REPROS THERAPEUTICS INC.
Form 424B5
January 30, 2012

**This filing is made pursuant to Rule 424(b)(5)
under the Securities Act of 1933, as amended, in connection
with Registration No. 333-163648**

Prospectus Supplement

(To Prospectus dated January 5, 2010)

2,463,537 Shares of Common Stock

$4.50 Per Share

We are offering 2,463,537 shares of our common stock.

Our common stock is listed on the Nasdaq Capital Market under the symbol “RPRX.” On January 26, 2012, the last reported sale price of our common stock on the Nasdaq Capital Market was $5.11 per share.

The aggregate market value of our outstanding common stock held by non-affiliates is $64,442,673 based on 12,358,444 shares of outstanding common stock, of which 12,298,220 shares are held by non-affiliates, and a per share price of $5.24 based on the closing sale price of our common stock on January 25, 2012. We have offered and sold $203,625 of securities pursuant to General Instruction I.B.6. of Form S-3 during the prior 12 calendar month period that ends on and includes the date of this prospectus supplement.

	Per Share	Total
Price to the public	$4.50	$11,085,917
Placement agent’s fees (1)	$0.27	$665,155
Proceeds, before expenses, to Repros Therapeutics Inc.	$4.23	$10,420,762

(1) We have also agreed to reimburse the placement agent for certain of its expenses as described under “Plan of Distribution” herein.

We have engaged Ladenburg Thalmann & Co. Inc. as the exclusive placement agent in connection with this offering. The placement agent is not purchasing or selling any of the shares of common stock in this offering, nor is it required to arrange for the purchase or sale of any specific number or dollar amount of common stock, but has agreed that it will use its commercially reasonable best efforts to arrange for the sale of all 2,463,537 shares of common stock offered. We have agreed to pay placement agent fees equal to 6% of the total purchase price of the common stock placed by the placement agent. See "Plan of Distribution" beginning on page S-13 of this prospectus supplement.

Investing in our common stock involves substantial risks. See "Risk Factors" beginning on page S-5 of this prospectus supplement.

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

We expect to deliver shares against payment in New York, New York on February 1, 2012.

Ladenburg Thalmann & Co. Inc.

The date of this prospectus supplement is January 26, 2012.

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About this Prospectus Supplement

We provide information to you about this offering of shares of our common stock in two separate documents that are bound together: (i) this prospectus supplement, which describes the specific details regarding this offering; and (ii) the accompanying prospectus, which provides general information, some of which may not apply to this offering. Generally, when we refer to this "prospectus," we are referring to both documents combined. If information in this prospectus supplement is inconsistent with the accompanying prospectus or any document incorporated by reference in this prospectus supplement or the accompanying prospectus, you should rely on this prospectus supplement.

You should rely only on information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus. We have not, and the placement agent has not, authorized anyone to provide you with information that is different. We are offering to sell and seeking offers to buy shares of our common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein are accurate only as of their respective dates, regardless of the time of delivery of this prospectus supplement or of any sale of our common stock.

Proellex® and Androxal® are our trademarks. This prospectus supplement and the accompanying prospectus also contain trademarks, trade names and service marks of other companies, which are the property of their respective owners.

Prospectus Supplement Summary

This summary highlights selected information contained elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus. This summary may not contain all the information that you should consider before investing in our common stock. You should read the entire prospectus supplement and the accompanying prospectus carefully, including "Risk Factors" contained in this prospectus supplement and the financial statements incorporated by reference in the accompanying prospectus, before making an investment decision. This prospectus supplement may add to, update or change information in the accompanying prospectus.

About Repros Therapeutics Inc.

Repros Therapeutics Inc. (the "Company," "Repros," or "we," "us" or "our") was organized on August 20, 1987. We are a development stage biopharmaceutical company focused on the development of new drugs to treat hormonal and reproductive system disorders. Both of our product candidates have exhibited strong efficacy results in every study completed to date, and we believe the studies presently underway or scheduled to start in 2012 will place both programs on a clear late stage clinical development path.

