar year, and royalties of 20% of net sales of GlycoPEG-GCSF for all net sales exceeding $150,000,000 in such calendar year. In Japan, we would be required to pay BGX royalties of 7% on the first $100,000,000 of net sales of GlycoPEG-GCSF in a calendar year, and royalties of 10% of net sales of GlycoPEG-GCSF for all net sales exceeding $100,000,000 in such calendar year. In addition, we would be required to purchase GlycoPEG-GCSF for resale in the Neose Territories at a price equal to BGX's cost of manufacturing GlycoPEG-GCSF. In the BGX Territories, BGX would be required to pay us royalties of 7% on the first $150,000,000 of net sales of GlycoPEG-GCSF in a calendar year, and royalties of 10% of net sales of GlycoPEG-GCSF for all net sales exceeding $150,000,000 in such calendar year. Each company has the ability to search for its own marketing partner for its territories.

Under the BGX Collaboration Agreement, we and BGX shared the expenses of preclinical development. BGX is responsible for supplying the protein and funding the clinical development program and, until executing the second amendment to BGX Collaboration Agreement that is described below, we were responsible for supplying enzyme reagents and sugar nucleotides. As of January 1, 2007, BGX became responsible for the cost of reagent supply. As of the date of this Proxy Statement, we have received research and development funding of $11,574,000 from BGX. In addition, as of the date of this Proxy Statement, we have recorded $1,115,000 of billed and unbilled receivables related to the BGX Collaboration Agreement. We have received no milestone or other payments from BGX, other than the receipt of a non-refundable payment of $1,000,000 from BGX upon the execution of the BGX Collaboration Agreement. There are no other provisions in the BGX Collaboration Agreement providing for potential milestone payments.

The BGX Collaboration runs for an initial term ending five years after the commercial launch of GlycoPEG-GCSF in the BGX Territories and the Neose Territories, provided that six months before the expiration of the initial term of the BGX Collaboration Agreement, the parties will negotiate a five-year extension of the term on substantially the same terms and conditions as the existing BGX Collaboration Agreement.

Either party may terminate the Agreement without the consent of the other party if: the parties are unable to reach an agreement as to how to proceed with the commercialization of GlycoPEG-GCSF; a party believes there is no reasonable objective basis for further development of GlycoPEG-GCSF; or upon a material breach of the other party. Additionally, Neose may terminate the BGX Collaboration Agreement if BGX fails to meet specified regulatory and development timelines for GlycoPEG-GCSF. This termination right is subject to the other party's rights to continue working on the development and commercialization of GlycoPEG-GCSF.

Under an amendment to the BGX Collaboration Agreement, dated October 10, 2008, and a separate supply agreement with BGX, dated October 10, 2008, (the "Supply Agreement"), we and BGX have begun transitioning responsibility for the supply of the enzyme reagents and sugar nucleotides from us to BGX, and have set forth each of our respective rights, obligations and remedies during the transition period. The Supply Agreement will terminate upon the expiration or termination of the BGX Collaboration Agreement, by mutual agreement of the parties, by either party upon a material breach, or the institution of bankruptcy proceedings by either party.

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The BGX Collaboration Agreement and the Supply Agreement will terminate upon consummation of the BGX Asset Sale.

Interests of Certain Persons in the Asset Sales and the Plan of Liquidation

George J. Vergis, Ph.D.

Dr. Vergis is our President and Chief Executive Officer and a member of our Board of Directors. On April 30, 2007, we entered into an Amended and Restated Employment Agreement with Dr. Vergis (the "Vergis Employment Agreement"). The Vergis Employment Agreement provides that, in the event Dr. Vergis' employment with us is terminated by us without cause or by Dr. Vergis for good reason within 18 months following a change in control, then Dr. Vergis will be entitled to:

- a lump sum cash amount equal to a pro-rata portion of his target annual bonus for the calendar year in which the termination occurs;
- a lump sum cash payment equal to two and a half times his then current base salary;
- a lump sum cash payment equal to two and a half times his target annual bonus for the calendar year in which the termination occurs;
- to the extent not already paid, any annual bonus payable to Dr. Vergis with respect to a calendar year that ended prior to his termination; and
- in the event any of the foregoing payments to Dr. Vergis would result in the imposition of a parachute excise tax under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), an additional "gross-up" payment to insulate Dr. Vergis from the effect of the tax.

