

IMPACT OF SOX ON THE BIO/PHARM INDUSTRY
Adverse Section 404 Reports
For Companies with Years Ended in 2006
As of April 20, 2007

The following is a copy of the twelve adverse reports that were issued from companies in the Bio/Pharm industry with years ended in 2006. These were all of the accelerated filers in the Bio/Pharm industry with adverse Sarbanes-Oxley Section 404 management self assessments. This information was gathered using the online research tool called Audit Analytics an Ives Group, Inc company.

The following is a summary of the **material internal control weaknesses** reported in the twelve adverse Section 404 Self Assessments:

Internal Controls - Accounting documentation, policy and/or procedures	11
Internal Controls - Material and/or numerous auditor /YE adjustments	6
Internal Controls - Accounting personnel resources, competency/training	4
Internal Controls - Non-routine transaction control issues	4
Internal Controls - Restatement or nonreliance of company filings	4
Internal Controls - Information technology, software, security & access issue	2
Internal Controls - Segregations of duties/ design of controls (personnel)	2
Internal Controls - Untimely or inadequate account reconciliations	2
Internal Controls - Journal entry control issues	1
Internal Controls - Restatement of previous 404 disclosures	1

The following is a summary of the **material accounting weaknesses** reported in the twelve adverse Section 404 Self Assessments. Section 404 is not just about internal control issues, but also about misapplication of financial accounting and reporting issues:

Accounting - Debt, quasi-debt, warrants & equity (BCF) security issues	3
Accounting - Deferred, stock-based or executive comp issues	3
Accounting - Expense recording (payroll, SG&A) issues	3
Accounting - Revenue recognition issues	3
Accounting - Accounts/loans receivable, investments & cash issues	2
Accounting - Foreign, related party, affiliated and/or subsid issues	2
Accounting - Liabilities, payables, reserves and accrual est failures	2
Accounting - PPE, intangible or fixed asset (value/diminution) issues	2
Accounting - Acquisition, merger, disposal or reorganization issues	1
Accounting - Capitalization of expenditures issues	1
Accounting - Depreciation, depletion or amortization issues	1
Accounting - Income statemt classification, margin and EPS issues	1
Accounting - Inventory, vendor and cost of sales issues	1
Accounting - Tax expense/benefit/deferral/other (FAS 109) issues	1
Accounting - Unspecified/unidentified/inapplicable FASB/GAAP issues	1

Abraxis BioScience, Inc.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. Internal control over financial reporting includes those written policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America;
- provide reasonable assurance that our receipts and expenditures are being made only in accordance with authorization of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the consolidated financial statements.

Internal control over financial reporting includes the controls themselves, monitoring and internal auditing practices and actions taken to correct deficiencies as identified.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness in internal control over financial reporting is a significant deficiency (within the meaning of PCAOB Auditing Standard No. 2), or combination of significant deficiencies, that results in there being more than remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected by employees in the normal course of performing their assigned functions.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2006. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework. Management’s assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of its internal control over financial reporting. Management reviewed the results of its assessment with the Audit Committee of our Board of Directors.

Based on this assessment, management identified, as of December 31, 2006, a material weakness in the company’s internal control over financial reporting related to the accounting for income taxes. There were ineffective controls relating to procedures to reconcile the income tax accounts to supporting detail. This control deficiency resulted in a material misstatement of various income tax balances that would not be prevented or detected by management. As a result, material errors in accounting for income taxes occurred, which were corrected prior to the issuance of the annual financial statements. Accordingly management has determined this control deficiency constitutes a material weakness.

Due to the material weakness described above, management concluded that, as of December 31, 2006, the Company’s system of internal control over financial reporting related to accounting for income taxes was not effective based on the criteria established in Internal Control—Integrated Framework.

Our independent registered public accounting firm has issued an attestation report on management’s assessment of our internal control over financial reporting. This report appears on the following page.

ALFACELL CORP

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. The Company's internal control over financial reporting includes those policies and procedures that:

- o pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

- o provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

- o provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of July 31, 2006. In making this assessment, management used the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management's assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of our internal control over financial reporting. Management reviewed the results of its assessment with the Audit Committee of our Board of Directors, and based on this assessment has determined that as of July 31, 2006, there was a material weakness in its internal control due to lack of personnel with financial reporting expertise sufficient to properly record and report non-routine and complex transactions and accounting pronouncements. Such matters were related to the recording of share-based compensation costs pursuant to Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment" and the timeliness of consideration of the guidance of Emerging Issues Task Force Issue No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, A Company's Own Stock". Such weakness in controls resulted in an understatement of the amount recorded as compensation expense during the first three interim periods of the fiscal year ended July 31, 2006, offset by a charge during the final fiscal quarter of 2006. Management believes the amount applicable to the non-cash compensation expense in each of the affected interim periods is not material and that restatement of its interim quarterly reports is not required.