We are developing Androxal®, an oral therapy that normalizes testicular function, for the treatment of low testosterone due to secondary hypogonadism. Secondary hypogonadism is associated with obesity and we believe it is among the most common causes of low testosterone in men. It is estimated that 13 million men in the U.S. experience low levels of testosterone, and the condition is becoming recognized with more frequency. In 2010, for the first time, sales of preparations for the treatment of low testosterone exceeded $1 billion in the U.S. and first tier pharmaceutical companies have entered the low testosterone marketplace.

The Company believes Androxal® is highly differentiated from currently marketed testosterone treatments or those treatments in late stage development because it is an oral therapy and it treats the cause of secondary hypogonadism, which is inadequate pituitary hormones. We believe that by treating the cause of secondary hypogonadism Androxal® also has the potential to maintain reproductive status and potentially improve overall metabolic profiles, which we believe may improve the condition of men suffering from Type 2 diabetes.

We have recently completed a Phase 2B study of Androxal® in men with secondary hypogonadism, but naïve to testosterone treatment, at the Food and Drug Administration's (the "FDA") recommendation. We have since announced top line results of this study that Androxal® was generally well tolerated compared to placebo and there were no drug related serious adverse events that led to discontinuation. We plan to request a Type B meeting in 2012 with the FDA to finalize Phase 3 study design and receive confirmation of the studies to be included in the drug dossier for a New Drug Application submission once the final clinical study reports have been completed. Following such meeting, we plan to proceed with Phase 3 studies conducted under a Special Protocol Assessment.

We are also developing Proellex®, an orally administered selective blocker of the progesterone receptor in women, for the treatment of uterine fibroids and endometriosis. Uterine fibroids and endometriosis affect millions of women of

reproductive age. Proellex® had shown statistically significant results in previous Phase 2 studies for endometriosis and uterine fibroids. We have recently completed a low dose escalating study as permitted by the FDA, which was intended to determine both signals of efficacy and safety for low oral doses of the drug. We recently announced that there was no evidence of elevations of liver enzymes over baseline, suggesting these lower doses avoid the type of adverse events seen at much higher doses in earlier studies. The FDA has since accepted an Investigational New Drug Application for vaginally delivered Proellex® and, as a result, we plan to commence a Phase 1/2 vaginal administration study for uterine fibroids in the first quarter of 2012. Additionally, we plan to request a Type B meeting with the FDA on completion of the final clinical study report. Based on the present data and the strong efficacy signal in its previous Phase 2 studies, we hope to re-enter Phase 3 with low dose oral Proellex®. We believe a Type B meeting can be scheduled with the FDA during the second quarter of 2012. Following such meeting, we intend to commence a Phase 3 oral administration study for endometriosis in the third quarter of 2012 and, pending the outcome of our planned Phase 1/2 vaginal administration study for uterine fibroids, we intend to commence a Phase 3 vaginal administration study for uterine fibroids in the fourth quarter of 2012.

As of September 30, 2011, we had accumulated losses of $189.0 million, approximately $7.1 million in cash and cash equivalents, and our accounts payable and accrued expenses were approximately $2.0 million. Assuming successful completion of this offering, we believe we will have sufficient funding to conduct the Phase 1/2, 2, 2B and 3 clinical trials either currently underway or planned to commence in 2012 through sometime in the second quarter of 2013; however, significant additional capital will be required for us to complete development of either of our product candidates. We continue to explore potential additional financing alternatives (including corporate partnering opportunities) that would provide sufficient funds to enable us to continue to develop our two product candidates through completion of all necessary clinical trials; however, there can be no assurance that we will be successful in raising any such additional funds on a timely basis or at all. The foregoing matters raise substantial doubt about our ability to continue as a going concern.

Our Research and Development Program

Our product development pipeline is summarized in the table below:

Product Candidate (Indication)	Status	Next Expected Milestone(s)
Androxal®		
Secondary Hypogonadism	Phase 2B	Commence Phase 3 study (Q2 2012)
Proellex®		
		Commence a Phase 1/ 2 study (vaginal delivery) (Q1 2012)
Uterine Fibroids	Phase 2	Commence Phase 3 study (vaginal delivery) (Q4 2012)
Endometriosis		Commence Phase 3 study (oral delivery) (Q3 2012)
	Phase 2	

Recent Developments

Effective December 30, 2011, the Company and its President and Chief Executive Officer, Joseph S. Podolski, entered into a Fifth Amendment (the "Fifth Amendment") to the Employment Agreement dated January 1, 1993 by and between the Company and Mr. Podolski. The Fifth Amendment provides that the term of the agreement shall be extended until May 31, 2014.

