HONDA MOTOR CO LTD
Form SC 13G/A
February 06, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 13G

Under the Securities Exchange Act of 1934

(Amendment No. 5)*

Honda Motor Co., Ltd.

(Name of Issuer)

Common Stock

(Title of Class of Securities)

438128308

(CUSIP Number)

December 31, 2008

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

x : Rule 13d-1(b)

o : Rule 13d-1(c)

o : Rule 13d-1(d)

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP NO. 438128308

1 NAME OF REPORTING PERSON

Mitsubishi UFJ Financial Group, Inc.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)

(a)

(b)

3 SEC USE ONLY

4 CITIZENSHIP OR PLACE OF ORGANIZATION

Tokyo, Japan

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	**5**	SOLE VOTING POWER 146,935,534
	6	SHARED VOTING POWER -0-
	7	SOLE DISPOSITIVE POWER 146,935,534
	8	SHARED DISPOSITIVE POWER -0-

9 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

146,935,534

10 CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (See Instructions)

11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

8.1%

12 TYPE OF REPORTING PERSON (See Instructions)

FI

CUSIP NO. 438128308

1	NAME OF REPORTING PERSON		
	The Bank of Tokyo–Mitsubishi UFJ, Ltd.		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)		
	(a)		
	(b)		
3	SEC USE ONLY		
4	CITIZENSHIP OR PLACE OF ORGANIZATION		
	Tokyo, Japan		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH		**5**	SOLE VOTING POWER
			61,144,400
		6	SHARED VOTING POWER
			-0-
		7	SOLE DISPOSITIVE POWER
			61,144,400
		8	SHARED DISPOSITIVE POWER
			-0-
9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON		
	61,144,400		
10	CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (See Instructions)		

11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

3.4%

12 TYPE OF REPORTING PERSON (See Instructions)

FI

CUSIP NO. 438128308

1	NAME OF REPORTING PERSON		
	Mitsubishi UFJ Trust and Banking Corporation		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)		
	(a)		
	(b)		
3	SEC USE ONLY		
4	CITIZENSHIP OR PLACE OF ORGANIZATION		
	Tokyo, Japan		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH		**5**	SOLE VOTING POWER
			71,645,000
		6	SHARED VOTING POWER
			-0-
		7	SOLE DISPOSITIVE POWER
			71,645,000
		8	SHARED DISPOSITIVE POWER
			-0-
9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON		
	71,645,000		
10	CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (See Instructions)		

11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

4.0%

12 TYPE OF REPORTING PERSON (See Instructions)

FI

CUSIP NO. 438128308

1	NAME OF REPORTING PERSON		
	Mitsubishi UFJ Securities Co., Ltd.		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)		
	(a)		
	(b)		
3	SEC USE ONLY		
4	CITIZENSHIP OR PLACE OF ORGANIZATION		
	Tokyo, Japan		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH		**5**	SOLE VOTING POWER
			3,859,934
		6	SHARED VOTING POWER
			-0-
		7	SOLE DISPOSITIVE POWER
			3,859,934
		8	SHARED DISPOSITIVE POWER
			-0-
9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON		
	3,859,934		
10	CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (See Instructions)		

11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

0.2%

12 TYPE OF REPORTING PERSON (See Instructions)

FI

CUSIP NO. 438128308

1	NAME OF REPORTING PERSON		
	Mitsubishi UFJ Asset Management Co., Ltd.		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)		
	(a)		
	(b)		
3	SEC USE ONLY		
4	CITIZENSHIP OR PLACE OF ORGANIZATION		
	Tokyo, Japan		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH		**5**	SOLE VOTING POWER
			8,751,900
		6	SHARED VOTING POWER
			-0-
		7	SOLE DISPOSITIVE POWER
			8,751,900
		8	SHARED DISPOSITIVE POWER
			-0-
9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON		
	8,751,900		
10	CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (See Instructions)		

11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

0.5%

12 TYPE OF REPORTING PERSON (See Instructions)

FI

CUSIP NO. 438128308

1	NAME OF REPORTING PERSON		
	Mitsubishi UFJ Asset Management (UK) Ltd.		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)		
	(a)		
	(b)		
3	SEC USE ONLY		
4	CITIZENSHIP OR PLACE OF ORGANIZATION		
	London, United Kingdom		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH		**5**	SOLE VOTING POWER
			501,900
		6	SHARED VOTING POWER
			-0-
		7	SOLE DISPOSITIVE POWER
			501,900
		8	SHARED DISPOSITIVE POWER
			-0-
9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON		
	501,900		
10	CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (See Instructions)		