Steps and adjustments that the Company will be taking to remediate this weakness after discovery include:

- (i) Forming an accounting oversight committee ("Oversight Committee"), comprising members of our senior management and a third party GAAP advisor, charged with the task of discussing and reviewing all significant transactions that have financial recognition, either to be recorded or disclosed. Additionally, the Oversight Committee will consult with our outside corporate counsel;

- (ii) Retaining a third party GAAP advisor to assist as well as advise the CFO and Audit Committee on a timely basis, including quarter end and year end review of proposed accounting for and disclosure of significant financial transactions and changes in GAAP; and

- (iii) Enhancing staff training, including relevant continuing education seminars for financial staff on newly issued technical accounting pronouncements.

ALKERMES INC

Management's Report on Internal Control over Financial Reporting (as revised) The management of Alkermes, Inc. (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting, and for performing an assessment of the effectiveness of internal control over financial reporting as of March 31, 2006. Under the supervision and with the participation of management, including the Company's Chief Executive Officer and Chief Financial Officer, management assessed the effectiveness of the Company's internal control over financial reporting based on the criteria in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our 2006 Annual Report of Form 10-K, filed on June 14, 2006, our

management included Management's Annual Report on Internal Control Over Financial Reporting therein, which expressed a conclusion by management that management believed that the Company's internal control over financial reporting was effective as of March 31, 2006. As a result of the restatement of our consolidated financial statements, as describe in Note 19 to the consolidated financial statements, we have concluded that a material weakness in internal control over financial reporting existed as of March 31, 2006 and, accordingly, have revised our assessment of the effectiveness of our internal control over financial reporting and have now concluded that our internal control over financial reporting was not effective as of March 31, 2006. The Public Company Accounting Oversight Board's Auditing Standard No. 2 defines a material weakness as a significant deficiency, or a combination of significant deficiencies, that results in there being a more than remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Management identified a material weakness in internal control over financial reporting in connection with this revised assessment. Specifically, the Company did not design and implement controls necessary to provide reasonable assurance that the measurement date for stock option grants was appropriately determined. As a result the measurement date used for certain option grants was not appropriate resulting in those grants not being accounted for in accordance with accounting principles generally accepted in the United States. This material weakness led to errors in the application of GAAP and resulted in the restatement of the Company's previously issued financial statements as described in Note 19 to the consolidated financial statements. This control deficiency was determined to be a material weakness due to the actual misstatements identified, the potential for additional material misstatements to have occurred as a result of the deficiency, and the lack of other mitigating controls. In making this revised assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework. Based on our revised assessment, we determined that our internal control over financial reporting was not effective. Management's revised assessment of the effectiveness of the Company's internal control over financial reporting as of March 31, 2006 has been audited by Deloitte & Touche LLP, independent registered public accounting firm, as stated in their report which is included following Item 9A.

CELL THERAPEUTICS INC

Management of Cell Therapeutics, Inc., together with its consolidated subsidiaries (the Company), is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

As of the end of the Company's 2006 fiscal year, management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the framework established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has determined that the Company's internal control over financial reporting as of December 31, 2006, is not effective.

Based on the COSO criteria, management has identified control deficiencies that represent material weaknesses. A material weakness is a control deficiency, or a combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Specifically, the following material weaknesses were identified.

In December 2006 we discovered material inadvertent errors in accounting for accounts payable and accrued expenses in our Italian subsidiary, Cell Therapeutics, Europe Srl (CTI Europe). As a result of the discovery of these errors, we restated our March 31, 2006, June 30, 2006 and September 30, 2006 interim consolidated financial statements filed in Forms 10-Q/A. In connection with the restatements, we reevaluated our disclosure controls and procedures and concluded that we had material weaknesses in internal controls over financial reporting as discussed in Item 9A.

Because of these material weaknesses, management concluded that we did not maintain effective internal control over financial reporting as of December 31, 2006, based on the COSO criteria. The registered independent public accounting firm of Stonefield Josephson, Inc., as auditors of the Company's consolidated financial statements, has audited our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2006, as stated in their report, which appears herein.