On October 27, 2011, our board of directors increased the size of the board of directors from five to six members and elected Dr. Michael Wyllie as a director of the Company to fill the vacancy created by such increase. In connection with Dr. Wyllie's election to the board of directors, he was granted an option to purchase 40,000 shares of the Company's common stock at an exercise price equal to the closing price per share for the Company's common stock on the Nasdaq Capital Market on the date of such election. Such option will vest and become exercisable at a rate of one-twelfth (1/12) at the end of each quarter for the three (3) year period following the date of Dr. Wyllie's election to the board of directors, based on continuing service to the Company.

Corporate Information

We were organized as a Delaware corporation in August 1987. Our principal executive offices are located at 2408 Timberloch Place, Suite B-7, The Woodlands, Texas 77380, and our telephone number is (281) 719-3400. We maintain an Internet website at www.reprosrx.com. The information on our website or any other website is not incorporated by reference into this prospectus supplement and does not constitute a part of this prospectus supplement or of the accompanying prospectus.

The Offering

Common stock offered by the Company	2,463,537 shares
Offering price	$4.50 per share.
Common stock outstanding prior to this offering	12,317,692 shares.
Common stock to be outstanding after this offering	14,781,229 shares.
Use of proceeds	We intend to use the net proceeds from this offering for general corporate purposes, including continuing our clinical trials for Androxal® and Proellex®. See "Use of Proceeds" for additional information.
Nasdaq Capital Market symbol:	"RPRX"

The number of shares of common stock outstanding immediately prior to and to be outstanding immediately after this offering is based on the number of shares outstanding as of September 30, 2011, and does not include:

- 1,821,025 shares of common stock issuable upon the exercise of outstanding options at a weighted average exercise price of $7.03 per share;
- 755,841 shares of common stock available for future issuance under our stock option plans;
- 3,439,770 shares of common stock issuable upon exercise of our warrants, 1,690,500 of which are exercisable for $2.49 per share and 1,749,270 of which are exercisable for $0.01 per share; or
- 40,752 shares of common stock sold by the Company since September 30, 2011 pursuant to the terms of that certain Equity Distribution Agreement dated February 12, 2010 by and between the Company and Ladenburg Thalmann & Co. Inc. at a weighted average exercise price of $5.00 per share.

Selected Financial Data

The following tables summarize our financial data for the periods presented. The summary statements of operations data for the years ended December 31, 2010, 2009 and 2008, and the balance sheet data as of December 31, 2010 and 2009, have been derived from our audited financial statements, which are incorporated by reference into this prospectus supplement. The summary statements of operations data for the years ended December 31, 2007 and 2006, and the balance sheet data as of December 31, 2008, 2007 and 2006, have been derived from our audited financial statements, which are not incorporated by reference into this prospectus supplement. The summary statements of operations data for the nine months ended September 30, 2011 and 2010, and the balance sheet data as of September 30, 2011, have been derived from our unaudited financial statements, which are incorporated by reference into this prospectus supplement. The historical results are not necessarily indicative of the results to be expected for any future periods. You should read this data together with the financial statements and related notes incorporated by reference into this prospectus supplement or included elsewhere in this prospectus supplement, as well as “Management's Discussion and Analysis of Financial Condition and Results of Operations” and the other financial information incorporated by reference into this prospectus supplement.