11 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

0.0%

12 TYPE OF REPORTING PERSON (See Instructions)

FI

CUSIP NO. 438128308

1	NAME OF REPORTING PERSON	
2	MU Investments Co., Ltd. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (See Instructions)	
	(a)	
	(b)	
3	SEC USE ONLY	
4	CITIZENSHIP OR PLACE OF ORGANIZATION	

	1,810,223		(1,043,389)	
Net loss	$	(2,974,294)	$	(4,180,331)
Loss per share from operations:				
Basic and diluted	$	(0.15)	$	(0.15)
Net loss per share:				
Basic and diluted	$	(0.09)	$	(0.19)
Weighted average shares outstanding used to compute:				
Basic and diluted		31,778,911		21,622,108

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

Raptor Pharmaceutical Corp.
(A Development Stage Company)
Condensed Consolidated Statements of Operations
(Unaudited)

	For the six month periods from September 1, 2010 to February 28, 2011	September 1, 2009 to February 28, 2010	For the cumulative period from September 8, 2005 (inception) to February 28, 2011
Revenues:	$ -	$ -	$ -
Operating expenses:			
General and administrative	2,832,612	1,988,848	13,509,000
Research and development	6,364,375	4,095,339	30,572,739
In-process research and dev.	-	-	240,625
Total operating expenses	9,196,987	6,084,187	44,322,364
Loss from operations	(9,196,987)	(6,084,187)	(44,322,364)
Interest income	19,232	10,409	346,836
Interest expense	(998)	(1,836)	(114,885)
Foreign currency transaction gain (loss)	89	-	(368)
Adjustment to fair value of common stock warrants	(3,916,407)	(1,043,389)	(9,811,121)
Net loss	($13,095,071)	($7,119,003)	$ (53,901,902)
Loss per share from operations:			
Basic and diluted	$ (0.30)	$ (0.30)	
Net loss per share:			
Basic and diluted	$ (0.42)	$ (0.35)	
Weighted average shares outstanding used to compute:			
Basic and diluted	30,999,253	20,062,776	

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

Raptor Pharmaceutical Corp.
(A Development Stage Company)
Condensed Consolidated Statements of Cash Flows
(unaudited)

	For the six month periods from		For the cumulative period from
	September 1, 2010 to February 28, 2011	September 1, 2009 to February 28, 2010	September 8, 2005(inception) to February 28, 2011
Cash flows from operating activities:			
Net loss	$ (13,095,071)	$ (7,119,003)	$ (53,901,902)
Adjustments to reconcile net loss to net cash used in operating activities:			
Employee stock-based compensation exp.	1,179,562	53,005	2,611,320
Consultant stock-based compensation exp.	37,010	70,680	522,951
Fair value adjustment of common stock warrants	3,916,407	1,043,389	9,811,121
Amortization of intangible assets	76,750	75,500	474,208
Depreciation of fixed assets	39,441	35,986	462,622
In-process research and development	-	-	240,625
Amortization of capitalized finder’s fee	-	-	102,000
Capitalized acquisition costs previously expensed	-	-	38,000
Changes in assets and liabilities:			
Prepaid expenses and other	123,191	57,257	(63,269)
Intangible assets	-	-	(150,000)
Deposits	(2,000)	-	(104,907)
Accounts payable	77,325	336,172	714,646
Accrued liabilities	(16,028)	(612,061)	433,056
Deferred rent	20,172	1,097	22,740
Net cash used in operating activities	(7,643,241)	(6,057,978)	(38,786,789)
Cash flows from investing activities:			
Purchase of fixed assets	(25,000)	(3,303)	(522,106)
Cash acquired in 2009 Merger	-	581,395	581,391
Increase in restricted cash	(113,748)	-	(113,748)
Net cash provided by (used in) investing activities	(138,748)	578,092	(54,463)
Cash flows from financing activities:			
Proceeds from the sale of common stock	-	7,495,116	39,941,278
	6,747,778	-	11,647,729

