OXFORD INDUSTRIES INC
Form DEF 14A
May 07, 2010

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

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

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material under §240.14a-12

Oxford Industries, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

ý No fee required.

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

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

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

(4) Proposed maximum aggregate value of transaction:

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o Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
June 14, 2010

Oxford Industries, Inc.'s 2010 annual meeting of shareholders will be held at the Company's offices at 222 Piedmont Avenue, N.E., Atlanta, Georgia 30308, on Monday, June 14, 2010, at 3:00 p.m., local time, for the following purposes:

(1) To elect three directors nominated by the Company's Board of Directors and named in the accompanying proxy statement to serve for a term of three years and until their respective successors are elected and qualified;

(2) To ratify the appointment of Ernst & Young LLP to serve as the Company's independent registered public accounting firm during fiscal 2010; and

(3) To transact any other business that properly comes before the annual meeting or any adjournment or postponement of the annual meeting.

Shareholders of record as of the close of business on April 15, 2010 will be entitled to notice of and to vote at the annual meeting or at any adjournment or postponement of the annual meeting. This notice and the accompanying proxy statement are being mailed to shareholders beginning on or about May 7, 2010.

A list of the Company's shareholders entitled to vote at the annual meeting will be available for examination by any shareholder of the Company, or his or her agent or attorney, at the annual meeting. The enclosed proxy is solicited on behalf of the Company's Board of Directors. Reference is made to the accompanying proxy statement for further information with respect to the items of business to be transacted at the annual meeting.

Your vote is important. Regardless of whether you plan to attend the meeting, please complete and sign the enclosed proxy and return it in the accompanying, postage pre-paid envelope. You may revoke your proxy at any time before the meeting and, if you attend the meeting, you may elect to vote in person. If your shares are held in an account at a bank or broker, your bank or broker will vote your shares for you if you provide instructions on how to vote your shares. In the absence of instructions, your broker can only vote your shares on limited matters. Unlike previous years, banks and brokers holding shares on behalf of their clients no longer have the ability to cast votes in the election of directors unless they have received instructions from the beneficial owner of those shares. Therefore, if your shares are held in an account at a bank or broker, it is important that you provide instructions to your bank or broker so that your vote on the election of directors is counted.

Attendance at the meeting is limited to shareholders, those holding proxies from shareholders and invited guests, such as members of the media. If your shares are held in an account at a bank or broker, since you are not the shareholder of record, you should bring the notice or voting instruction form you received from your bank or broker, or obtain a valid proxy card from your bank or broker, in order to gain admission to the meeting.

May 3, 2010

By Order of the Board of Directors,

Thomas E. Campbell
Senior Vice President-Law,
General Counsel and Secretary

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting

to be Held on June 14, 2010

This proxy statement and our annual report to shareholders for the fiscal year ended January 30, 2010 are available on the Internet at www.proxymaterials.oxfordinc.com.

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OXFORD INDUSTRIES, INC.
222 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

PROXY STATEMENT

For Annual Meeting of Shareholders
To Be Held on June 14, 2010

INTRODUCTION

This proxy statement contains information relating to the annual meeting of shareholders of Oxford Industries, Inc. to be held on Monday, June 14, 2010, beginning at 3:00 p.m., local time. The annual meeting will be held at our offices at 222 Piedmont Avenue, N.E., Atlanta, Georgia 30308. You may contact our Investor Relations Department at (404) 659-2424 to obtain directions to the site of the annual meeting.

We will begin mailing this proxy statement, the attached Notice of Annual Meeting of Shareholders and the accompanying proxy card on or about May 7, 2010 to all holders of our common stock, par value $1.00 per share, entitled to vote at the annual meeting. Along with this proxy statement, we are also sending our Annual Report to Shareholders for fiscal 2009.