STATEMENTS OF OPERATIONS DATA:

	Year Ended December 31,					Nine Months Ended September 30,	
	2010	2009	2008	2007	2006	2011	2010
Revenues and Other Income	(In thousands, except per share data)						
Interest income	$—	$4	$433	$1,508	$596	$1	$—
Other income	421	547	—	—	—	—	138
Total revenues	421	551	433	1,508	596	1	138
Expenses:							
Research and development	2,904	23,062	22,575	12,420	11,912	6,980	1,950
General and administrative	2,285	4,723	3,060	2,788	2,879	2,780	1,772
Total expenses	5,189	27,785	25,635	15,208	14,791	9,760	3,722
Net loss	$(4,768)	$(27,234)	$(25,202)	$(13,700)	$(14,195)	$(9,759)	$(3,584)
Net loss per share – basic and diluted (1)(2)	$(0.59)	$(6.28)	$(7.54)	$(4.38)	$(5.60)	$(0.82)	$(0.46)
Shares used in loss per share calculation(2)	8,057	4,336	3,343	3,131	2,537	11,840	7,763

(1)

See "Note 2. Summary of Significant Accounting Policies" of Notes to our Consolidated Financial Statements incorporated by reference into this prospectus for a description of the computation of loss per share.

(2) The basic and diluted net loss per share and shares used in loss per share calculation have been adjusted to reflect the one-for-four reverse stock split that was effected on October 14, 2010.

BALANCE SHEET DATA:

	As of December 31,					As of September 30,	
	2010	2009	2008	2007	2006	2011	2010
Cash, cash equivalents and marketable securities	$2,957	$1,886	$19,470	$25,903	$6,736	$7,070	$4,216
Total assets	4,465	2,960	22,603	27,599	7,849	8,616	5,567
Deficit accumulated during the development stage	(179,244)	(174,476)	(147,242)	(122,040)	(108,340)	(189,003)	(178,060)
Total stockholders' equity	$3,167	$562	$15,614	$24,060	$3,790	$6,574	$4,213

Risk Factors

Investing in our common stock involves a high degree of risk. You should carefully consider the risks described below and all other information contained in or incorporated by reference in this prospectus supplement and the accompany prospectus, including the risk factors discussed in the section titled "Risk Factors" contained in our most recent Annual Report on Form 10-K for the year ended December 31, 2010 and our other public filings, before making an investment decision. You should also refer to the other information in this prospectus supplement and the accompanying prospectus, including our financial statements and the related notes incorporated by reference in the accompanying prospectus. The risks and uncertainties described in these sections and documents are not the only risks and uncertainties we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations. If any of these risks actually occur, our business, results of operations and financial condition could suffer. In that event the trading price of our common stock could decline, and you may lose all or part of your investment in our common stock. This prospectus supplement, the accompanying prospectus and the incorporated documents also include forward-looking statements and our actual results may differ substantially from those discussed in these forward-looking statements, including the risks mentioned above.

Risks Relating to Our Business

Assuming completion of this offering, our ability to continue as a going concern may require that we raise additional funds no later than the second quarter of 2013, without which we may need to cease our business operations and begin liquidation proceedings.

Assuming completion of this offering, our ability to continue as a going concern is dependent upon our ability to obtain additional financing no later than the second quarter of 2013 based upon our current expense and revenue assumptions. If our expenses are greater than expected or our revenues are less than expected, we may be required to raise additional funds prior to that time. We will continue to explore various financing alternatives to address our liquidity needs. No assurance can be given that we will be successful in obtaining additional financing after this offering on acceptable terms or at all. We anticipate that if we are able to secure additional financing, that such financing will result in significant dilution of the ownership interests of our stockholders and may provide certain rights to the new investors senior to the rights of purchasers of securities in this offering, including but not limited to, voting rights and rights to proceeds in the event of a sale or liquidation of the Company. We expect to continue to incur significant losses for the foreseeable future, and we may never achieve or sustain profitability. In the event that we are unable to obtain adequate financing to conduct operations, we may need to cease our business operations and begin liquidation proceedings. If we need to liquidate our assets, we would likely realize significantly less from them than the values at which they are carried on our financial statements. The funds resulting from the liquidation of our assets would be used first to pay off the debt owed to any secured and unsecured creditors before any funds would be available to pay our stockholders, and any shortfall in the proceeds would directly reduce the amounts available for distribution, if any, to our creditors and to our stockholders. In the event we were required to liquidate, it is highly unlikely that stockholders would receive any value for their shares.