CYTOGENIX INC

The Management of CytoGenix, Inc. (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U. S. generally accepted accounting principles. The

Company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statement in accordance with U. S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention of timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective may not prevent or detect misstatements.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2006, utilizing the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework. Management's assessment included evaluating the design of the Company's internal control over financial reporting and testing the operational effectiveness of the Company's internal control over financial reporting.

A material weakness is a control deficiency, or combination of control deficiencies, that results in a more than remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The Company identified the following control deficiencies which, together, constitute a material weakness in the Company's assessment of the effectiveness of internal control over financial reporting as of December 31, 2006:

- o The Company has inadequate segregation of duties within various accounting processes and lacks sufficient monitoring controls over these processes to mitigate the risk. The accounting processes lacking sufficient monitoring controls include the signing of checks, bank statement reconciliation, and review of data used to prepare the financial statements.

- o The Company lacks procedures to properly account for non-routine or complex accounting issues. The Company lacks controls to ensure that agreements are provided to, and reviewed by, accounting and financial reporting personnel on a timely basis.

- o The Company lacks a well-defined process for financial reporting, including review and approvals. There is no standard and consistent financial reporting package; there is not a process in place for evaluating alternative accounting treatments for significant transactions that are documented and approved by management; there are no formal or informal procedures for journal entry review, and no formal or informal procedures to ensure the completeness and accuracy of financial statement disclosures.

Because of the aforementioned control deficiencies, which together constitute a material weakness, the Company's management has concluded that the Company's internal control over financial reporting was ineffective as of December 31, 2006.

The Company is in the process of remediating its control deficiencies. However, the material weakness in internal control over financial reporting that has been identified will not be remediated until numerous internal controls are implemented and operate for a period of time, are tested, and the Company is able to conclude that such internal controls are operating effectively. Effective with the first quarter in 2007, the Company has (i) implemented increased segregation of duties between the check issuance, the check signature, and the bank statement reconciliation functions, (ii) implemented the requirement for greater documentation for all expenditures, including approvals by division manager and CEO under certain circumstances, and (iii) hired an outside financial reporting consultant to review the financial data used to prepare the financial statements. The Company cannot provide assurance that these procedures will be successful in identifying material errors that may exist in the financial statements. The Company cannot make assurances that it will not identify additional material weaknesses in its internal control over financial reporting in the future.

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2006 has been audited by LBB & Associates Ltd., LLP, the Company's independent registered public accounting firm, as stated in their report included in this Annual Report on Form 10-K.

CYTRX CORP

Management's Report on Internal Control Over Financial Reporting Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements and related disclosures in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that (1) pertain to the

maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions of our company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the consolidated financial statements and related disclosures in accordance with generally accepted accounting principles; (3) provide reasonable assurance that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (4) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our consolidated financial statements and related disclosures. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate. We assessed the effectiveness of our internal control over financial reporting as of December 31, 2006. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework.

Based upon management's assessment using the criteria contained in COSO, and for the reasons discussed below, our management has concluded that, as of December 31, 2006, our internal control over financial reporting was not effective. Pursuant to standards established by the Public Company Accounting Oversight Board, a "material weakness" is a "significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be presented or detected."

Management identified the following material weaknesses in our internal control over financial reporting as of December 31, 2006:

A. Until the third quarter of 2005, our laboratory in Worcester, Massachusetts was operated by our subsidiary, CytRx Laboratories, Inc. ("CytRx Labs"). CytRx Labs maintained a separate accounting system, although the general ledger accounts in its system and our accounting system were identically numbered. On September 30, 2005, CytRx Labs was merged into CytRx, and we continued to operate the laboratory as an integrated part of CytRx. In the first quarter of 2006, for the sake of administrative efficiency, CytRx Labs' general ledger system was integrated into our general ledger system by combining the laboratory's general ledger accounts with our identically numbered accounts. In the process, expenses of the laboratory relating to rent, payroll and related employee benefits, which should properly have been classified as research and development expenses due to the nature of our activities carried on at the laboratory, were improperly classified as general and administrative expenses and reported as such in our consolidated financial statements for the first three quarters of 2006, because they were combined with corresponding accounts of CytRx, whose corporate offices and personnel are devoted primarily to administrative activities. Our management concluded that the foregoing constituted a material weakness in the effectiveness of our internal controls over quarterly and annual financial statement reporting.