Proceeds from the sale of common stock under an equity line			
Proceeds from the exercise of common stock warrants	556,956	56,020	7,541,475
Proceeds from the exercise of common stock options	8,828	6,348	81,549
Fundraising costs	(8,186)	(1,204,493)	(4,183,367)
Proceeds from the sale of common stock to initial investors	-	-	310,000
Proceeds from bridge loan	-	-	200,000
Repayment of bridge loan	-	-	(200,000)
Principal payments on capital lease	(1,862)	(1,973)	(14,509)
Net cash provided by financing activities	7,303,514	6,351,018	55,324,155
Foreign currency translation gain (loss)	5,549	-	(2,305)
Net increase (decrease) in cash and cash equivalents	(472,926)	871,132	16,480,598
Cash and cash equivalents, beginning of period	16,953,524	3,701,787	-
Cash and cash equivalents, end of period	$ 16,480,598	$ 4,572,919	$ 16,480,598
Supplemental disclosure of non-cash financing activities:			
Warrants issued in connection with financing	$ -	$ 1,916,011	$ 16,310,414
Common stock and warrants issued in connection with reverse merger	$ -	$ 4,417,046	$ 4,417,046
Common stock issued as fee for equity line	$ 352,500	$ -	$ 827,637
Acquisition of equipment in exchange for capital lease	$ -	$ -	$ 21,403
Notes receivable issued in exchange for common stock	$ -	$ -	$ 110,000
Common stock issued for a finder’s fee	$ -	$ -	$ 102,000
Common stock issued in asset purchase	$ -	$ -	$ 2,898,624

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

RAPTOR PHARMACEUTICAL CORP.
(A Development Stage Company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) NATURE OF OPERATIONS AND BUSINESS RISKS

The accompanying condensed consolidated financial statements reflect the results of operations of Raptor Pharmaceutical Corp. and its wholly-owned subsidiaries (the "Company" or "Raptor") and have been prepared in accordance with the accounting principles generally accepted in the United States of America. The Company's fiscal year end is August 31.

On July 28, 2009, the Company and ECP Acquisition, Inc., a Delaware corporation, the Company's then-wholly-owned subsidiary ("merger sub"), entered into an Agreement and Plan of Merger and Reorganization (the "2009 Merger Agreement"), with Raptor Pharmaceuticals Corp., a Delaware corporation ("RPC"). On September 29, 2009, on the terms and subject to the conditions set forth in the 2009 Merger Agreement, pursuant to a stock-for-stock reverse triangular merger (the "2009 Merger"), merger sub was merged with and into RPC and RPC survived the 2009 Merger as a wholly-owned subsidiary of the Company. Immediately prior to the 2009 Merger and in connection therewith, the Company effected a 1-for-17 reverse stock split of its common stock and changed its corporate name from "TorreyPines Therapeutics, Inc." to "Raptor Pharmaceutical Corp."

As a result of the 2009 Merger and in accordance with the 2009 Merger Agreement, each share of RPC's common stock outstanding immediately prior to the effective time of the 2009 Merger was converted into the right to receive 0.2331234 shares of the Company's common stock, on a post 1-for-17 reverse-split basis. Each option and warrant to purchase RPC's common stock outstanding immediately prior to the effective time of the 2009 Merger was assumed by the Company at the effective time of the 2009 Merger, with each share of such common stock underlying such options and warrants being converted into the right to receive 0.2331234 shares of the Company's common stock, on a post 1-for-17 reverse split basis, rounded down to the nearest whole share of the Company's common stock. Following the 2009 Merger, each such option or warrant has an exercise price per share of the Company's common stock equal to the quotient obtained by dividing the per share exercise price of such common stock subject to such option or warrant by 0.2331234, rounded up to the nearest whole cent.

Immediately following the effective time of the 2009 Merger, RPC's stockholders (as of immediately prior to the 2009 Merger) owned approximately 95% of the Company's outstanding common stock and the Company's stockholders (as of immediately prior to the 2009 Merger) owned approximately 5% of the Company's outstanding common stock.

RPC, the Company's wholly-owned subsidiary, was the "accounting acquirer," and for accounting purposes, the Company was deemed as having been "acquired" in the 2009 Merger. The board of directors and officers that managed and operated RPC immediately prior to the effective time of the 2009 Merger became the Company's board of directors and officers. Additionally, following the effective time of the 2009 Merger, the business conducted by RPC immediately prior to the effective time of the 2009 Merger became primarily the business conducted by the Company.