We have a history of operating losses, and we expect to incur increasing net losses and may not achieve or maintain profitability for some time or at all.

We have experienced significant operating losses in each fiscal year since our inception. As of September 30, 2011, we had accumulated losses of $189.0 million, approximately $7.1 million in cash and cash equivalents, and our accounts payable and accrued expenses were approximately $2.0 million. We expect to continue incurring net losses and we may not achieve or maintain profitability for some time if at all. As we increase expenditures for the clinical development of our products, we expect our total operating losses to increase for at least the next few years. Our ability to achieve profitability will depend on, among other things, successfully completing the development of our products, obtaining regulatory approvals, establishing marketing, sales and manufacturing capabilities or collaborative arrangements with others that possess such capabilities, and raising sufficient funds to finance our activities. There can be no assurance that we will be able to achieve profitability or that profitability, if achieved, can be sustained.

Risks Related to this Offering and our Common Stock

We will have broad discretion as to the use of the proceeds from this offering, and we may not use the proceeds effectively.

We will have broad discretion in the application of the net proceeds from this offering and could allocate the net proceeds in ways that do not improve our results of operations or enhance the value of our common stock. Our failure to apply these funds effectively could have a material adverse effect on our business, delay the development of our product candidates and cause the price of our common stock to decline.

Purchasers in this offering will experience immediate and substantial dilution.

As of September 30, 2011, we had a net tangible book value of $5.2 million, which yields a net tangible book value of approximately $0.42 per share of common stock, assuming no exercise of any warrants or options. The net tangible book value per share is less than the current market price per share. If you pay more than the net tangible book value per share for common stock in this offering, you will experience immediate dilution. See the section titled "Dilution" on page S-12 of this prospectus supplement. The exercise of outstanding options and warrants will result in further dilution in your investment. In addition, if we issue additional equity securities in the future, the newly issued securities may further dilute your ownership interest.

The trading price of our common stock has been volatile and is likely to be volatile in the future.

The trading price of our common stock has been highly volatile. Since January 1, 2009 through January 26, 2012, the sale price of our stock price has fluctuated from a low of $1.11 to a high of $55.76. The market price for our common stock will be affected by a number of factors, including:

Ÿ the denial or delay of regulatory clearances or approvals of our drug candidates or receipt of regulatory approval of competing products;

Ÿ our ability to accomplish clinical, regulatory and other product development milestones;

Ÿ the ability of our product candidates, if they receive regulatory approval, to achieve market success;

Ÿ the performance of third-party manufacturers and suppliers;

Ÿ actual or anticipated variations in our results of operations or those of our competitors;

Ÿ developments with respect to patents and other intellectual property rights;

Ÿ sales of common stock or other securities by us or our stockholders in the future;

Ÿ additions or departures of key scientific or management personnel;

Ÿ

disputes or other developments relating to proprietary rights, including patents, litigation matters and our ability to obtain patent protection for our products;

Ÿ trading volume of our common stock;

Ÿ investor perceptions about us and our industry;

Ÿ public reaction to our press releases, other public announcements and SEC and other filings;

Ÿ the failure of analysts to cover our common stock, or changes in analysts' estimates or recommendations;

Ÿ the failure by us or our competitors to meet analysts' projections or guidance;

Ÿ general market conditions and other factors unrelated to our operating performance or the operating performance of our competitors; and

Ÿ the other factors described elsewhere in these "Risk Factors" or the section titled "Risk Factors" contained in our most recent Annual Report on Form 10-K for the year ended December 31, 2010 and our other public filings.

The stock prices of many companies in the biotechnology industry have experienced wide fluctuations that have often been unrelated to the operating performance of these companies. Following periods of volatility in the market price of a company's securities, securities class action litigation often has been initiated against a company. If any class action litigation is initiated against us, we may incur substantial costs and our management's attention may be diverted from our operations, which could significantly harm our business.

Our inability to comply with the listing requirements of the Nasdaq Capital Market could result in our common stock being delisted, which could affect its market price and liquidity and reduce our ability to raise capital.