B. In May and September of 2003, we completed private placements of securities that included warrants to purchase approximately 2.8 million shares of our common stock. These warrants contain provisions for anti-dilution adjustments based upon future sales of our common stock or common stock equivalents at an effective price per share below the prevailing market price of our common stock at the time of the sale. We subsequently completed private placement transactions in January 2005 and in March 2006 involving our sale of securities at prices which triggered the foregoing anti-dilution adjustments to the warrants in question, and we recorded those adjustments as deemed dividends. Based upon a reevaluation of our historical accounting for those anti-dilution adjustments, management determined that, by analogy to the guidance provided by SFAS No. 128, Earnings Per Share, the deemed dividends should be subtracted from our net earnings (loss) (i.e., added to our net loss) to arrive at net loss allocable to common stockholders and for the purpose of calculating our net earnings (loss) per share. Our management concluded that the foregoing constituted a material weakness in the effectiveness of our internal controls over financial reporting related to the application of generally accepted accounting principles. Having completed our review and evaluation of the integration of the former separate accounting system of our laboratory facility in connection with the preparation of our annual financial statements for 2006, we believe that the remediation of this weakness has been completed. In addition, we intend to pursue actions to enhance internal review of all equity transactions to ensure the effectiveness of all aspects of our controls related to the accounting for anti-dilution adjustments to our outstanding warrants and other securities. We continuously seek to improve and strengthen our control processes to ensure that all of our controls and procedures are adequate and effective. Any failure to implement and maintain improvements in the controls over our financial reporting could cause us to fail to meet our reporting obligations under the Securities and Exchange Commission's rules and regulations. Any failure to improve our internal controls to address the weakness we have identified could also cause investors to lose confidence in our reported financial information, which could have a negative impact on the trading price of our common stock.

Management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2006 has been audited by BDO Seidman, LLP, an independent registered public accounting firm, as stated in their report which is included herein.

GERON CORP

Internal control over financial reporting refers to the process designed by, or under the supervision of, our CEO and CFO, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that:

(1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Management is responsible for establishing and maintaining an adequate internal control over financial reporting. Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk. Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company.

Our management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2006. In making its assessment of internal control over financial reporting, management used the criteria issued by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control—Integrated Framework.

In performing the assessment as of December 31, 2006, management identified the following material weakness in internal control over financial reporting.

The material weakness pertains to controls relating to the process of accounting for complex non-routine transactions, specifically related to derivatives associated with equity financing transactions. In December 2006, we sold common stock and warrants to purchase common stock to institutional investors in connection with an equity financing pursuant to an effective shelf registration statement. We initially recorded these 2006 warrants in equity, consistent with the manner in which we had accounted for certain other warrants issued pursuant to effective shelf registration statements during 2003 to 2005. However, we did not consult with experts regarding the terms of these 2006 warrants and the appropriate accounting treatment prior to recording these warrants in equity. As a result, management's process in effect at that time did not determine that these warrants issued pursuant to an effective shelf registration statement should have been accounted for as liabilities, not as equity. Furthermore, we determined that certain other warrants issued pursuant to effective shelf registration statements during 2003 to 2005 should have been accounted for as liabilities, not as equity. We restated the consolidated financial statements for 2003 to 2005, each of the quarters of 2005 and the first three quarters of 2006 to correct the accounting for these warrants. In addition, we recorded similar adjustments in the consolidated financial statements for the fourth quarter ended December 31, 2006 to correct the accounting for the 2006 warrants. The adjustments affected the reported amounts of additional paid-in capital, current liabilities, and unrealized gain (loss) on fair value of warrants to purchase common stock.

Management has concluded that the above control deficiency represents a material weakness in internal control over financial reporting. A material weakness is a control deficiency, or combination of control deficiencies, that results in a more than remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. As a result of the material weakness described above, management believes that, as of December 31, 2006, the Company's internal control over financial reporting was not effective based on the criteria in Internal Control—Integrated Framework.

Management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2006 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included below.

INTERLEUKIN GENETICS INC

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended).

Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Under the supervision and with the participation of our management, including our chief executive officer and chief accounting officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

An internal control material weakness is a significant deficiency, or aggregation of deficiencies, that does not reduce to a relatively low level of risk that material misstatements in financial statements will be prevented or detected on a timely basis by employees in the normal course of their work.

In connection with management's evaluation, we excluded an evaluation of our wholly-owned subsidiary, AJG Brands, Inc. doing business as the Alan James Group, which was acquired on August 17, 2006. Such exclusion was in accordance with the Securities and Exchange Commission guidance that an assessment of a recently-acquired business may be omitted in management's report on internal controls over financial reporting, provided the acquisition took place within the past twelve month's of management's evaluation.