RAPTOR PHARMACEUTICAL CORP.
(A Development Stage Company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following reflects the Company's current, post-2009 Merger corporate structure (jurisdiction of incorporation):

Raptor Pharmaceutical Corp., formerly TorreyPines Therapeutics, Inc. (Delaware)
|
Raptor Pharmaceuticals Corp. (Delaware)
| |
Raptor Therapeutics Inc. (Delaware) Raptor Discoveries Inc. (Delaware)
(f/k/a Bennu Pharmaceuticals Inc.) (f/k/a Raptor Pharmaceutical Inc.)
(merged with TPTX, Inc. on August 30, 2010)
|
Raptor Pharmaceuticals Europe B.V. (Netherlands)

Raptor is a publicly-traded biotechnology company dedicated to speeding the delivery of new treatment options to patients by enhancing existing therapeutics through the application of highly specialized drug targeting platforms and formulation expertise. The Company focuses on underserved patient populations where it can have the greatest potential impact. Raptor's clinical division advances clinical-stage product candidates towards marketing approval and commercialization. Raptor's clinical programs include DR Cysteamine for the potential treatment of nephropathic cystinosis, non-alcoholic steatohepatitis ("NASH"), and Huntington's Disease. Raptor also has ConviviaTM for the potential treatment of aldehyde dehydrogenase ("ALDH2") deficiency, a clinical stage product candidate for which it is seeking to out-license or form a development partnership franchise in Asia. The Company is also developing tezampanel in a planned Phase 1 study for the potential treatment of thrombotic disorder.

Raptor's preclinical division bioengineers novel drug candidates and drug-targeting platforms derived from the human receptor-associated protein ("RAP") and related proteins. Raptor's preclinical programs target cancer, neurodegenerative disorders and infectious diseases. HepTide™ is designed to utilize engineered RAP-based peptides conjugated to drugs to target delivery to the liver to potentially treat primary liver cancer and other liver diseases. NeuroTrans™ represents engineered RAP peptides created to target receptors in the brain and are currently, in collaboration with Roche, undergoing preclinical evaluation for their ability to enhance the transport of therapeutics across the blood-brain barrier. WntTide™ is based upon Mesd and Mesd peptides that the Company is studying in a preclinical breast cancer model for WntTide™'s potential inhibition of Wnt signaling through LRP5, which may block cancers dependent on signaling through LRP5 or LRP6.

The Company is subject to a number of risks, including: the need to raise capital through equity and/or debt financings; the uncertainty whether the Company's research and development efforts will result in successful commercial products; competition from larger organizations; reliance on licensing proprietary technology of others; dependence on key personnel; uncertain patent protection; and dependence on corporate partners and collaborators. See the section titled "Risk Factors that may Affect Future Results" included elsewhere in this Quarterly Report on Form 10-Q.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The Company's condensed consolidated financial statements include the accounts of the Company's direct and indirect wholly owned subsidiaries, Raptor Pharmaceuticals Corp., Raptor Discoveries Inc., and Raptor Therapeutics Inc., such subsidiaries incorporated in Delaware on May 5, 2006, September 8, 2005 (date of inception), and August 1, 2007, respectively, and Raptor Pharmaceuticals Europe B.V. incorporated in the Netherlands on December 15, 2009. All inter-company accounts have been eliminated. The Company's

RAPTOR PHARMACEUTICAL CORP.
(A Development Stage Company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. Through February 28, 2011, the Company had accumulated losses of approximately $53.9 million. Management expects to incur further losses for the foreseeable future. Management believes that the Company's cash and cash equivalents as of March 31, 2011 of approximately $16.0 million will be sufficient to meet the Company's obligations into the first calendar quarter of 2012. The Company plans to continue to review strategic partnerships, collaborations and potential equity sales as a potential means to fund its preclinical and clinical programs beyond the first calendar quarter of 2012. Until the Company can generate sufficient levels of cash from its operations, the Company expects to continue to finance future cash needs primarily through proceeds from equity or debt financings, loans and collaborative agreements with corporate partners or through a business combination with a company that has such financing in order to be able to sustain its operations until the Company can achieve profitability and positive cash flows, if ever.

On September 29, 2009, upon the closing of the merger with RPC (as discussed further in the Note 9, Issuance of Common Stock), RPC's stockholders exchanged each share of RPC's common stock into .2331234 shares of the post-merger company and the exercise prices and stock prices were divided by .2331234 to reflect the post-merger equivalent stock prices and exercise prices. Therefore, all shares of common stock and exercise prices of common stock options and warrants are reported in these condensed consolidated financial statements on a post-merger basis.