We are required to meet certain qualitative and financial tests (including a minimum closing bid price of $1.00 per share for our common stock) to maintain the listing of our common stock on the Nasdaq Capital Market. If we do not maintain compliance with the continued listing requirements for the Nasdaq Capital Market within specified periods and subject to permitted extensions, our common stock may be recommended for delisting (subject to any appeal we would file). If our common stock were delisted, it could be more difficult to buy or sell our common stock and to obtain accurate quotations, and the price of our common stock could suffer a material decline. Delisting would also impair our ability to raise capital.

Forward-Looking Statements

Some of the statements contained in this prospectus supplement, the accompanying prospectus or incorporated herein by reference into this prospectus supplement are forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and are subject to the safe harbor created by the Securities Litigation Reform Act of 1995. The words "believe," "should," "predict," "future," "may," "will," "estimate," "continue," "anticipate," "intend," "plan," "expect," "potential," "continue," or "opportuni negative thereof, or other words and terms of similar meaning, as they relate to us, our business, prospects, future financial or operating performance or our management, are intended to identify forward-looking statements. While forward-looking statements made by us are based on our current intent, belief, judgment, assumptions, estimates and projections and are believed by us to be reasonable, they are subject to risks and uncertainties, many of which are beyond our control. These risks and uncertainties could cause actual results, performance or achievements to vary materially from the forward-looking statements, including the following risks and uncertainties:

- our ability to continue as a going concern and to raise additional capital, as necessary, on acceptable terms or at all;
- having available funding for the continued development of Proellex® and Androxal®;
- the success of the clinical trials for Proellex® and Androxal®;
- the removal of the current partial clinical hold on further clinical trials for Proellex® by the FDA and the re-establishment of safe dosing in clinical trials for Proellex®;
- changes in regulations and the adoption of new regulations;
- delays in conducting or completing clinical trials and the results of our clinical trials;
- uncertainty related to our ability to obtain approval of our products by the FDA and regulatory bodies in other jurisdictions;
- uncertainty relating to certain of our patents, future patent and other intellectual property infringement claims by third parties and our inability to protect our intellectual property;
- market acceptance of our products and the estimated potential size of these markets;
- dependence on third parties for clinical development and manufacturing;
- dependence on a limited number of key employees;

- competition and risk of competitive new products;
- volatility in the value of our common stock;
- volatility in the financial markets generally; and
- the other risks and uncertainties described under "Risk Factors" in this prospectus supplement or the section titled "Risk Factors" contained in our most recent Annual Report on Form 10-K for the year ended December 31, 2010 and our other public filings.

You should consider the risks above carefully in addition to other information contained in this prospectus supplement and accompanying prospectus before purchasing our common stock. If any of these risks occur, they could seriously harm our business, prospects, financial condition and results of operations. In such case, the trading price of our common stock could decline, and you may lose all or part of your investment.

Any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. New factors will emerge from time to time, and it is not possible for us to predict which factors will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Past financial or operating performance is not necessarily a reliable indicator of future performance and you should not use our historical performance to anticipate results or future period trends.

Given these risks and uncertainties, you are cautioned not to place undue reliance on such forward-looking statements.

Use of Proceeds

We expect to receive approximately $10.3 million in net proceeds from the sale of the 2,463,537 shares of common stock offered by us in this offering based on the offering price of $4.50 per share. "Net proceeds" is what we expect to receive after paying the expenses of this offering, including the placement agent fees as described in "Plan of Distribution" and other estimated offering expenses payable by us, which include legal, accounting and printing fees.

We intend to use the net proceeds from this offering for general corporate purposes, including continuing our clinical trials for Androxal® and Proellex®. Our management will have broad discretion in the application of the net proceeds, and investors will be relying on the judgment of our management regarding the application of the proceeds of this offering.

Until we use the net proceeds of this offering, we intend to invest the funds in short-term, investment grade, interest-bearing securities.

Price Range of Common Stock

Our common stock is quoted on the Nasdaq Capital Market under the symbol “RPRX”. The following table shows the high and low sale prices per share of our common stock as reported by the Nasdaq Stock Market during the periods presented. Prices per share of our common stock have been adjusted to reflect the 1-for-4 reverse split of our common stock that was effected on October 14, 2010.

