

RIGEL PHARMACEUTICALS INC  
Form 424B5  
July 15, 2005

[QuickLinks](#) -- Click here to rapidly navigate through this document

Filed Pursuant to Rule 424(b)(5)  
Registration No. 333-119785

PROSPECTUS SUPPLEMENT TO PROSPECTUS  
DATED NOVEMBER 5, 2004

**3,650,000 Shares**

**Common Stock**

We are selling 3,650,000 shares of common stock.

Our common stock is traded on the NASDAQ National Market under the symbol "RIGL." The last reported sale price of our common stock on the NASDAQ National Market on July 14, 2005 was \$21.56 per share.

**Investing in our common stock involves risks. See "Risk Factors" on page S-7.**

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Us
Per Share	\$20.75	\$1.245	\$19.505
Total	\$75,737,500	\$4,544,250	\$71,193,250

The underwriters have an option to purchase from us a maximum of 547,500 additional shares to cover over-allotments of shares.

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

Delivery of the shares of common stock will be made on or about July 20, 2005.

**Credit Suisse First Boston**

**Lehman Brothers**

The date of this prospectus supplement is July 14, 2005.

---

**TABLE OF CONTENTS**

	<b>PAGE</b>
<b>PROSPECTUS SUPPLEMENT</b>	
PROSPECTUS SUPPLEMENT SUMMARY	S-1
RISK FACTORS	S-7
USE OF PROCEEDS	S-18
PRICE RANGE OF COMMON STOCK	S-18
DIVIDEND POLICY	S-18
CAPITALIZATION	S-19
DILUTION	S-20
MANAGEMENT	S-21
UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO NON-UNITED STATES HOLDERS	S-25
UNDERWRITING	S-28
LEGAL MATTERS	S-30
<b>PROSPECTUS DATED NOVEMBER 5, 2004</b>	
RIGEL	1
ABOUT THIS PROSPECTUS	1
RISK FACTORS	3
THE SECURITIES WE MAY OFFER	3
FORWARD-LOOKING INFORMATION	4
RATIO OF EARNINGS TO FIXED CHARGES	5
USE OF PROCEEDS	5
DESCRIPTION OF CAPITAL STOCK	6
DESCRIPTION OF DEBT SECURITIES	10
DESCRIPTION OF WARRANTS	17
LEGAL OWNERSHIP OF SECURITIES	19
PLAN OF DISTRIBUTION	23
LEGAL MATTERS	24
EXPERTS	24
WHERE YOU CAN FIND MORE INFORMATION	25

---

**You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.**

---

## PROSPECTUS SUPPLEMENT SUMMARY

*This summary highlights information contained elsewhere in this prospectus supplement. You should read the entire prospectus supplement and the accompanying prospectus carefully, particularly "Risk Factors," before making an investment decision. The name Rigel Pharmaceuticals and our logo are our trademarks. All other trademarks or tradenames referred to in this prospectus supplement are the property of their respective owners. References in this prospectus supplement to "we," "us" and "our" refer to Rigel Pharmaceuticals, Inc.*

### Overview

Our mission is to become a source of novel, small-molecule drugs to meet large, unmet medical needs. We have three product development programs: allergy/asthma, rheumatoid arthritis and cancer. We have two product candidates in clinical trials, R112 for allergic rhinitis and R406/788 for rheumatoid arthritis, and we expect to initiate clinical trials of R763 for the treatment of cancer later this year. Our business model is to develop a portfolio of product candidates for our own proprietary programs and with potential collaborative partners. Our drug discovery engine is based on advanced, proprietary techniques that allow us to identify targets with a demonstrable role in a disease pathway and to screen efficiently for those targets that are likely to be amenable to drug modulation. We believe that this approach to drug discovery will enable us to commence clinical trials with one lead compound each year. Our research efforts are focused in the areas of immunology/inflammation, oncology and virology.

### Clinical and Preclinical Product Development and Primary Research Programs

We conduct research programs for our own proprietary programs as well as for programs conducted jointly through our corporate collaborations. We are currently developing several proprietary product candidates. Our most advanced development efforts are described below.

#### *Allergy/Asthma*

**Disease background.** Allergic rhinitis and asthma are chronic inflammatory disorders of the airways. Allergic rhinitis, or allergy, is an acute inflammatory reaction in the upper respiratory tract resulting in nasal congestion, sneezing, itching and watery eyes. Asthma affects the lower respiratory tract and is marked by episodic flare-ups, or attacks, that can be life threatening. In some patients, allergens, such as pollen, trigger the production of immunoglobulin E antibodies, or IgE antibodies, which then bind to mast cells and cause an intracellular signal that results in the release of various chemical mediators. When this process occurs repeatedly over time, it creates persistent inflammation of the airway passages, resulting in the chronic congestion and airway obstruction associated with allergic rhinitis and asthma, respectively. Over 59 million people in the United States suffer from allergic disorders, and over 11 million people in the United States suffer from asthmatic disorders.

**Allergic rhinitis program.** R112, our clinical candidate for allergic rhinitis, is an intranasal inhibitor of Syk, or spleen tyrosine kinase, a novel drug target for respiratory diseases such as allergic rhinitis and asthma. Syk is involved in IgE signaling in mast cells. Mast cells play important roles in both early and late phase allergic reactions, and Syk inhibitors could prevent both phases. We completed a Phase I clinical trial of R112 in December 2002 and a single-dose Phase I/II clinical trial in June 2003. The Phase I/II clinical trial showed that R112 was well tolerated and demonstrated physiological responses, including significant statistical improvement or consistent positive trends in reducing the release of chemical mediators involved in mast cell activation, one of the earliest steps in the initiation of an inflammatory response in allergy and asthma. A multi-dose safety trial completed in December 2003 indicated that R112 was well tolerated and demonstrated a favorable safety profile in the study population.

We completed a Phase II "park study" clinical trial of R112 in August 2004. This randomized, placebo-controlled Phase II "park study" enrolled 319 patients with the primary objective of measuring the safety and efficacy of R112 as an intranasal treatment for allergic rhinitis. The "park study" results demonstrated that, in the study population, R112 reduced certain symptoms of allergic rhinitis in a statistically significant manner compared to placebo, had a favorable safety profile and had a rapid onset of action. There were no significant drug-related adverse events reported in the trial, and adverse event frequencies were indistinguishable from placebo. As early as the 30 to 45 minute time interval after dosing, R112 showed a significant improvement in symptom scores over placebo and demonstrated a rapid onset of action in symptom improvement. Furthermore, these beneficial effects lasted throughout the entire measurement period until the end of the park day. In particular, symptoms most closely associated with chronic nasal congestion (e.g. stuffy nose) were dramatically improved with R112 over placebo.