INFORMATION ABOUT THE MEETING AND VOTING

Shares Outstanding

You may vote at our 2010 Annual Meeting of Shareholders if you owned shares of our common stock as of the close of business on April 15, 2010, the record date for the annual meeting. As of the close of business on April 15, 2010, there were 16,523,729 shares of our common stock issued and outstanding. You are entitled to one vote for each share of our common stock that you owned on the record date.

Voting

If, on April 15, 2010, your shares of our common stock were registered directly in your name with our transfer agent, Computershare, then you are a shareholder of record. As a shareholder of record, you may vote using one of the following methods:

- by completing, signing and returning the enclosed proxy; or

- by attending the annual meeting and voting in person.

If you are a shareholder of record and you sign and return your proxy card but do not include voting instructions, your proxy will be voted as recommended by our Board of Directors as follows:

- FOR the election of the director nominees proposed by our Board of Directors;

FOR the ratification of the appointment of Ernst & Young LLP to serve as our independent registered public accounting firm during fiscal 2010; and

as may be recommended by our Board of Directors or, if no recommendation is given, in the discretion of the proxies designated on the proxy card, to the extent permitted under applicable law.

A properly executed proxy card marked "Abstain" with respect to any proposal will not be voted for such proposal. If you hold your shares directly in your own name, they will not be voted unless you provide a proxy or attend the annual meeting and vote in person.

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If, on April 15, 2010, your shares were held in an account at a bank or broker, then you are the beneficial owner of shares held in "street name" and these proxy materials are being forwarded to you by that organization. The bank or broker holding your account is considered the shareholder of record for purposes of voting at the annual meeting. As a beneficial owner, you have the right to direct your bank or broker on how to vote the shares in your account. Telephone and/or Internet voting may be available to direct your bank or broker on how to vote the shares in your account. The availability of telephone and/or Internet voting will depend on the voting processes of your bank or broker. Please follow the directions on your proxy card carefully. Even if your shares are held in an account at a bank or broker, you are invited to attend the annual meeting. However, since you are not the shareholder of record, you may not vote your shares in person at the meeting unless you obtain a valid proxy card from your bank or broker, and in order to gain admission to the meeting, you should bring the notice or voting instruction form you received from your bank or broker, or obtain a valid proxy card from your bank or broker.

If you own shares that are registered in the name of more than one person, each person must sign the enclosed proxy. If the proxy is signed by an attorney, executor, administrator, trustee or guardian or by any other person in a representative capacity, the full title of the person signing the proxy should be given and a certificate should be furnished showing evidence of appointment.

Broker Discretionary Voting; Broker Non-Votes

If you hold shares through an account with a bank or broker, your shares may be voted by the bank or broker even if you do not provide voting instructions. Banks and brokerage firms have the authority, under the rules of the New York Stock Exchange (which we refer to as the "NYSE"), to vote shares in their discretion when their customers do not provide voting instructions on certain "routine" matters. Under the NYSE's rules, as currently in effect, the ratification of Ernst & Young LLP as our independent registered public accounting firm is considered a routine matter.

Unlike previous years, the election of directors is considered a "non-routine" matter. When a bank or brokerage firm has not received voting instructions from the beneficial holder of the shares with respect to a non-routine matter, the bank or brokerage firm cannot vote the shares on that proposal. This is called a "broker non-vote." Broker non-votes will be counted as present at the annual meeting for quorum purposes but will not be counted as entitled to vote on the non-routine matter. **Therefore, if your shares are held in an account at a bank or broker, it is important that you provide instructions to your bank or broker so that your vote on the election of directors is counted.**

Changing Your Vote

If you are a shareholder of record, you may revoke or change your vote with respect to the shares of our common stock that are registered directly in your name by doing any of the following:

- delivering a written notice of revocation to our Secretary before the vote is taken at the annual meeting, such notice of revocation dated later than the proxy you want to revoke;
- properly executing and delivering a later dated proxy before the vote is taken at the annual meeting; or
- voting in person at the annual meeting (your attendance at the annual meeting, in and of itself, will not revoke the earlier proxy).