	Price Range	
	High	Low
2009		
First Quarter	$55.76	$23.36
Second Quarter	33.20	22.80
Third Quarter	24.04	2.60
Fourth Quarter	9.92	2.56
2010		
First Quarter	$4.88	$2.52
Second Quarter	4.52	1.44
Third Quarter	2.68	1.12
Fourth Quarter	4.56	1.11
2011		
First Quarter	$6.85	$2.37
Second Quarter	6.49	4.52
Third Quarter	6.74	3.70
Fourth Quarter	5.48	3.34
2012		
First Quarter (January 1st through January 26th)	$5.36	$4.09

All of the foregoing prices reflect interdealer quotations, without retail mark-up, markdowns or commissions and may not necessarily represent actual transactions in the common stock.

On January 26, 2012, the last sale price of our common stock, as reported by the Nasdaq Capital Market, was $5.11 per share. On September 30, 2011, there were approximately 160 holders of record and approximately 3,300 beneficial holders of our common stock.

Dividend Policy

General

We have never declared or paid cash dividends on our capital stock. We currently intend to retain our future earnings, if any, for use in our business and therefore do not anticipate paying cash dividends in the foreseeable future. Payment of future dividends, if any, will be at the discretion of our board of directors after taking into account various factors, including our financial condition, operating results, current and anticipated cash needs.

Rights Plan

We are party to a rights agreement, as amended, pursuant to which a dividend consisting of one preferred stock purchase right was distributed for each share of our common stock held as of the close of business on September 13, 1999, and to each share of common stock issued thereafter until the earlier of (i) the distribution date which is defined in the rights plan, (ii) the redemption date which is defined in the rights plan or (iii) September 13, 2015. The rights plan is designed to deter coercive takeover tactics and to prevent an acquirer from gaining control of us without offering fair value to our stockholders. The rights will expire on September 13, 2015, subject to earlier redemption or exchange as provided in the rights plan. Each right entitles its holder to purchase from us one one-hundredth of a share of a new series of Series One Junior Participating Preferred Stock at a price of $20.00 per one one-hundredth of a share, subject to adjustment. The rights are generally exercisable only if a person acquires beneficial ownership of 20% or more of our outstanding common stock.

A complete description of the rights, the rights plan with Computershare Trust Company, N.A., as rights agent, and the Series One Junior Participating Preferred Stock is hereby incorporated by reference from the information appearing under the caption "Item 1. Description of the Registrant's Securities to be Registered" contained in the Registration Statement on Form 8-A filed on September 3, 1999, and as amended by amendments to such Registration Statement on Form 8-A/A filed on September 11, 2002, October 31, 2002, June 30, 2005, January 10, 2008, October 10, 2008 and September 9, 2010.

Dilution

Our unaudited net tangible book value as of September 30, 2011 was approximately $5.2 million, or approximately $0.42 per share of common stock. Net tangible book value per share represents total assets minus capitalized patent costs and total liabilities, divided by the number of shares of common stock outstanding. Dilution in net tangible book value per share represents the difference between the amount per share paid by purchasers of common stock in this offering and the net tangible book value per share of our common stock immediately after the offering.

After giving effect to the sale of 2,463,537 shares of common stock to be sold in this offering at the offering price of $4.50 per share, and after deduction of placement agent fees and offering expenses payable by us, our pro forma net tangible book value as of September 30, 2011 would have been approximately $15.5 million, or $1.05 per share. The adjustments made to determine pro forma net tangible book value per share are the following:

- An increase in total assets to reflect the net proceeds of the offering as described under “Use of Proceeds”; and

- The addition of the number of shares of common stock offered under this prospectus supplement to the number of shares outstanding.

The following table illustrates the pro forma increase in net tangible book value attributable to existing stockholders of $0.63 per share and the dilution (the difference between the offering price per share and net tangible book value per share) to new investors:

Offering price per share		$4.50
Net tangible book value per share as of September 30, 2011	$ 0.42	
Increase in net tangible book value attributable to this offering	0.63	
Pro forma net tangible book value per share as of September 30, 2011, after giving effect to this offering		1.05
Dilution per share to new investors of this offering		$3.45