Based on the results of the single and multi-dose trials as well as the Phase II "park study", we intend to move R112 forward in clinical development with a planned additional Phase II trial that we expect to take place in the third quarter of 2005, with top line data planned for the fourth quarter of 2005. The trial is designed to assess and compare the safety and efficacy of R112 over a seven-day period versus placebo and versus a nasal steroid. We are also actively seeking to partner with a pharmaceutical company with respect to R112. Under the terms of an agreement with Pfizer, Inc., Pfizer has a limited right of negotiation for R112 under certain circumstances, but the agreement does not preclude us from partnering with other pharmaceutical companies with respect to R112.

*Asthma program.* In the first quarter of 2005, we entered into a collaborative research and license agreement with Pfizer for the development of inhaled products for the treatment of allergic asthma and other respiratory diseases, such as chronic obstructive pulmonary disease, or COPD. The collaboration is focused on our preclinical small molecule compounds, which inhibit IgE receptor signaling in respiratory tract mast cells by blocking the signaling enzyme Syk kinase.

We expect Pfizer to advance a compound into clinical development by combining their dry powder inhaler, their drug development capabilities and our novel small molecules. The first significant milestone under this collaboration is Pfizer's selection of a specific molecule to take into drug development.

#### ***Rheumatoid Arthritis***

*Disease background.* Rheumatoid arthritis, or RA, is a chronic inflammatory disease that affects multiple tissues, but typically produces its most pronounced symptoms in the joints. It is often progressive and debilitating, preventing people from living a symptom-free life. Ultimately, the chronic inflammation of joints leads to the destruction of the soft tissue and erosion of the articular surfaces of the bone. The disease is estimated to affect nearly 2.1 million people in the United States.

The current treatment options for RA have significant potential side effects and other shortfalls, including gastrointestinal and kidney complications. RA patients receive multiple drugs depending on the extent and aggressiveness of the disease. Many RA patients eventually require some form of disease modifying anti-rheumatic drug, or DMARD. DMARDs include methotrexate, an anti-cancer agent, and Enbrel®, a TNF-blocking agent. TNF-blocking agents inhibit the inflammatory mediator, TNF, and are all delivered via injection.

*Rheumatoid arthritis program.* We intend to focus our RA program on the development of an oral, safe DMARD that can be used earlier in the course of the disease, preventing its progression prior to major bone and cartilage destruction. We selected R406 as our lead product candidate for initial clinical trials in RA. R406 is a novel, oral Syk kinase inhibitor that, in preclinical studies, blocked the activation of mast cells and B cells that promote the swelling and inflammatory response. Data from preclinical studies indicated that R406 was effective in a rodent arthritis model and was without

## Edgar Filing: RIGEL PHARMACEUTICALS INC - Form 424B5

significant toxicity at doses well above the effective dose. We initiated an escalating single-dose and multiple-dose, placebo-controlled Phase I clinical trial of R406 in December 2004, and we announced the preliminary results of the trial in March 2005. The results of this study indicated that R406 was well tolerated at the plasma levels of R406 that we plan to use moving forward. The study also generated pharmacokinetic/pharmacodynamic data that established a correlation between R406 plasma levels and the inhibition of its target.

We are also studying an oral solid dosage formulation of R406 called R788 (and sometimes referred to as R406/788). We have initiated a Phase I clinical study of R406/788 in a single center, double-blind, randomized, placebo-controlled trial to investigate the safety and pharmacokinetics of escalating single and multiple doses of R406/788. The results from this study are expected later this year. We also plan to initiate further clinical studies on R406/788 in the fall of this year. We anticipate that the results from these studies will allow us to conduct broader, longer-term safety, efficacy and pharmacokinetic studies in early 2006.

### ***Oncology***

*Disease background.* Cancer is the second leading cause of death in the United States. More than one million people get cancer each year, and nearly half of all men and a little over one-third of all women in the United States will develop cancer during their lifetimes. Anyone can get cancer at any age. However, approximately 77% of all cancers are diagnosed in people age 55 and older. Although cancer occurs in all racial and ethnic groups, the rate of incidence varies from group to group.

*Aurora kinase program.* Aurora kinase plays a central role in the cell division process, and the overexpression of aurora kinase can cause cells to quickly form an abnormal number of chromosomes. As such, aurora kinase is frequently associated with various solid tumor human cancers, such as cancers of the breast, bladder, colon, ovary, head and neck and pancreas. Increased knowledge of aurora kinase and its regulation potential may be the basis for treating and even preventing cancer.

We have identified R763 as a lead compound in our aurora kinase inhibition program, targeting cancer cell proliferation. R763 is a potent, highly-selective, small-molecule inhibitor of aurora kinase. We expect to file an IND with respect to R763 in the fourth quarter of 2005.

### ***Hepatitis C Virus***

*Disease background.* Hepatitis C is an inflammation of the liver caused by the hepatitis C virus. As the most common chronic blood-borne infection in the United States, the hepatitis C virus, or HCV, affects an estimated 3.9 million people in the United States and 170 million individuals worldwide. Approximately 80% of those with an acute illness will develop chronic hepatitis, a condition that has been linked to cirrhosis, liver failure and hepatocellular carcinoma, or liver cancer. HCV is a leading cause of chronic liver disease and is the most common indication for liver transplantation.

Currently available HCV therapies are only modestly effective at treating the disease. The most prevalent treatment regimen is with interferon alpha, or IFN, or its longer lasting pegylated version, usually in combination with ribavirin. IFN therapy works to boost the body's own immune system and generally requires six to 12 months of therapy to be effective. Only 20% to approximately 40% of the patients who complete IFN therapy have a successful response after six months. IFN dosage must be reduced in 10% to 40% of patients and discontinued in 5% to 15% of patients because of severe side effects. Moreover, IFN is least effective against HCV genotype 1, the strain responsible for approximately 70% of chronic HCV cases in the United States.

*Anti-HCV program.* Our program addressing HCV has identified various compounds that are oral small molecules that, in preclinical studies, work directly, rapidly and selectively on the virus by interfering with a viral polymerase protein that is needed for replication. We recently announced that

we will undertake the development of other chemical scaffolds in our HCV program because preliminary findings from pre-clinical studies of a pro-drug of R803 showed insufficient bioavailability. We expect to bring these alternate scaffolds into pre-clinical studies in 2006.