If your shares are held in an account at a bank or broker, then you must follow the instructions provided by your bank or broker in order to revoke or change your vote with respect to those shares held in street name.

Quorum

In order for us to conduct the annual meeting, the holders of a majority of the shares of our common stock issued and outstanding as of the close of business on April 15, 2010 must be present at the annual meeting in person or by proxy. This is referred to as a quorum. Abstentions and broker non-votes, if any, will be counted as shares present at the meeting for purposes of determining the presence of a quorum.

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CORPORATE GOVERNANCE AND BOARD MATTERS

General

Our Board of Directors oversees our business in accordance with the Georgia Business Corporation Code, as implemented by our Articles of Incorporation and Bylaws. Directors are elected by our shareholders to oversee their interest in the long-term health and overall success of our company. Our Board of Directors serves as the ultimate decision-making body of our company, except for those matters reserved to, or shared with, our shareholders. Our Board of Directors elects and oversees the officers of our company, who are charged by our Board of Directors with conducting the day-to-day business of our company.

Directors

There are currently nine members serving on our Board of Directors. The following table sets forth, as of April 15, 2010, certain information concerning our directors, as well as a description of the specific experience, qualifications, attributes and skills that led our Board of Directors to conclude that each of these individuals should serve as a director.

Name	Age	Director Since	Positions Held and Specific Experience and Qualifications
Cecil D. Conlee	73	1985	Mr. Conlee is Chairman of CGR Advisors, a provider of real estate investment advice and portfolio management services, and has held this position since 1990. Mr. Conlee currently serves as a director of National Beverage Corp. and is a member of its Audit Committee, Compensation and Stock Option Committee and Strategic Planning Committee. Mr. Conlee also serves on the Audit Committee of Vanderbilt University. Mr. Conlee served as a director of Central Parking Corporation from 1996 until 2006. Mr. Conlee has more than 30 years of executive- and management-level experience at real estate management companies and has extensive experience serving as a director, and on various committees, of public companies, including recent service on the audit committees of National Beverage Corp. and Central Parking Corporation, lending him a high level of financial literacy that is a valuable asset to our Board of Directors and our Audit Committee. In addition, having served as one of our directors for 25 years, Mr. Conlee has extensive knowledge about our business and our industry.
George C. Guynn	67	2007	Mr. Guynn retired in October 2006 from his position as President and CEO of the Federal Reserve Bank of Atlanta, where he worked his entire career. Mr. Guynn is a director of Genuine Parts Company, Acuity Brands, Inc., Growth Capital Portfolio, LLC and Growth Capital TEI Portfolio, LLC. Mr. Guynn serves on the Audit Committee of Genuine Parts Company and the Audit Committee and Governance Committee of Acuity Brands, Inc. He is also a trustee of SunTrust Bank's Ridgeworth Mutual Funds and a director of John Wieland Homes and Neighborhoods Inc.