In addition, in the event Dr. Vergis' employment with us is terminated by us without cause or by Dr. Vergis for good reason within 18 months following a change in control, then any options to purchase shares of our common stock held by Dr. Vergis will become immediately vested and exercisable. The consummation of the Asset Sales will be deemed a change in control. Dr. Vergis' employment with us will be terminated at some point without cause during the wind down of our operations.

A. Brian Davis, Shawn A. DeFrees, Ph.D, Valerie M. Mulligan, and Bruce A. Wallin, M.D.

Mr. Davis is our Senior Vice President and Chief Financial Officer, Dr. DeFrees is our Senior Vice President, Research and Development, Ms. Mulligan is our Senior Vice President, Quality and Regulatory Affairs and Dr. Wallin is our Senior Vice President, Clinical Development and Chief Medical Officer. We are party to change in control agreements (collectively, the "Change in Control Agreements") with Mr. Davis, Dr. DeFrees, Ms. Mulligan and Dr. Wallin (the "Executives" and collectively with Dr. Vergis, the "Current Executive Officers"). Each of the Change in Control Agreements provides that an Executive will be entitled to the following payments and benefits in the event his or her employment with us is terminated by us without cause or by such Executive for good reason within 12 months following a change in control:

- a lump sum cash amount equal to a pro-rata portion of such Executive's target annual bonus for the calendar year in which the termination occurs;
- a lump sum cash payment equal to 18 months of such Executive's then current base salary;
- a lump sum cash payment equal to one and a half times such Executive's target annual bonus for the calendar year in which the termination occurs;

the continuation of medical benefits to such Executive (and, if covered immediately prior to such termination, his or her spouse and dependents) for a period of 18 months commencing from the

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date of termination at a monthly cost to such Executive equal to the employee's monthly contribution, if any, toward the cost of such coverage immediately prior to termination;

reasonable executive outplacement services; and

in the event any of the foregoing payments would result in the imposition of a parachute excise tax under Code Section 4999, an additional "gross-up" payment to insulate such Executive from the effect of the tax.

In addition, in the event an Executive's employment with us is terminated by us without cause or by such Executive for good reason within 12 months following a change in control, then any options to purchase shares of our common stock held by such Executive will become immediately vested and exercisable. The consummation of the Asset Sales will be deemed a change in control. Each Executive's employment will be terminated without cause at some point during the wind down of our operations following our dissolution and the consummation of the Asset Sales and the filing of the certificate of dissolution.

Summary of Benefits of Certain Executives

The amount of the severance benefit that would be payable to each Current Executive Officer, including medical and outplacement benefits, is estimated to be (assuming termination of employment on February 28, 2009): $1,704,000, in the case of Dr. Vergis; $690,000, in the case of Mr. Davis; $552,000, in the case of Dr. DeFrees; $553,000, in the case of Ms. Mulligan; and $665,000, in the case of Dr. Wallin.

In the event the severance payments to Dr. Vergis would result in the imposition of a parachute excise tax under the Code, we are required to insulate Dr. Vergis for the effect of the excise tax. We believe, based on an ongoing study of the valuation of the non-compete provision in the Vergis Employment Agreement, that there will be no imposition of a parachute excise tax, and therefore, no additional payments to Dr. Vergis. If the value of Dr. Vergis' non-compete commitment is determined to be less than $358,000, a parachute excise tax may apply and gross-up payments may become due. If no value is attributed to the non-compete commitment, the estimated amount of the gross-up payments that would become due to Dr. Vergis is $623,000.