### **Corporate Collaborations**

We retain all commercial and economic rights in the programs described above, except for our asthma program, which is partnered with Pfizer. We also conduct research and development programs in connection with our corporate collaborations. We currently have collaborations with five major pharmaceutical companies to leverage our efforts. These collaborations include: one with Janssen Pharmaceutica N.V., a division of Johnson & Johnson, relating to oncology therapeutics and diagnostics, two with Pfizer Inc.; one initiated in 1999 and the other in January 2005, relating to asthma and allergy therapeutics; one with Novartis Pharma AG with four different programs relating to immunology, oncology and chronic bronchitis; one with Daiichi Pharmaceuticals Co., Ltd. in the area of oncology; and one with Merck and Co., Inc., also in the area of oncology.

### **Our Strategy**

Our objective is to create a portfolio of product candidates that can be developed into small molecule therapeutics for our own proprietary programs and with potential collaborative partners. We believe that producing a portfolio of many product candidates and working in conjunction with pharmaceutical companies increases our probability of development and commercial success. The product development process is subject to both high costs and high risk of failure. We believe that this approach helps minimize the risk of failure, while concurrently strategically placing us in a position to help fill the continuing product pipeline gap at major pharmaceutical companies.

The key elements of our scientific and business strategy are to:

utilize our robust discovery engine to rapidly discover and validate new product candidates in a broad range of therapeutic indications;

develop a diverse portfolio of drug candidates that address a large range of therapeutic indications or that represent significant market opportunities;

move at least one new product candidate into the clinic each year; and

establish strategic collaborations with pharmaceutical and biotechnology companies; preferably after Phase II trials, to develop and market our product candidates.

We were incorporated in Delaware in June 1996, and we are based in South San Francisco, California.

**THE OFFERING**

Common stock we are offering	3,650,000 shares
Common stock outstanding immediately following this offering	23,581,905 shares
Over-allotment option	547,500
NASDAQ National Market symbol	RIGL
Use of proceeds	We anticipate using the net proceeds to us from the sale of the common stock offered by this prospectus supplement for research and development and general corporate purposes.

The number of shares of common stock to be outstanding after the offering is based on the number of shares outstanding as of June 30, 2005 and excludes:

91,199 shares of common stock underlying warrants outstanding as of June 30, 2005 at a weighted average exercise price of \$28.39 per share;

2,989,571 shares of common stock underlying options outstanding as of June 30, 2005 at a weighted average exercise price of \$12.96 per share; and

2,467,942 shares available for issuance or future grant under our 2000 Equity Incentive Plan, 100,815 shares available for issuance under our 2000 Employee Stock Purchase Plan and 218,177 shares available for issuance or future grant under our 2000 Non-Employee Directors' Stock Option Plan, as of June 30, 2005.

Unless otherwise stated, all information contained in this prospectus supplement and the accompanying prospectus assumes that the underwriters do not exercise their over-allotment option.

## SUMMARY FINANCIAL DATA

The table below presents summary statement of operations and balance sheet data. The summary financial data for the years ended December 31, 2002 through December 31, 2004 are derived from our audited financial statements for those periods. We derived the summary financial data as of March 31, 2005 and for the three months ended March 31, 2004 and 2005 from our unaudited financial statements. The unaudited financial statement data includes, in our opinion, all adjustments (consisting only of normal recurring adjustments) that are necessary for a fair presentation of our financial position and results of operations for these periods. Operating results for the three months ended March 31, 2005 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2005. This information is only a summary. You should read it in conjunction with our historical financial statements and related notes contained in our annual reports, quarterly reports and other information on file with the SEC. For more details on how you can obtain our SEC reports and other information, you should read the section of the accompanying prospectus entitled "Where you can find more information". The as adjusted balance sheet data gives effect to the sale by us of 3,650,000 shares of our common stock in this offering at a public offering price of \$20.75 per share, after deducting the underwriting discounts and estimated offering expenses of \$400,000 payable by us.

	Fiscal year ended December 31,			Three months ended March 31,	
Statement of operations data	2002	2003	2004	2004	2005
(In thousands, except per share amounts)					
Contract revenues from collaborations	\$ 15,788	\$ 11,055	\$ 4,733	\$ 1,487	\$ 2,618
Costs and expenses:					
Research and development	40,800	41,649	48,523	11,694	11,173
General and administrative	12,004	10,233	13,077	2,913	2,874
	52,804	51,882	61,600	14,607	14,047
Loss from operations	(37,016)	(40,827)	(56,867)	(13,120)	(11,429)
Loss on sale of property and equipment		(169)	(30)		
Interest income	856	374	966	163	330
Interest expense	(870)	(575)	(324)	(94)	(65)
Net loss	\$ (37,030)	\$ (41,197)	\$ (56,255)	\$ (13,051)	\$ (11,164)
Net loss per share, basic and diluted	\$ (7.41)	\$ (3.62)	\$ (3.12)	\$ (0.81)	\$ (0.57)
Weighted average shares used in computing net loss per share, basic and diluted	4,995	11,395	18,053	16,047	19,713
			As of March 31, 2005		
Balance sheet data			Actual	As adjusted	
(In thousands)					
Cash, cash equivalents and available-for-sale securities			\$ 70,515	\$ 141,308	
Working capital			60,808	131,601	
Total assets			80,383	151,176	
Long-term liabilities			20,728	20,728	
Accumulated deficit			(223,430)	(223,430)	
Total stockholders' equity			44,793	115,586	



## RISK FACTORS

*You should consider carefully the following risks and other information in this prospectus supplement before you decide to purchase shares of our common stock. If any of the following risks actually occur, our business, financial condition and operating results could be adversely affected. As a result, the trading price of our common stock could decline and you could lose part or all of your investment.*

### **We will need additional capital in the future to sufficiently fund our operations and research.**

We have consumed substantial amounts of capital to date, and operating expenditures are expected to increase over the next several years. We believe that our existing capital resources, together with the net proceeds from this offering, and anticipated proceeds from current collaborations will be sufficient to support our current operating plan through at least the next 18 months. Our operations will require significant additional funding in large part due to our research and development expenses, future preclinical and clinical-testing costs, and the absence of any meaningful revenues for the foreseeable future. The amount of future funds needed will depend largely on the timing and structure of potential future collaborations. We do not know whether additional financing will be available when needed, or that, if available, we will obtain financing on terms favorable to our stockholders or us. We have consumed substantial amounts of capital to date, and operating expenditures are expected to increase over the next several years as we expand our infrastructure and research and development activities.