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Name	Age	Director Since	Positions Held and Specific Experience and Qualifications
			Mr. Guynn's prior role as President and CEO of the Federal Reserve Bank of Atlanta provides our Board of Directors with information and insight in financial and regulatory issues. In addition, Mr. Guynn's financial and accounting experience with the Federal Reserve, as well as his experience as a member of the audit committees of Genuine Parts Company and Acuity Brands, Inc., offers a high level of financial literacy and is a valuable asset to our Board of Directors and Audit Committee.
John R. Holder	55	2009	Mr. Holder is Chairman and Chief Executive Officer of Holder Properties, a commercial real estate development company, and has held this position since 1989. He is also a member of the SunTrust Bank, Regional Board. Mr. Holder was elected to serve on our Board of Directors on March 26, 2009. In seeking out a well qualified candidate to serve on our Board of Directors, our Nominating, Compensation & Governance Committee noted Mr. Holder's strategic leadership in the growth of Holder Properties, which has been involved in over 10 million square feet of real estate development totaling in excess of $1.5 billion, as well as his extensive involvement in the financial and marketing areas of that business. His service as the Chairman and Chief Executive Officer of Holder Properties, together with various board affiliations which include civic organizations, has given him leadership experience, business acumen and financial literacy beneficial to our Board of Directors and Audit Committee.
J. Hicks Lanier*	70	1969	Mr. Lanier has been our Chairman and Chief Executive Officer since 1981. Mr. Lanier also served as our President from 1977 until 2003. He currently serves as a director of SunTrust Banks, Inc., Crawford & Company and Genuine Parts Company. He serves on the Audit Committee and Risk Committee of SunTrust Banks, Inc. He also serves as the Chairman of the Compensation, Nominating and Governance Committee of Genuine Parts Company and as the Chairman of the Nominating / Corporate Governance / Compensation Committee of Crawford & Company. Mr. Lanier will be retiring from his position as a director of Crawford & Company at its May 2010 annual meeting.

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Name	Age	Director Since	Positions Held and Specific Experience and Qualifications
			Mr. Lanier has been employed by our company for more than 45 years, and has been an executive with our company for more than 30 years. He has provided strong leadership to our company as we transformed from our historical domestic manufacturing roots into an international apparel design, sourcing and marketing company featuring a portfolio of owned and licensed lifestyle brands, company-owned retail operations, and a collection of private label apparel businesses. Mr. Lanier's long tenure with our organization has provided him a deep knowledge of our business, and his other varied business experiences, including having served on the boards of six publicly traded companies over the last 30 years, including service on various committees of these boards, exemplifies his leadership skills and offers him insights into compensation and governance issues at public companies, all of which serve our Board of Directors well.
J. Reese Lanier*	67	1974	Mr. Lanier was self-employed in farming and related businesses and had this occupation for more than five years until his retirement in 2009. Mr. Lanier has been affiliated with our company in various official and unofficial capacities for more than 50 years, including having served as a director for more than 35 years. His father was one of the founders of our company and his son served as an executive officer of our company as recently as 2007. Mr. Lanier's deep knowledge of our business and industry, coupled with his business acumen as a sole proprietor, serves our Board of Directors well.
Dennis M. Love	54	2008	Mr. Love is President and Chief Executive Officer of Printpack Inc., a manufacturer of flexible and specialty rigid packaging, and has served in such capacities since 1987. Mr. Love currently serves as a director of AGL Resources, Inc. Mr. Love serves as Chairman of the Nominating, Governance and Corporate Responsibility Committee of AGL Resources, Inc. and serves as a member of its Audit Committee and Executive Committee. Mr. Love is also a director of the Cleveland Group, Inc. Mr. Love served as a director of Caraustar Industries, Inc. from 1999 until its reorganization in August 2009. Mr. Love has more than 20 years of experience as a chief executive and, as recently as 2009, was a member of the board of directors of two other public companies, which included serving on the Compensation and Employee Benefits Committee of Caraustar Industries, Inc. and the Nominating, Governance and Corporate Responsibility Committee of AGL Resources, Inc. The insight Mr. Love gained through these board affiliations serves our Board of Directors and our Nominating, Compensation & Governance Committee well. In addition, Mr. Love's experience with Printpack Inc. includes successful domestic and international acquisitions. This experience integrating new businesses with existing businesses and Mr. Love's oversight of global operations at Printpack Inc. allows him to offer key insights as certain of our operating groups continue to expand their international operations.