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Assuming the Asset Sales are consummated as of January 31, 2009, for each Current Executive Officer the following unvested options held by such individual shall become immediately vested and exercisable:

Name	Number of Securities Underlying Unexercised Options: Unexercisable	Option Exercise Price ($)
George J. Vergis, Ph.D.	8,750	4.22
	8,750	2.29
	12,500	2.29
	150,000	3.08
	50,000	2.19
	100,000	0.68
	50,000	0.68
A. Brian Davis		
	17,500	4.22
	8,750	2.29
	17,500	2.19
	35,000	0.68
	17,500	0.68
Shawn A. DeFrees, Ph.D.		
	5,000	4.22
	5,000	2.29
	10,000	2.19
	55,000	0.68
	17,500	0.68
Valerie M. Mulligan		
	2,500	4.22
	5,000	2.29
	5,000	2.29
	10,000	2.19
	35,000	0.68
	17,500	0.68
Bruce A. Wallin, M.D.		
	20,000	2.53
	10,000	2.19
	35,000	0.68
	17,500	0.68

Summary of Benefits for All Other Employees

We have committed to pay up to $1,300,000 to employees other than the Current Executive Officers upon termination of employment to induce those employees to remain employed with us at least through the period ending 30 days following the closing of the Asset Sales. In addition, we have guaranteed payment of $300,000 of bonuses at 2008 target levels for certain employees below the level of vice president in the event such employees are terminated prior to the awarding of 2008 bonuses by the Compensation Committee of the Board of Directors.

Brian H. Dovey

Mr. Dovey, a member of our Board of Directors, is the Managing Member of One Palmer Square Associates V, L.L.C., a Delaware limited liability company, which is the general partner of Domain Partners V, L.P., a Delaware limited partnership ("DPV"), and DP V Associates, L.P., a Delaware limited partnership ("DPVA," together with DPV, the "Dovey Affiliated Funds"). The Dovey Affiliated

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Funds purchased 2,475,248 shares of our common stock and warrants to purchase 1,113,861 shares of our common stock in our March 2007 equity financing. These warrants entitle the Dovey Affiliated Funds to receive a cash payment within 30 days of the closing of the Asset Sales in exchange for these warrants. The aggregate cash payment amount for these warrants is expected to be between zero and $0.44 per warrant share, depending on the trading volatility of our common stock prior to, and common stock price at the time of, valuing these warrants. For a more detailed description of cash payments related to the warrants see "Proposal No. 3: Approval of Plan of Complete Liquidation and Dissolution Liquidating Distributions; Nature; Amount; Timing."

In addition, the Dovey Affiliated Funds may be entitled to certain payments related to the Registration Rights Agreement entered into in connection with our March 2007 equity financing (the "Registration Rights Agreement"). The Registration Rights Agreement provides holders of shares subject to the Registration Rights Agreement a right to certain liquidated damages from us if, among other things, their shares remain outstanding after we cease to keep effective with the SEC a registration statement that allows such holders to sell such shares. Our liquidation and dissolution following the consummation of the Asset Sales will trigger these liquidated damages. We estimate our contingent liability under these liquidated damages to the Dovey Affiliated Funds to be approximately $600,000. For a more detailed description of the liquidated damages provisions of the Registration Rights Agreement see "Proposal No. 3: Approval of Plan of Complete Liquidation and Dissolution Background of the Liquidation."

Recommendation of Our Board of Directors

At a meeting on September 17, 2008, our Board of Directors unanimously (i) determined that the BGX Asset Sale, and the other transactions contemplated by the BGX Asset Sale, are fair to, advisable and in the best interests of us and our stockholders, (ii) adopted the BGX Fairness Opinion of RBC that the consideration to be received by the Company from BGX upon the closing of the BGX Asset Sale is fair to us from a financial point of view, (iii) approved in all respects, the BGX Asset Sale and the other transactions contemplated by the BGX Asset Sale, and (iv) recommended that our stockholders vote "FOR" the approval of the BGX Asset Purchase Agreement and the BGX Asset Sale.

PROPOSAL NO. 2
APPROVAL OF THE NOVO ASSET SALE

General

On September 17, 2008, our Board of Directors unanimously approved the Novo Asset Purchase Agreement, dated as of September 17, 2008, by and between us and Novo and the Novo Asset Sale. **A copy of the Novo Asset Purchase Agreement is attached as*Annex B*to this Proxy Statement. The Novo Asset Purchase Agreement provides for a sale of certain of our assets to Novo for $21,000,000 in cash.** The material terms of the Novo Asset Purchase Agreement are summarized below; this summary does not purport to be complete and is subject in all respects to the provisions of, and is qualified in its entirety by reference to, the Novo Asset Purchase Agreement. Stockholders are urged to read the Novo Asset Purchase Agreement in its entirety.