To the extent we raise additional capital by issuing equity securities, our stockholders could at that time experience substantial dilution. To the extent that we raise additional funds through collaboration and licensing arrangements, we may be required to relinquish some rights to our technologies or product candidates, or grant licenses on terms that are not favorable to us.

### **Our future funding requirements will depend on many uncertain factors.**

Our future funding requirements will depend upon many factors, including, but not limited to:

the progress and success of preclinical studies and clinical trials of our product candidates conducted by us or our collaborative partners or licensees;

our ability to establish new collaborations and to maintain our existing collaboration partnerships;

the progress of research programs carried out by us;

any changes in the breadth of our research and development programs;

our ability to meet the milestones identified in our collaborative agreements that trigger payments;

the progress of the research and development efforts of our collaborative partners;

our ability to acquire or license other technologies or compounds that we seek to pursue;

our ability to manage our growth;

competing technological and market developments;

the costs and timing of obtaining, enforcing and defending our patent and intellectual rights;

the costs and timing of regulatory approvals and filings by us and our collaborators; and

expenses associated with unforeseen litigation.

Insufficient funds may require us to delay, scale back or eliminate some or all of our research or development programs, to lose rights under existing licenses or to relinquish greater or all rights to

S-7

---

product candidates at an earlier stage of development or on less favorable terms than we would otherwise choose or may adversely affect our ability to operate as a going concern.

**Our success as a company is uncertain due to our history of operating losses and the uncertainty of future profitability.**

Due in large part to the significant research and development expenditures required to identify and validate new product candidates and pursue our development efforts, we have not been profitable and have incurred operating losses since we were incorporated in June 1996. The extent of our future losses and the timing of potential profitability are highly uncertain, and we may never achieve profitable operations. We incurred net losses of \$11.2 million for the first three months of 2005, \$56.3 million in 2004 and \$41.2 million in 2003. Currently, our revenues are generated solely from research payments pursuant to our collaboration agreements and licenses and are insufficient to generate profitable operations. As of March 31, 2005, we had an accumulated deficit of approximately \$223.4 million. We expect to incur losses for at least the next several years and expect that these losses could increase as we expand our research and development activities and incur significant clinical and testing costs.

**There is a high risk that early-stage drug discovery and development might not successfully generate good product candidates.**

At the present time, the majority of our operations are in the early stages of drug identification and development. We currently have two product compounds in the clinical testing stage. In our industry, it is statistically unlikely that the limited number of compounds that we have identified as potential product candidates will actually lead to successful product development efforts, and we do not expect any drugs resulting from our research to be commercially available for several years, if at all. Our product compounds in the clinic and our future leads for potential drug compounds are subject to the risks and failures inherent in the development of pharmaceutical products. These risks include, but are not limited to, the inherent difficulty in selecting the right drug and drug target and avoiding unwanted side effects as well as unanticipated problems relating to product development, testing, regulatory compliance, manufacturing, marketing, competition and costs and expenses that may exceed current estimates. The results of preliminary studies do not necessarily predict clinical or commercial success, and larger later-stage clinical trials may fail to confirm the results observed in the preliminary studies. With respect to our own compounds in development, we have established anticipated timelines for clinical development based on existing knowledge of the compound. However, we cannot provide assurance that we will meet any of these timelines with respect to the initiation or completion of clinical studies.

We expect to initiate clinical trials of R763 in the second half of 2005. Because of the uncertainty of whether the accumulated preclinical evidence (pharmacokinetic, pharmacodynamic, safety and/or other factors) or early clinical results will be observed in later clinical trials, we can make no assurance regarding the likely results from our future clinical trials or the impact of those results on our business.

**We might not be able to commercialize our product candidates successfully if problems arise in the clinical testing and approval process.**

Commercialization of our product candidates depends upon successful completion of preclinical studies and clinical trials. Preclinical testing and clinical development are long, expensive and uncertain processes. We do not know whether we, or any of our collaborative partners, will be permitted to undertake clinical trials of potential products beyond the trials already concluded and the trials currently in process. It will take us or our collaborative partners several years to complete any such testing, and failure can occur at any stage of testing. Interim results of trials do not necessarily predict final results, and acceptable results in early trials may not be repeated in later trials. A number of

companies in the pharmaceutical industry, including biotechnology companies, have suffered significant setbacks in advanced clinical trials, even after achieving promising results in earlier trials. Moreover, we or our collaborative partners or regulators may decide to discontinue development of any or all of these projects at any time for commercial, scientific or other reasons. For example, if patients experience undesirable adverse events, we may be required to halt or suspend a clinical trial.

We have initiated a Phase I clinical study of R406/788, an oral solid dosage formulation of R406, and have plans to conduct further clinical studies of R406/788 later this year. Because R406/R788 and R406 are not identical, we cannot assure you that R406/788 and R406 will have similar safety profiles. Further, because preclinical studies are not necessarily predictive of clinical results, we cannot provide you with any assurance of the likely results from our future clinical trials of R406/788 or the impact of those results on our business.

**Delays in clinical testing could result in increased costs to us.**

Significant delays in clinical testing could materially impact our product development costs. We do not know whether planned clinical trials will begin on time, will need to be halted or revamped or will be completed on schedule, or at all. Clinical trials can be delayed for a variety of reasons, including delays in obtaining regulatory approval to commence a study, delays in reaching agreement on acceptable clinical study agreement terms with prospective clinical sites, delays in obtaining institutional review board approval to conduct a study at a prospective clinical site or delays in recruiting subjects to participate in a study. Environmental conditions may impact the execution of some clinical trials, particularly during the allergy season for our allergic rhinitis program.

In addition, we typically rely on third-party clinical investigators to conduct our clinical trials and other third-party organizations to oversee the operations of such trials and to perform data collection and analysis. As a result, we may face additional delaying factors outside our control if these parties do not perform their obligations in a timely fashion. While we have not yet experienced delays that have materially impacted our clinical trials or product development costs, delays of this sort could occur for the reasons identified above or other reasons. If we have delays in testing or approvals, our product development costs will increase. For example, we may need to make additional payments to third-party investigators and organizations to retain their services or we may need to pay recruitment incentives. If the delays are significant, our financial results and the commercial prospects for our product candidates will be harmed, and our ability to become profitable will be delayed.