The Company's independent registered public accounting firm has audited the Company's consolidated financial statements for the years ended August 31, 2010 and 2009. The November 22, 2010 audit opinion included a paragraph indicating substantial doubt as to the Company's ability to continue as a going concern due to the fact that the Company is in the development stage and has not generated any revenue to date.

Management plans to seek additional debt and/or equity financing for the Company through private or public offerings or through a business combination or strategic partnership, but it cannot assure that such financing or transaction will be available on acceptable terms, or at all. The uncertainty of this situation raises substantial doubt about the Company's ability to continue as a going concern. The accompanying condensed consolidated financial statements do not include any adjustments that might result from the failure to continue as a going concern.

(b) Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the dates of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(c) Functional Currency

The Company's consolidated functional currency is the U.S. dollar. Raptor Pharmaceuticals Europe B.V., (the "BV"), the Company's European subsidiary, records its functional currency as the European Euro. At quarter-end the BV's balance sheet is translated into U.S. dollars based upon the quarter-end exchange rate, while its statement of operations is translated into U.S. dollars based upon an average between the beginning and end date of the reporting period. The BV's equity is adjusted for any translation gain or loss.

(d) Fair Value of Financial Instruments

The carrying amounts of certain of the Company's financial instruments including cash and cash equivalents, restricted cash, prepaid expenses, accounts payable, accrued liabilities and capital lease liability approximate fair value due either to length of maturity or interest rates that approximate prevailing market rates unless otherwise disclosed in these condensed consolidated financial statements. The warrant liability is carried at fair value which is determined using the Black-Scholes option valuation model at each reporting period.

RAPTOR PHARMACEUTICAL CORP.
(A Development Stage Company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(e) Segment Reporting

The Company has determined that it operates in two operating segments, preclinical development and clinical development. Operating segments are components of an enterprise for which separate financial information is available and are evaluated regularly by the Company in deciding how to allocate resources and in assessing performance. The Company's chief executive officer assesses the Company's performance and allocates its resources. Below is a break-down of the Company's net loss and total assets by operating segment:

	For the three months ended February 28,					
	2011			2010		
	Preclinical	Clinical	Total	Preclinical	Clinical	Total
Net loss	$ (390,178)	$ (2,584,116)	$ (2,974,294)	$ (973,941)	$(3,206,390)	$(4,180,331)
Total assets	8,189,431	15,462,532	23,651,963	829,051	10,971,702	11,800,753

	For the six months ended February 28,					
	2011			2010		
	Preclinical	Clinical	Total	Preclinical	Clinical	Total
Net loss	$ (2,568,541)	$ (10,526,530)	$ (13,095,071)	$ (1,966,258)	$(5,152,745)	$(7,119,003)
Total assets	8,189,431	15,462,532	23,651,963	829,051	10,971,702	11,800,753

(f) Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less, when purchased, to be cash equivalents. The Company maintains cash and cash equivalents, which consist principally of money market funds with high credit quality financial institutions. Such amounts exceed Federal Deposit Insurance Corporation insurance limits. The Company has not experienced any losses on these investments. Restricted cash represents compensating balances required by our U.S. and European banks as collateral for credit cards.

(g) Intangible Assets

Intangible assets include the intellectual property and other rights relating to DR Cysteamine, to the RAP technology, to an out-license acquired in the 2009 Merger and the rights to tezampanel and NGX 426 (oral tezampanel) also acquired in the 2009 Merger (tezampanel and oral tezampanel are referred to as tezampanel hereafter). The intangible assets related to DR Cysteamine and the RAP technology are amortized using the straight-line method over the estimated useful life of 20 years, which is the life of the intellectual property patents. The 20 year estimated useful life is also based upon the typical development, approval, marketing and life cycle management timelines of pharmaceutical drug products. The intangible assets related to the out-license will be amortized using the straight-line method over the estimated useful life of 16 years, which is the life of the intellectual property patents. The intangible assets related to tezampanel, which has been classified as in-process research and development, will not be amortized

until development is completed, but will be tested annually for impairment.

(h) Goodwill

Goodwill represents the excess of the value of the purchase consideration over the identifiable assets acquired in the 2009 Merger. Goodwill is reviewed annually, or when an indication of impairment exists, to determine if any impairment analysis and resulting write-down in valuation is necessary.