Background of the Novo Asset Sale

Since 2001, we have collaborated with Novo on the research, development and commercialization of products by applying our technology to long-acting recombinant human Factors VIIa, VIII and IX (the "Novo Collaboration").

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During 2007, we discussed with Novo on multiple occasions renegotiating the Novo Collaboration to include more of the payments up front, but Novo did not make a specific offer to do so.

On December 14, 2007, after being approached by RBC, Novo submitted an indication of interest in acquiring our intellectual property related to the Novo Collaboration and to license the intellectual property back to us for all fields of use outside the field of use in the Novo Collaboration for a purchase price ranging from $20,000,000 to $22,000,000. Novo indicated that it was not interested in acquiring the entire company.

On December 24, 2007, RBC asked Novo for a $45,000,000 purchase price as a basis for moving forward, and provided Novo with an analysis to support such a purchase price based upon potential market penetration rates of the products subject to the Novo Collaboration.

On December 25, 2007, Novo sent an e-mail to RBC challenging the potential market penetration assumptions. Novo indicated they could not agree to a value of $45,000,000. However, they did suggest a follow-up call to discuss value. Such a call occurred soon thereafter where thoughts on valuation were exchanged but no agreement was reached. One concern raised by Novo was that if they were to enter into a transaction whereby they purchased a perpetual license only to our technology, and we then filed for bankruptcy protection in the future, Novo might lose such a license or be required to pay for it again. Thus, they continued to insist on outright transfer of ownership of our relevant intellectual property under any transaction. Since we were only willing to pursue a transaction involving the sale of our core intellectual property to Novo, rather than a paid-up license, if we were proceeding with a sale of the other rights to the core intellectual property, we focused our attention on working out a deal with BGX to sell to BGX the rights to use the intellectual property in other fields of use.

On January 18, 2008, RBC proposed a revised structure to Novo asking for $26,000,000 up front plus a series of milestones and research funding totaling $8,000,000. We were still insisting on retaining ownership of the intellectual property. In a subsequent telephone call with us, Novo and our respective counsel, both sides tried to convince the other of its views on the relative risk of Novo losing its license in bankruptcy. An impasse was reached and both sides agreed to suspend discussions.

On January 22, 2008, at a special meeting, our Board of Directors discussed the December 14, 2007 indication of interest from Novo, as well as January 11, 2008 indication of interest from BGX. Our Board of Directors discussed each of the Purchasers' product development programs, anticipated timing of value inflection points and projected cash flow needs.

In the last week of February 2008, RBC reached out to Novo to explore whether Novo would be willing to purchase our common stock. Novo declined, but indicated its ongoing interest in a transaction along the lines of its original proposal, and indicated some small flexibility on price.

On March 5, 2008, following our meeting with BGX in Mannheim, Germany, we determined that the discussions with BGX were sufficiently advanced that it made sense to reopen discussions with Novo under the structure proposed by Novo in which Novo would acquire our intellectual property and license it to BGX for an agreed upon field of use. During early March 2008, the parties negotiated an extended confidentiality and nondisclosure agreement, which was executed on March 18, 2008.

On March 14, 2008, the Transaction Committee convened and received an update from management on the progress and status of the Novo transaction. The Transaction Committee was advised of the currently proposed price and structure of a potential deal with Novo.

On March 20, 2008, RBC e-mailed a markup to Novo's original indication of interest proposal. The markup:

- increased proposed purchase price to $25,000,000 from the initial range proposed by Novo of $20,000,000 to $22,000,000;

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- introduced the concept that Novo would have to take ownership of all the core patents even if they did not directly pertain to the Novo field, to address U.S. terminal disclaimer issues;

- introduced the concept of licensing and sublicensing intellectual property to BGX; and

- added the concept of a PCA with BGX and intellectual property schedules conforming to the draft indication of interest provided to BGX.