**We lack the capability to manufacture compounds for development and rely on third parties to manufacture our product candidates, and we may be unable to obtain required material in a timely manner, at an acceptable cost or at a quality level required to receive regulatory approval.**

We currently do not have manufacturing capabilities or experience necessary to produce our product candidates, including R112, R406/788 and R763 for preclinical testing and clinical trials. We rely on a single third-party contractor to produce R112 and R406/788 bulk drug substance. We also rely on different single manufacturers for finished R112 and R406/788 product for preclinical and clinical testing. We will rely on manufacturers to deliver materials on a timely basis and to comply with applicable regulatory requirements, including the FDA's current Good Manufacturing Practices, or GMP. These outsourcing efforts with respect to manufacturing preclinical and clinical supplies will result in a dependence on our suppliers to timely manufacture and deliver sufficient quantities of materials produced under GMP conditions to enable us to conduct planned preclinical studies, clinical trials and, if possible, to bring products to market in a timely manner.

Our current and anticipated future dependence upon these third-party manufacturers may adversely affect our ability to develop and commercialize product candidates on a timely and competitive basis. These manufacturers may not be able to produce material on a timely basis or

manufacture material at the quality level or in the quantity required to meet our development timelines and applicable regulatory requirements. We may not be able to maintain or renew our existing third-party manufacturing arrangements, or enter into new arrangements, on acceptable terms, or at all. Our third-party manufacturers could terminate or decline to renew our manufacturing arrangements based on their own business priorities, at a time that is costly or inconvenient for us. If we are unable to contract for the production of materials in sufficient quantity and of sufficient quality on acceptable terms, our planned clinical trials may be significantly delayed. Manufacturing delays could postpone the filing of our IND applications and/or the initiation of clinical trials that we have currently planned.

Our third-party manufacturers may not be able to comply with the GMP regulations, other applicable FDA regulatory requirements or similar regulations applicable outside of the United States. Additionally, if we are required to enter into new supply arrangements, we may not be able to obtain approval from the FDA of any alternate supplier in a timely manner, or at all, which could delay or prevent the clinical development and commercialization of any related product candidates. Failure of our third-party manufacturers or us to obtain approval from the FDA or to comply with applicable regulations could result in sanctions being imposed on us, including fines, civil penalties, delays in or failure to grant marketing approval of our product candidates, injunctions, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of products and compounds, operating restrictions and criminal prosecutions, any of which could significantly and adversely affect our business.

**Because most of our expected future revenues are contingent upon collaborative and license agreements, we might not meet our strategic objectives.**

Our ability to generate revenue in the near term depends on our ability to enter into additional collaborative agreements with third parties and to maintain the agreements we currently have in place. Our ability to enter into new collaborations and the revenue, if any, that may be recognized under these collaborations is highly uncertain. If we are unable to enter into new collaborations, our business prospects could be harmed, which could have an immediate adverse effect on the trading price of our stock.

To date, most of our revenues have been related to the research phase of each of our collaborative agreements. Such revenues are for specified periods, and the impact of such revenues on our results of operations is partially offset by corresponding research costs. Following the completion of the research phase of each collaborative agreement, additional revenues may come only from milestone payments and royalties, which may not be paid, if at all, until some time well into the future. The risk is heightened due to the fact that unsuccessful research efforts may preclude us from receiving any milestone payments under these agreements. Our receipt of revenues from collaborative arrangements is also significantly affected by the timing of efforts expended by us and our collaborators and the timing of lead compound identification. In late 2001, we recorded the first revenue from achievement of milestones in both the Pfizer and Johnson & Johnson collaborations. During 2002, we recorded our first milestone for both Novartis and Daiichi. Under many agreements, however, milestone payments may not be earned until the collaborator has advanced products into clinical testing, which may never occur or may not occur until some time well into the future. If we are not able to generate revenue under our collaborations when and in accordance with our expectations or the expectations of industry analysts, this failure could harm our business and have an immediate adverse effect on the trading price of our stock.

Our business requires us to generate meaningful revenue from royalties and licensing agreements. To date, we have not received any revenue from royalties for the commercial sale of drugs, and we do not know when we will receive any such revenue, if at all. Likewise, we have not licensed any lead compounds or drug development candidates to third parties, and we do not know whether any such license will be entered into on acceptable terms in the future, if at all.

**If our current corporate collaborations or license agreements are unsuccessful, our research and development efforts could be delayed.**

Our strategy depends upon the formation and sustainability of multiple collaborative arrangements and license agreements with third parties in the future. We rely on these arrangements for not only financial resources, but also for expertise that we expect to need in the future relating to clinical trials, manufacturing, sales and marketing, and for licenses to technology rights. To date, we have entered into several such arrangements with corporate collaborators; however, we do not know if such third parties will dedicate sufficient resources or if any development or commercialization efforts by third parties will be successful. Should a collaborative partner fail to develop or commercialize a compound or product to which it has rights from us, such failure might delay ongoing research and development efforts at Rigel because we might not receive any future milestone payments and we would not receive any royalties associated with such compound or product. In addition, the continuation of some of our partnered drug discovery and development programs may be dependent on the periodic renewal of our corporate collaborations.

The research phase of our collaboration with Johnson & Johnson ended in December 2003, and the research phases conducted at our facilities under our broad collaboration with Novartis ended in July 2004. The research phase of our corporate collaboration agreement with Daiichi will end in August 2005. In November 2004, we signed a new corporate collaboration with Merck, and in January 2005, we signed an additional collaboration with Pfizer. These agreements could be terminated by the other party, and we may not be able to renew these collaborations on acceptable terms, if at all, or negotiate additional corporate collaborations on acceptable terms, if at all. If these collaborations terminate or are not renewed, any resultant loss of revenues from these collaborations or loss of the expertise of our collaborative partners could adversely affect our business.

Conflicts also might arise with collaborative partners concerning proprietary rights to particular compounds. While our existing collaborative agreements typically provide that we retain milestone payments and royalty rights with respect to drugs developed from certain derivative compounds, any such payments or royalty rights may be at reduced rates, and disputes may arise over the application of derivative payment provisions to such drugs, and we may not be successful in such disputes.

We are also a party to various license agreements that give us rights to use specified technologies in our research and development processes. The agreements pursuant to which we have in-licensed technology permit our licensors to terminate the agreements under certain circumstances. If we are not able to continue to license these and future technologies on commercially reasonable terms, our product development and research may be delayed.