(i) Fixed Assets

Fixed assets, which mainly consist of leasehold improvements, lab equipment, computer hardware and software and

RAPTOR PHARMACEUTICAL CORP.
(A Development Stage Company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

capital lease equipment, are stated at cost. Depreciation is computed using the straight-line method over the related estimated useful lives, except for leasehold improvements and capital lease equipment, which are depreciated over the shorter of the useful life of the asset or the lease term. Significant additions and improvements that have useful lives estimated at greater than one year are capitalized, while repairs and maintenance are charged to expense as incurred.

(j) Impairment of Long-Lived Assets

The Company evaluates its long-lived assets for indicators of possible impairment by comparison of the carrying amounts to future net undiscounted cash flows expected to be generated by such assets when events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Should an impairment exist, the impairment loss would be measured based on the excess carrying value of the asset over the asset's fair value or discounted estimates of future cash flows. The Company has not identified any such impairment losses to date.

(k) Common Stock Warrant Liabilities

The warrants issued by the Company in the 2010 private placement contain a cash-out provision which may be triggered upon request by the warrant holders if the Company is acquired or upon the occurrence of certain other fundamental transactions involving the Company. This provision requires these warrants to be classified as liabilities and will be marked to market at each period-end commencing on August 31, 2010. The warrants issued by the Company in its December 2009 equity financing contain a conditional obligation that may require the Company to transfer assets to repurchase the warrants upon the occurrence of potential future events. Under the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 480, Distinguishing Liabilities from Equity ("ASC 480"), a financial instrument that may require the issuer to settle the obligation by transferring assets is classified as a liability. Therefore, the Company has classified the warrants as liabilities and will mark them to fair value at each period-end. The common stock warrants are re-measured at the end of every reporting period with the change in value reported in the Company's condensed consolidated statements of operations.

(l) Income Taxes

Income taxes are recorded under the liability method, under which deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

(m) Research and Development

The Company is a development stage biotechnology company. Research and development costs are charged to expense as incurred. Research and development expenses include medical, clinical, regulatory and scientists' salaries and benefits, lab collaborations, preclinical studies, clinical trials, clinical trial materials, regulatory and clinical consultants, lab supplies, lab services, lab equipment maintenance and small equipment purchased to support the research laboratory, amortization of intangible assets and allocated executive, human resources and facilities expenses.

(n) In-Process Research and Development

Prior to September 1, 2009, the Company recorded in-process research and development expense for a product candidate acquisition where there is not more than one potential product or usage for the assets being acquired. Upon the adoption of the revised guidance on business combinations, effective September 1, 2009, the fair value of acquired in-process research and development is capitalized and tested for impairment at least annually. Upon completion of the research and development activities, the intangible asset is amortized into earnings over the related product's useful life. The Company reviews each product candidate acquisition to determine the existence of in-process research and development.

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(o) Net Loss per Share

Net loss per share is calculated by dividing net loss by the weighted average shares of common stock outstanding during the period. Diluted net income per share is calculated by dividing net income by the weighted average shares of common stock outstanding and potential shares of common stock during the period. For all periods presented, potentially dilutive securities are excluded from the computation of fully diluted net loss per share as their effect is anti-dilutive. Potentially dilutive securities include:

	February 28,	
	2011	2010
Warrants to purchase common stock	10,137,255	5,843,302
Options to purchase common stock	3,265,307	1,191,534
Total potentially dilutive securities	13,402,562	7,034,836

(p) Stock Option Plan

Effective September 1, 2006, the Company adopted the provisions of FASB ASC Topic 718, Accounting for Compensation Arrangements, (“ASC 718”) (previously listed as Statement of Financial Accounting Standards (“SFAS”) No. 123 (revised 2004), Share-Based Payment) in accounting for its stock option plans. Under ASC 718, compensation cost is measured at the grant date based on the fair value of the equity instruments awarded and is recognized over the period during which an employee is required to provide service in exchange for the award, or the requisite service period, which is usually the vesting period. The fair value of the equity award granted is estimated on the date of the grant. The Company previously applied Accounting Principles Board (“APB”) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations and provided the required pro forma disclosures required by SFAS No. 123, Accounting for Stock-Based Compensation. The Company accounts for stock options issued to third parties, including consultants, in accordance with the provisions of the FASB ASC Topic 505-50, Equity-Based Payments to Non-Employees, (“ASC 505-50”) (previously listed as Emerging Issues Task Force (“EITF”) Consensus No. 96-18, Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling Goods or Services). See Note 8, Stock Option Plans, for further discussion of employee stock-based compensation.