The following material weakness in the company's internal control over financial reporting was identified:

The Company's wholly-owned subsidiary, AJG Brands, Inc. doing business as the Alan James Group, which was acquired in August 2006, did not perform sufficient analysis on its historical sales return data by customer to appropriately document its basis for estimating future sales returns on a timely basis. In addition, the Alan James Group did not obtain information from its customers regarding the levels of inventory subject to rights of return on a timely basis. This limited the ability of the Company to reasonably and reliably estimate future returns on a timely basis.

Based on this material weakness, our management concluded that our internal control over financial reporting was not effective as of December 31, 2006. Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2006 has been attested to by Grant Thornton LLP, the Company's independent registered public accounting firm, as stated in their report, which is set forth beginning on page F-3.

In an effort to remediate the identified material weakness, management has implemented since December 31, 2006, or is in the process of implementing, improvement to the inputs to our process of estimating product returns.

MICROMET, INC.

Management's Report on Internal Control Over Financial Reporting Our management is responsible for establishing and maintaining an adequate system of internal control over financial reporting as defined in Rules 13a — 15(f) and 15d — 15(f) under the Securities and Exchange Act of 1934. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on our consolidated financial

statements. Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect all misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Further, because of changes in conditions, effectiveness of internal control over financial reporting may vary over time.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects a company's ability to initiate, authorize, record, process, or report external financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of a company's annual or interim financial statements that is more than inconsequential will not be prevented or detected. An internal control material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. We have completed our evaluation and testing of our internal control over financial reporting as required by Section 404 of the Sarbanes-Oxley Act of 2002 and Item 308(a) of Regulation S-K (Internal Control Report). Our management assessed the effectiveness of our internal control over financial reporting for the year ended December 31, 2006. In making this assessment, we used the criteria set forth in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on our assessment of internal controls over financial reporting, our management has concluded that, as of December 31, 2006, our internal control over financial reporting was not effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

The evaluation was based on the following material weaknesses which were identified:

- **Inadequate Procedures Around Estimation and Accruals.** As a result of errors identified in estimates around accrued liability accounts, we have concluded that controls over our estimation and analyses processes were not effective and are indicative of a material weakness. We over-accrued certain research and development costs and we under-accrued travel, legal and certain research and development costs. The effect of these accrual errors required an audit adjustment to accruals that was material to the consolidated financial statements.
- **Invoicing Error in Licensee Milestone.** A milestone invoice to one of our single-chain antibody licensees was prepared by our accounting staff in the wrong currency, approved and mailed to the licensee. As a result, we have concluded that the controls over the analysis and recording of revenue transactions with unusual terms were not effective, and are indicative of a material weakness in revenue accounting controls.
- **Inadequate Management Review.** As a result of errors identified by our independent registered public accounting firm in our financial close process and disclosures and amounts in our annual report on Form 10-K subsequent to our financial statement review process but prior to filing of our Form 10-K, we have concluded that controls over our financial statement close and reporting process are not effective, and are indicative of a material weakness.

There were no changes to any reported financial results that have been released by us as a result of these identified weaknesses. Ernst & Young AG has audited and reported on our consolidated financial statements, management's assessment of the effectiveness of our internal control over financial reporting and the effectiveness of our internal control over financial reporting. The reports of the independent registered public accounting firm are contained in this annual report.

NEUROBIOLOGICAL TECHNOLOGIES INC /CA/

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of June 30, 2006. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO criteria") in Internal Control-Integrated Framework. Management's assessment concluded that the Company did not maintain effective internal control over financial reporting as of June 30, 2006 as a result of a material weakness.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. As of June 30, 2006, our management has identified in its assessment of the Company's internal controls over financial reporting that the Company lacked the necessary internal controls and technical expertise and experience to ensure proper accounting of highly complex accounting issues and transactions related to sales and purchases of assets in accordance with U.S. generally accepted accounting principles. This material weakness in the

Company's internal controls over financial reporting resulted in certain prior period adjustments and restatement of the Company's previously issued audited consolidated financial statements as of and for the year ended June 30, 2005 and the unaudited condensed consolidated financial statements for each of the quarters in fiscal years 2005 and 2006. The restatement is fully discussed in Notes 1 and 2 of the Company's accompanying consolidated financial statements for the year ended June 30, 2006.