**If conflicts arise between our collaborators or advisors and us, any of them may act in their self-interest, which may be adverse to our stockholders' interests.**

If conflicts arise between us and our corporate collaborators or scientific advisors, the other party may act in its self-interest and not in the interest of our stockholders. Some of our corporate collaborators are conducting multiple product development efforts within each disease area that is the subject of the collaboration with us. In some of our collaborations, we have agreed not to conduct, independently or with any third party, any research that is competitive with the research conducted under our collaborations. Our collaborators, however, may develop, either alone or with others, products in related fields that are competitive with the products or potential products that are the subject of these collaborations. Competing products, either developed by our collaborators or to which our collaborators have rights, may result in their withdrawal of support for our product candidates.

If any of our corporate collaborators were to breach or terminate its agreement with us or otherwise fail to conduct the collaborative activities successfully and in a timely manner, the preclinical or clinical development or commercialization of the affected product candidates or research programs

could be delayed or terminated. We generally do not control the amount and timing of resources that our corporate collaborators devote to our programs or potential products. We do not know whether current or future collaborative partners, if any, might pursue alternative technologies or develop alternative products either on their own or in collaboration with others, including our competitors, as a means for developing treatments for the diseases targeted by collaborative arrangements with us.

**Our success is dependent on intellectual property rights held by us and third parties, and our interest in such rights is complex and uncertain.**

Our success will depend to a large part on our own, our licensees' and our licensors' ability to obtain and defend patents for each party's respective technologies and the compounds and other products, if any, resulting from the application of such technologies. We have over 150 pending patent applications and over 50 issued patents in the United States that are owned or exclusively licensed in our field as well as pending corresponding foreign patent applications. In the future, our patent position might be highly uncertain and involve complex legal and factual questions. For example, we may be involved in interferences before the United States Patent and Trademark Office. Interferences are complex and expensive legal proceedings and there is no assurance we will be successful in such proceedings. An interference could result in our losing our patent rights and/or our freedom to operate and/or require us to pay significant royalties. Additional uncertainty may result because no consistent policy regarding the breadth of legal claims allowed in biotechnology patents has emerged to date. Accordingly, we cannot predict the breadth of claims allowed in our or other companies' patents.

Because the degree of future protection for our proprietary rights is uncertain, we cannot ensure that:

we were the first to make the inventions covered by each of our pending patent applications;

we were the first to file patent applications for these inventions;

others will not independently develop similar or alternative technologies or duplicate any of our technologies;

any of our pending patent applications will result in issued patents;

any patents issued to us or our collaborators will provide a basis for commercially-viable products or will provide us with any competitive advantages or will not be challenged by third parties;

we will develop additional proprietary technologies that are patentable; or

the patents of others will not have a negative effect on our ability to do business.

We rely on trade secrets to protect technology where we believe patent protection is not appropriate or obtainable. However, trade secrets are difficult to protect. While we require employees, collaborators and consultants to enter into confidentiality agreements, we may not be able to adequately protect our trade secrets or other proprietary information in the event of any unauthorized use or disclosure or the lawful development by others of such information.

We are a party to certain in-license agreements that are important to our business, and we generally do not control the prosecution of in-licensed technology. Accordingly, we are unable to exercise the same degree of control over this intellectual property as we exercise over our internally-developed technology. Moreover, some of our academic institution licensors, research collaborators and scientific advisors have rights to publish data and information in which we have rights. If we cannot maintain the confidentiality of our technology and other confidential information in connection with our collaborations, then our ability to receive patent protection or protect our proprietary information will be impaired. In addition, some of the technology we have licensed relies on patented inventions

developed using U.S. government resources. The U.S. government retains certain rights, as defined by law, in such patents, and may choose to exercise such rights. Certain of our in-licenses may be terminated if we fail to meet specified obligations. If we fail to meet such obligations and any of our licensors exercise their termination rights, we could lose our rights under those agreements. If we lose any of our rights, it may adversely affect the way we conduct our business. In addition, because certain of our licenses are sublicenses, the actions of our licensors may affect our rights under those licenses.

**If a dispute arises regarding the infringement or misappropriation of the proprietary rights of others, such dispute could be costly and result in delays in our research and development activities and partnering.**

Our success will also depend, in part, on our ability to operate without infringing or misappropriating the proprietary rights of others. There are many issued patents and patent applications filed by third parties relating to products or processes that are similar or identical to ours or our licensors, and others may be filed in the future. There can be no assurance that our activities, or those of our licensors, will not infringe patents owned by others. We believe that there may be significant litigation in the industry regarding patent and other intellectual property rights, and we do not know if we or our collaborators would be successful in any such litigation. Any legal action against our collaborators or us claiming damages or seeking to enjoin commercial activities relating to the affected products, our methods or processes could:

require our collaborators or us to obtain a license to continue to use, manufacture or market the affected products, methods or processes, which may not be available on commercially reasonable terms, if at all;

prevent us from using the subject matter claimed in the patents held by others;

subject us to potential liability for damages;

consume a substantial portion of our managerial and financial resources; and

result in litigation or administrative proceedings that may be costly, whether we win or lose.

**If we are unable to obtain regulatory approval to market products in the United States and foreign jurisdictions, we might not be permitted to commercialize products from our research and development.**

Due, in part, to the early stage of our product candidate research and development process, we cannot predict whether regulatory clearance will be obtained for any product that we, or our collaborative partners, hope to develop. Satisfaction of regulatory requirements typically takes many years, is dependent upon the type, complexity and novelty of the product and requires the expenditure of substantial resources. Of particular significance to us are the requirements relating to research and development and testing.

Before commencing clinical trials in humans in the United States, we, or our collaborative partners, will need to submit and receive approval from the FDA of an investigational new drug application, or IND. Clinical trials are subject to oversight by institutional review boards and the FDA and:

must be conducted in conformance with the FDA's good clinical practices and other applicable regulations;

must meet requirements for institutional review board oversight;

must meet requirements for informed consent;

are subject to continuing FDA oversight;





may require large numbers of test subjects; and

may be suspended by us, our collaborators or the FDA at any time if it is believed that the subjects participating in these trials are being exposed to unacceptable health risks or if the FDA finds deficiencies in the IND or the conduct of these trials.

While we have stated that we intend to file additional INDs, this is only a statement of intent, and we may not be able to do so because we may not be able to identify potential product candidates. In addition, the FDA may not approve any IND in a timely manner, or at all.