(q) Recent Accounting Pronouncements

In December 2010, the FASB issued ASU 2010-28, Intangibles – Goodwill and Other (Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts (“ASU 2010-28”). ASU 2010-28 modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts and requires the company to perform Step 2 if it is more likely than not that a goodwill impairment may exist. ASU 2010-28 is effective for fiscal years and interim periods within those years, beginning after December 15, 2010. Early adoption is not permitted. The Company will adopt these standards on September 1, 2011 and is currently assessing the impact on its condensed consolidated financial statements.

(3) INTANGIBLE ASSETS AND GOODWILL

On January 27, 2006, BioMarin Pharmaceutical Inc. (“BioMarin”) assigned the intellectual property and other rights relating to the RAP technology to the Company. As consideration for the assignment of the RAP technology, BioMarin will receive milestone payments based on certain financing and regulatory triggering events. No other consideration was paid for this assignment. The Company has recorded $150,000 of intangible assets on the condensed consolidated balance sheets as of February 28, 2011 and August 31, 2010 based on the estimated fair value of its agreement with BioMarin.

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On December 14, 2007, the Company acquired the intellectual property and other rights to develop DR Cysteamine to treat various clinical indications from the University of California at San Diego ("UCSD") by way of a merger with Encode Pharmaceuticals, Inc., a privately held development stage company ("Encode"), which held the intellectual property license with UCSD. The intangible assets, recorded at approximately $2.6 million acquired in the merger with Encode, were primarily based on the value of the Company's common stock and warrants issued to the Encode stockholders.

Intangible assets recorded as a result of the 2009 Merger were approximately $1.1 million as discussed in Note 9 below.

Summary of intangibles acquired as discussed above:

Intangible asset (IP license) related to the Encode merger	$	2,620,000
Intangible asset related to NeuroTransTM purchase from BioMarin		150,000
Intangible assets (out-license) related to the 2009 Merger		240,000
In-process research and development (IP license) related to the 2009 Merger		900,000
Total intangible assets		3,910,000
Less accumulated amortization		(474,208)
Intangible assets, net	$	3,435,792

The intangible assets related to DR Cysteamine and NeuroTransTM are being amortized monthly over 20 years, which are the life of the intellectual property patents and the estimated useful life. The 20 year estimated useful life is also based upon the typical development, approval, marketing and life cycle management timelines of pharmaceutical drug products. The intangible assets related to the out-license will be amortized using the straight-line method over the estimated useful life of 16 years, which is the life of the intellectual property patents. The intangible assets related to tezampanel, which has been classified as in-process research and development, will not be amortized until the product is developed. During the three and six months ended February 28, 2011 and 2010 and the cumulative period from September 8, 2005 (inception) to February 28, 2011, the Company amortized $38,375, $76,750, $38,375, $75,500, and $474,208, respectively, of intangible assets to research and development expense.

The following table summarizes the actual and estimated amortization expense for intangible assets for the periods indicated:

Amortization period		Amortization expense
September 8, 2005 (inception) to August 31, 2006 – actual	$	4,375
Fiscal year ended August 31, 2007 – actual		7,500
Fiscal year ended August 31, 2008 – actual		94,833
Fiscal year ended August 31, 2009 – actual		138,500
Fiscal year ended August 31, 2010 – actual		152,250
Fiscal year ending August 31, 2011 – estimate		153,500

Fiscal year ending August 31, 2012 – estimate	153,500
Fiscal year ending August 31, 2013 – estimate	153,500
Fiscal year ending August 31, 2014 – estimate	153,500
Fiscal year ending August 31, 2015 – estimate	153,500

Goodwill of $3,275,404 represents the excess of total consideration recorded for the 2009 Merger over the value of the assets assumed. In October 2010, the Company reviewed the carrying value of goodwill for impairment as of its fiscal year ended August 31, 2010 and determined that there was no impairment. For the three and six months ended February 28, 2011, there were no indications of impairment of goodwill. Intangibles are tested for impairment whenever events indicate that their carrying values may not be recoverable. There were no indications of impairment of intangible assets during the three and six months ended February 28, 2011.