On April 1, 2008, RBC e-mailed the key proposed schedule of terms of the PCA to Novo, which reflected comments provided by BGX to our original draft.

On April 3, 2008, Novo responded to the proposed PCA terms and raised the following issues:

- Novo only wanted to pay for patent costs related to the Novo field; and

- Novo agreed to take BGX's comments into account during prosecution of pending patent applications and any subsequent actions, but not to the extent it diminished Novo's rights.

On April 4, 2008, RBC responded via e-mail to Novo's concerns with respect to the PCA with the proposal that if Novo would pay for all costs related to the core patents, it could have final prosecution decision making with respect to those core patents.

On April 17, 2008, Novo submitted an updated indication of interest setting forth terms by which we could sell our remaining assets and rights to intellectual property outside the Novo Collaboration field of use to BGX and indicating that Novo would be willing to pay a purchase price of $24,000,000 (including the $1,000,000 milestone payment due May 17, 2008 under the Novo Collaboration) for our intellectual property and exclusive right to use it for prevention or treatment of acquired or hereditary hemorrhagic disorders.

During late April and early May 2008, we and Novo further discussed and refined the indication of interest language relating to intellectual property to be sold and the proposed PCA, which clarified the framework for a sharing of the intellectual property between Novo and BGX following the completion of the transactions.

On April 21, 2008, the Transaction Committee convened and received an update from management on the progress and status of the Novo transaction, including the revised Novo purchase price and the proposal to divide intellectual property between BGX and Novo.

On April 25, 2008, RBC proposed narrowing the definition of the Novo field from "haemostasis and the prevention or treatment of acquired and hereditary hemorrhagic disorders" to "the prevention and treatment of acquired and hereditary hemorrhagic disorders (other than with respect to G-CSF)."

On April 28, 2008, RBC sent to Novo a revised non-binding indication of interest, which:

- revised the definition of the Novo field of use as described above;

- expanded the definition of the BGX field of use to be consistent with the BGX indication of interest so that the definition encompassed all uses other than the Novo field of use and any form of G-CSF;

- provided for a license back to us of certain intellectual property that would be required to obtain any value for our glycolipid synthesis intellectual property, which neither BGX nor Novo desired to purchase; and

modified the PCA to clarify that Novo would take all reasonable suggestions from BGX on patent prosecution, and removed a requirement of BGX to keep Novo informed about prosecution of BGX's ex-US patents outside of Novo's field of use.

On May 7, 2008, there was a telephone conference call among us, RBC, BGX, and each party's respective counsel to discuss final open issues, primarily the issue of allocation of ownership of the intellectual property and the impact on deal structure. Also on May 7, 2008, Novo sent back another mark-up of the indication of interest memorializing the Novo field of use definition and making some minor language clarification comments.

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From May 7, 2008 to May 16, 2008, the parties worked to refine the patent lists and schedules attached to the indication of interest.

On May 16, 2008, we entered into a non-binding indication of interest with Novo for Novo to purchase our intellectual property, with the exclusive right to use such intellectual property for prevention or treatment of acquired or hereditary hemorrhagic disorders (but not including G-CSF) for $23,000,000 in cash (without regard to the milestone payment of $1,000,000 which Novo paid to us on May 17, 2008). The non-binding indication of interest also permitted us to sell to a third party purchaser (such as BGX), all rights to such intellectual property outside of the Novo field of use.

On May 23, 2008, RBC simultaneously with forwarding the various transaction documents to BGX, forwarded to Novo an initial draft of the Novo Asset Purchase Agreement and the same draft of the PCA forwarded to BGX. Novo was not provided with the BGX License at this time as we and our advisors considered it most expedient to receive BGX's initial feedback before providing a draft to Novo. On June 26, 2008, Novo and Davis Polk provided RBC with comments to the Novo Asset Purchase Agreement and the PCA. After internal discussions, RBC, proposed that the parties meet in person to discuss the outstanding issues in the transaction documents, and, on July 4, 2008, circulated to Novo a list of issues for discussion.

The primary issues raised for discussion in t