Before receiving FDA approval to market a product, we must demonstrate that the product is safe and effective in the patient population and the indication that will be treated. Data obtained from preclinical and clinical activities are susceptible to varying interpretations that could delay, limit or prevent regulatory approvals. In addition, delays or rejections may be encountered based upon additional government regulation from future legislation or administrative action or changes in FDA policy during the period of product development, clinical trials and FDA regulatory review. Failure to comply with applicable FDA or other applicable regulatory requirements may result in criminal prosecution, civil penalties, recall or seizure of products, total or partial suspension of production or injunction, as well as other regulatory action against our potential products or us. Additionally, we have limited experience in conducting and managing the clinical trials necessary to obtain regulatory approval.

If regulatory approval of a product is granted, this approval will be limited to those indications or disease states and conditions for which the product is demonstrated through clinical trials to be safe and efficacious. We cannot ensure that any compound developed by us, alone or with others, will prove to be safe and efficacious in clinical trials and will meet all of the applicable regulatory requirements needed to receive marketing approval.

Outside the United States, our ability, or that of our collaborative partners, to market a product is contingent upon receiving a marketing authorization from the appropriate regulatory authorities. This foreign regulatory approval process typically includes all of the risks associated with FDA approval described above and may also include additional risks.

**If our competitors develop technologies that are more effective than ours, our commercial opportunity will be reduced or eliminated.**

The biotechnology and pharmaceutical industries are intensely competitive and subject to rapid and significant technological change. Many of the drugs that we are attempting to discover will be competing with existing therapies. In addition, a number of companies are pursuing the development of pharmaceuticals that target the same diseases and conditions that we are targeting. We face competition from pharmaceutical and biotechnology companies both in the United States and abroad.

Our competitors may utilize discovery technologies and techniques or partner with collaborators in order to develop products more rapidly or successfully than we, or our collaborators, are able to do. Many of our competitors, particularly large pharmaceutical companies, have substantially greater financial, technical and human resources than we do. In addition, academic institutions, government agencies and other public and private organizations conducting research may seek patent protection with respect to potentially competitive products or technologies and may establish exclusive collaborative or licensing relationships with our competitors.

We believe that our ability to compete is dependent, in part, upon our ability to create, maintain and license scientifically-advanced technology and upon our and our collaborators' ability to develop and commercialize pharmaceutical products based on this technology, as well as our ability to attract and retain qualified personnel, obtain patent protection or otherwise develop proprietary technology or processes and secure sufficient capital resources for the expected substantial time period between technological conception and commercial sales of products based upon our technology. The failure by us or any of our collaborators in any of those areas may prevent the successful commercialization of our potential drug targets.

## Edgar Filing: RIGEL PHARMACEUTICALS INC - Form 424B5

Our competitors might develop technologies and drugs that are more effective or less costly than any that are being developed by us or that would render our technology and potential drugs obsolete and noncompetitive. In addition, our competitors may succeed in obtaining the approval of the FDA or other regulatory agencies for product candidates more rapidly. Companies that complete clinical trials, obtain required regulatory agency approvals and commence commercial sale of their drugs before their competitors may achieve a significant competitive advantage, including certain patent and FDA marketing exclusivity rights that would delay or prevent our ability to market certain products. Any drugs resulting from our research and development efforts, or from our joint efforts with our existing or future collaborative partners, might not be able to compete successfully with competitors' existing or future products or obtain regulatory approval in the United States or elsewhere.

### **Our ability to generate revenues will be diminished if our collaborative partners fail to obtain acceptable prices or an adequate level of reimbursement for products from third-party payors or government agencies.**

The drugs we hope to develop may be rejected by the marketplace due to many factors, including cost. Our ability to commercially exploit a drug may be limited due to the continuing efforts of government and third-party payors to contain or reduce the costs of health care through various means. For example, in some foreign markets, pricing and profitability of prescription pharmaceuticals are subject to government control. In the United States, we expect that there will continue to be a number of federal and state proposals to implement similar government control. In addition, increasing emphasis on managed care in the United States will likely continue to put pressure on the pricing of pharmaceutical products. Cost control initiatives could decrease the price that any of our collaborators would receive for any products in the future. Further, cost control initiatives could adversely affect our collaborators' ability to commercialize our products and our ability to realize royalties from this commercialization.

Our ability to commercialize pharmaceutical products with collaborators may depend, in part, on the extent to which reimbursement for the products will be available from:

government and health administration authorities;

private health insurers; and

other third-party payors.

Significant uncertainty exists as to the reimbursement status of newly-approved healthcare products. Third-party payors, including Medicare, are challenging the prices charged for medical products and services. Government and other third-party payors increasingly are attempting to contain healthcare costs by limiting both coverage and the level of reimbursement for new drugs and by refusing, in some cases, to provide coverage for uses of approved products for disease indications for which the FDA has not granted labeling approval. Third-party insurance coverage may not be available to patients for any products we discover and develop, alone or with collaborators. If government and other third-party payors do not provide adequate coverage and reimbursement levels for our products, the market acceptance of these products may be reduced.

### **If product liability lawsuits are successfully brought against us, we may incur substantial liabilities and may be required to limit commercialization of our products.**

The testing and marketing of medical products entail an inherent risk of product liability. If we cannot successfully defend ourselves against product liability claims, we may incur substantial liabilities or be required to limit commercialization of our products although we are not currently aware of any specific causes for concern with respect to clinical liability claims. We currently do not have product liability insurance, and our inability to obtain sufficient product liability insurance at an acceptable cost

to protect against potential product liability claims could prevent or inhibit the commercialization of pharmaceutical products we develop, alone or with corporate collaborators. We, or our corporate collaborators, might not be able to obtain insurance at a reasonable cost, if at all. While under various circumstances we are entitled to be indemnified against losses by our corporate collaborators, indemnification may not be available or adequate should any claim arise.

**Our research and development efforts will be seriously jeopardized, if we are unable to attract and retain key employees and relationships.**

As a small company with only 148 employees as of June 30, 2005, our success depends on the continued contributions of our principal management and scientific personnel and on our ability to develop and maintain important relationships with leading academic institutions, scientists and companies in the face of intense competition for such personnel. In particular, our research programs depend on our ability to attract and retain highly skilled chemists, other scientists, and regulatory and clinical personnel. If we lose the services of any of our personnel, our research and development efforts could be seriously and adversely affected. Our employees can terminate their employment with us at any time.

**We depend on various scientific consultants and advisors for the success and continuation of our research and development efforts.**

We work extensively with various scientific consultants and advisors. The potential success of our drug discovery and development programs depends, in part, on continued collaborations with certain of these consultants and advisors. We, and various members of our management and research staff, rely on certain of these consultants and advisors for expertise in our research, regulatory and clinical efforts. Our scientific advisors are not our employees and may have commitments to, or consulting or advisory contracts with, other entities that may limit their availability to us. We do not know if we will be able to maintain such consulting agreements or that such scientific advisors will not enter into consulting arrangements, exclusive or otherwise, with competing pharmaceutical or biotechnology companies, any of which would have a detrimental impact on our research objectives and could have a material adverse effect on our business, financial condition and results of operations.