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(4) FIXED ASSETS

Fixed assets consisted of:

Category	February 28, 2011	August 31, 2010	Estimated useful lives
Leasehold improvements	$ 119,773	$ 119,773	Shorter of life of asset or lease term
Office furniture	3,188	3,188	7 years
Laboratory equipment	277,303	277,303	5 years
Computer hardware and software	119,841	94,842	3 years
Capital lease equipment	14,006	14,006	Shorter of life of asset or lease term
Total at cost	534,111	509,112	
Less: accumulated depreciation	(455,303)	(415,863)	
Total fixed assets, net	$ 78,808	$ 93,249	

Depreciation expense for the three and six months ended February 28, 2011 and 2010 and the cumulative period from September 8, 2005 (inception) to February 28, 2011 was $19,756, $39,441, $18,817, $35,986 and $462,622, respectively. Accumulated depreciation on capital lease equipment was $10,415 and $3,951 as of February 28, 2011, and August 31, 2010, respectively.

(5) FAIR VALUE MEASUREMENT

The Company uses a fair-value approach to value certain assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. The Company uses a fair value hierarchy, which distinguishes between assumptions based on market data (observable inputs) and an entity's own assumptions (unobservable inputs). The hierarchy consists of three levels:

- Level one — Quoted market prices in active markets for identical assets or liabilities;
- Level two — Inputs other than level one inputs that are either directly or indirectly observable; and
- Level three — Unobservable inputs developed using estimates and assumptions, which are developed by the reporting entity and reflect those assumptions that a market participant would use.

Determining which category an asset or liability falls within the hierarchy requires significant judgment. The Company evaluates its hierarchy disclosures each quarter. Assets and liabilities measured at fair value on a recurring basis at February 28, 2011 and August 31, 2010 are summarized as follows:

Assets	Level 1	Level 2	Level 3	February 28, 2011

Fair value of cash equivalents	$15,277,633	$ —	$ —	$15,277,633
Restricted cash	—	113,748	—	113,748
Total	$15,277,633	$ 113,748	$ —	$15,391,381
Liabilities				
Fair value of common stock warrants	$ —	$ —	$19,696,623	$19,696,623
Total	$ —	$ —	$19,696,623	$19,696,623

Assets	Level 1	Level 2	Level 3	August 31, 2010
Fair value of cash equivalents	$16,509,186	$ —	$ —	$16,509,186
Total	$16,509,186	$ —	$ —	$16,509,186

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Liabilities					
Fair value of common stock warrants	$ —	$ —	$15,780,216	$15,780,216
Total	$ —	$ —	$15,780,216	$15,780,216

Cash equivalents represent the fair value of the Company's investment in four and two money market accounts as of February 28, 2011, and August 31, 2010, respectively.

Marked-to-Market

The common stock warrants issued in the Company's August 2010 private placement and the Company's December 2009 equity financing are classified as liabilities under ASC 480 and are, therefore, re-measured using the Black-Scholes option valuation model at the end of every reporting period with the change in value reported in the Company's condensed consolidated statements of operations.

For the three and six months ended February 28, 2011 and 2010, as a result of the marking-to-market of the warrant liability, the Company recorded a gain of $1.81 million, and losses of $3.92 million, $1.04 million and $1.04 million, respectively, in the line item adjustment to fair value of common stock warrants in its condensed consolidated statement of operations. See Note 10 for further discussion on the calculation of the fair value of the warrant liability.

	Warrant liability in millions
Fair value of December 2009 direct offering warrants (including broker warrants) at fiscal year ended August 31, 2010	$ 5.83
Adjustment to mark to market common stock warrants at quarter ended November 30, 2010	2.28
Adjustment to mark to market common stock warrants at quarter ended February 28, 2011	(1.02)
December 2009 direct offering common stock warrant liability at fair value on February 28, 2011	7.09
Fair value of August 2010 private placement warrants (including broker warrants) at fiscal year ended August 31, 2010	9.95
Adjustment to mark to market common stock warrants at quarter ended November 30, 2010	3.45
Adjustment to mark to market common stock warrants at quarter ended February 28, 2011	(0.79)
August 2010 private placement common stock warrant liability at fair value on February 28, 2011	12.61

Total warrant liability at February 28, 2011	$ 19.70

(6) ACCRUED LIABILITIES

Accrued liabilities consisted of:

	February 28, 2011	August 31, 2010
Clinical trial costs	$ 733,788	$ 280,918