Subsequent to June 30, 2006, we initiated actions to remediate this material weakness by improving our internal controls, enhancing our in-house technical expertise and accessing external experts to assist management in handling complex accounting issues and transactions in accordance with U.S. generally accepted accounting principles.

Management has discussed the material weaknesses described above and related corrective actions with the Audit Committee and our independent registered public accounting firm. Our independent registered public accounting firm, Odenberg, Ullakko, Muranishi & Co. LLP, has audited management's assessment of the effectiveness of our internal control over financial reporting and has issued an attestation report, which is included elsewhere herein.

From Note 1: Restatement

On July 14, 2004, NTI acquired Empire Pharmaceuticals, Inc. ("Empire"), a development stage enterprise, through the merger of Empire into NTI-Empire, Inc., a wholly-owned subsidiary of NTI. Pursuant to the transaction, NTI acquired worldwide rights to Viprinex (ancrod), a late-stage reperfusion therapy for use in the treatment of ischemic stroke. The acquisition of Empire was recorded as a purchase of assets in accordance with Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets ("SFAS 142"), and, accordingly, the purchase price was assigned to tangible assets, all identified intangible assets, and acquired in-process research and development (see Note 2).

Subsequent to the issuance of our audited consolidated financial statements for the year ended June 30, 2005, we determined that certain previously capitalized tangible and intangible assets purchased from Empire, about which there was a presumption of an alternative future use, should have been recorded as acquired in-process research and development expenses in the consolidated statement of operations because these assets related solely to the development of Viprinex, which had not received regulatory approval to be marketed at the date of the acquisition, and the assets had no alternative future uses, in accordance with the criteria described in the practice aid entitled "Assets Acquired in a Business Combination to be Used in Research and Development Activities", published by the American Institute of Certified Public Accountants. Therefore, we have restated our audited consolidated financial statements for the year ended June 30, 2005, and our unaudited condensed consolidated financial statements for the quarters ended September 30, 2004 through March 31, 2006. Previously reported operating results for these periods have changed due to the recognition of acquired in-process research and development expenses rather than capitalization of tangible and intangible assets, as well as the reversal of the depreciation and amortization expenses for the associated assets.

PERRIGO CO

The management of Perrigo Company is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, the Company's internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies

or procedures may deteriorate.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of July 1, 2006. The framework used in carrying out our evaluation was the Internal Control -- Integrated Framework published by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. In evaluating our information technology controls, we also used the framework contained in the Control Objectives for Information and related Technology (COBIT), which was developed by the Information Systems Audit and Control Association's (ISACA) IT Governance Institute, as a complement to the COSO internal control framework.

Based on the evaluation under these frameworks, management has concluded that internal controls over financial reporting were not effective as of July 1, 2006 due to material weaknesses identified at its Israel location. A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Further information related to the Israel location's internal controls is included in Item 9A. The results of management's assessment have been reviewed with the Company's Audit Committee.

Management's assessment of the effectiveness of internal control over financial reporting as of July 1, 2006 has been audited by BDO Seidman, LLP, an independent registered public accounting firm, as stated in their report which is included in Part II, Item 8 of this Annual Report on Form 10-K.

SUPERGEN INC

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2006. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework ("the COSO Framework").

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of our annual or interim financial statements will not be prevented or detected. Our management's assessment of our internal control over financial reporting performed during the preparation of our consolidated financial statements as of December 31, 2006 identified the following material weakness (as defined by the Public Company Accounting Oversight Board) in our internal control over financial reporting:

The Company has determined that a material weakness exists in the Company's ability to maintain effective internal controls over the application of generally accepted accounting principles ("GAAP") to non-routine and complex transactions due to insufficient GAAP expertise commensurate with the Company's financial reporting requirements. As a result of this material weakness, errors were identified during the audit process in the following two areas. First, in connection with its periodic assessment of goodwill for impairment the Company inappropriately evaluated goodwill for impairment below the reporting unit level. Second, the Company did not determine whether the computations in the reports used to record compensation cost for share based payments appropriately applied the estimated forfeiture rate such that compensation cost recognized for the year ended December 31, 2006 was at least equal to the portion of the grant-date value of the awards that were vested at that date. As a result, adjustments to correct the identified errors were recorded in the consolidated financial statements for the year ended December 31, 2006 related to goodwill, additional paid in capital, and costs and operating expenses.

Accordingly, management has determined that, because of this material weakness, the Company did not maintain effective internal control over financial reporting as of December 31, 2006 based on the criteria specified in the COSO Framework.

Management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2006 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report.