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

Our research and development activities involve the controlled use of potentially harmful biological materials as well as hazardous materials, chemicals and various radioactive compounds. We cannot completely eliminate the risk of accidental contamination or injury from the use, storage, handling or disposal of these materials. In the event of contamination or injury, we could be held liable for damages that result, and such liability could exceed our resources. We are also subject to federal, state and local laws and regulations governing the use, storage, handling and disposal of these materials and specified waste products. The cost of compliance with, or any potential violation of, these laws and regulations could be significant.

**Our facilities are located near known earthquake fault zones, and the occurrence of an earthquake or other catastrophic disaster could cause damage to our facilities and equipment, which could require us to cease or curtail operations.**

Our facilities are located in the San Francisco Bay Area near known earthquake fault zones and are vulnerable to significant damage from earthquakes. We are also vulnerable to damage from other types of disasters, including fires, floods, power loss, communications failures and similar events. If any disaster were to occur, our ability to operate our business at our facilities would be seriously, or potentially completely, impaired, and our research could be lost or destroyed. In addition, the unique

nature of our research activities and of much of our equipment could make it difficult for us to recover from a disaster. The insurance we maintain may not be adequate to cover our losses resulting from disasters or other business interruptions.

**Our stock price may be volatile, and our stockholders' investment in our stock could decline in value.**

The market prices for our securities and those of other biotechnology companies have been highly volatile and may continue to be highly volatile in the future. The following factors, in addition to other risk factors described in this section, may have a significant impact on the market price of our common stock:

the receipt or failure to receive the additional funding necessary to conduct our business;

the progress and success of preclinical studies and clinical trials of our product candidates conducted by us or our collaborative partners or licensees;

selling by large stockholders;

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

developments concerning proprietary rights, including patents;

developments concerning our collaborations;

publicity regarding actual or potential medical results relating to products under development by our competitors or us;

regulatory developments in the United States and foreign countries;

litigation;

economic and other external factors or other disaster or crisis; and

period-to-period fluctuations in financial results.

**Anti-takeover provisions in our charter documents and under Delaware law may make an acquisition of us, which may be beneficial to our stockholders, more difficult.**

Provisions of our amended and restated certificate of incorporation and bylaws, as well as provisions of Delaware law, could make it more difficult for a third party to acquire us, even if doing so would benefit our stockholders. These provisions:

establish that members of the board of directors may be removed only for cause upon the affirmative vote of stockholders owning a majority of our capital stock;

authorize the issuance of "blank check" preferred stock that could be issued by our board of directors to increase the number of outstanding shares and thwart a takeover attempt;

## Edgar Filing: RIGEL PHARMACEUTICALS INC - Form 424B5

limit who may call a special meeting of stockholders;

prohibit stockholder action by written consent, thereby requiring all stockholder actions to be taken at a meeting of our stockholders;

establish advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted upon at stockholder meetings;

provide for a board of directors with staggered terms; and

provide that the authorized number of directors may be changed only by a resolution of our board of directors.

In addition, Section 203 of the Delaware General Corporation Law, which imposes certain restrictions relating to transactions with major stockholders, may discourage, delay or prevent a third party from acquiring us.

S-17

---

## USE OF PROCEEDS

We estimate that the net proceeds to us from this offering will be approximately \$70,793,250 (\$81,472,238 if the underwriters' over-allotment option is exercised in full), at a public offering price of \$20.75 per share, after payment of underwriting discounts and commissions and estimated offering expenses of \$400,000 payable by us.

We intend to use the net proceeds to us from the sale of the common stock offered by this prospectus supplement for research and development and general corporate purposes. We may also use a portion of the net proceeds to acquire or invest in businesses, products and technologies that are complementary to our own, although we currently are not planning or negotiating any such transactions. As of the date of this prospectus supplement, we cannot specify with certainty all of the particular uses for the net proceeds we will have upon completion of the offering. Accordingly, we will retain broad discretion over the use of these proceeds.

Pending the use of the net proceeds, we intend to invest the net proceeds in investment-grade, interest-bearing securities.

## PRICE RANGE OF COMMON STOCK

Our common stock commenced trading publicly on The NASDAQ National Market on December 7, 2000 and is traded under the symbol "RIGL." The following table sets forth, for the periods indicated, the high and low sale prices of our common stock as reported on The NASDAQ National Market:

<b>Year ended December 31, 2003</b>	<b>High</b>	<b>Low</b>
First quarter	\$ 11.79	\$ 4.91
Second quarter	15.39	5.31
Third quarter	15.00	7.00
Fourth quarter	19.25	12.08
<b>Year ended December 31, 2004</b>	<b>High</b>	<b>Low</b>
First quarter	\$ 26.50	\$ 16.20
Second quarter	23.66	12.92
Third quarter	25.32	10.86
Fourth quarter	29.00	22.40
<b>Year ended December 31, 2005</b>	<b>High</b>	<b>Low</b>
First quarter	\$ 24.99	\$ 15.56
Second quarter	20.24	14.52
Third quarter (through July 14, 2005)	22.18	19.60

On June 25, 2003, we effected a 1 for 9 reverse split of our common stock, which is reflected as appropriate in the table above. As of June 30, 2005, there were 280 holders of record of our common stock. On July 14, 2005, the last sale price reported on The NASDAQ National Market for our common stock was \$21.56 per share.

## DIVIDEND POLICY

We have never paid our stockholders dividends, and we do not anticipate paying any cash dividends in the foreseeable future as we intend to retain any earnings for use in our business.

**CAPITALIZATION**

The following table shows our unaudited cash, cash equivalents and available-for-sale securities and capitalization as of March 31, 2005:

on an actual basis; and

on an as adjusted basis to give effect to the sale by us of 3,650,000 shares of our common stock in this offering at a public offering price of \$20.75 per share, after deducting underwriting discounts and commissions and estimated offering expenses of \$400,000 payable by us.

This table should be read with "Management's discussion and analysis of financial condition and results of operations" and our financial statements and notes thereto incorporated by reference in this prospectus supplement and the accompanying prospectus.

**As of March 31, 2005**

<b>As of March 31, 2005</b>	
<b>Actual</b>	<b>As adjusted</b>