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Name	Age	Director Since	Positions Held and Specific Experience and Qualifications
Clarence H. Smith	59	2003	Mr. Smith is President and Chief Executive Officer of Haverty Furniture Companies, Inc., a home furnishings retailer, and has held this position since January 2003. He served as President and Chief Operating Officer of Haverty Furniture Companies, Inc. from 2002 to 2003, Chief Operating Officer of Haverty Furniture Companies, Inc. from 2000 to 2002, and Senior Vice President, General Manager Stores of Haverty Furniture Companies, Inc. from 1996 to 2000. He is also a director of Haverty Furniture Companies, Inc. Mr. Smith has more than 15 years of senior management experience, including in his current capacity as President and Chief Executive Officer of Haverty Furniture Companies, Inc. Haverty Furniture Companies, Inc. is an Atlanta-based, publicly traded company with over 120 showrooms in 17 states in the Southern and Midwestern regions of the United States, which affords our company, Board of Directors and Nominating, Compensation & Governance Committee valuable insight into compensation, governance and general business practices at a company with a brand management focus and retail and other direct-to-consumer business activities.
Helen B. Weeks	55	1998	Ms. Weeks founded Ballard Designs, Inc. in 1983 and served as Chief Executive Officer until she retired in 2002. Ballard Designs, Inc. is a home furnishing catalog business which is currently part of HSN, Inc., an interactive multi-channel retailer offering retail experiences on TV, online, in catalogs and in retail and outlet stores. Ms. Weeks also previously served as a member of the Board of Directors of Cornerstone Brands, Inc., which was organized as a conglomerate of companies selling home and leisure goods and casual apparel through catalogs primarily aimed at affluent, well-educated consumers ages 35 to 60. Ms. Weeks has approximately 20 years of experience in a chief executive capacity. Ms. Weeks' experience in direct-to-consumer businesses, in particular with business activities aimed at demographics overlapping those of our various operating groups and that may represent future opportunities for our own operating groups, serves our Board of Directors well.
E. Jenner Wood III	58	1995	Mr. Wood has served as Chairman, President and Chief Executive Officer of SunTrust Bank, Central Group, since 2001 and has also served as Corporate Executive Vice President of SunTrust Banks, Inc. since 2005. Mr. Wood served as Executive Vice President of SunTrust Banks, Inc. from 1994 until 2005. SunTrust Banks, Inc. is a financial holding company that through its flagship subsidiary, SunTrust Bank, offers deposit, credit and trust and investment services. Mr. Wood is a director of Crawford & Company and serves on its Nominating / Corporate Governance / Compensation Committee. He is also a director of Georgia Power Company and serves on its Executive Committee and Finance Committee.

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Name	Age	Director Since	Positions Held and Specific Experience and Qualifications
			Mr. Wood's professional career includes over 15 years in senior management positions with SunTrust Banks, Inc. and its various affiliates. Mr. Wood's insights with respect to financial issues and the financial services industry generally, including as it relates to the retail and business aspects of SunTrust Bank's operations, together with his extensive experience on the boards of directors and committees of various public and private companies, make him a valuable asset to our Board of Directors.

*
J. Hicks Lanier and J. Reese Lanier are first cousins.

Director Independence

Our Board of Directors reviews the independence of each of our directors annually and upon learning about intervening events that may impact director independence. In determining director independence, our Board of Directors broadly considers all relevant facts and circumstances, including the corporate governance listing standards of the NYSE. Our Board of Directors considers the issue not merely from the standpoint of a director, but also from that of persons or organizations with which the director has an affiliation. An independent director is free of any relationship with our company or management that might impair the director's ability to make independent judgments.

Our Board of Directors has affirmatively determined that the following six of our nine directors are independent:

Cecil D. Conlee;

George C. Guynn;

John R. Holder;

Dennis M. Love;

Clarence H. Smith; and

Helen B. Weeks

Mr. J. Hicks Lanier is an employee of our company and is not independent.

Mr. J. Reese Lanier's son served as one of our executive officers until October 2007 and, in accordance with the NYSE's corporate governance listing standards, he would not be independent for a period of three years subsequent to the time that his son ceased to be an executive officer of our company.

Mr. E. Jenner Wood III was designated an executive officer of SunTrust Banks, Inc. in December 2008, at which time our Chairman and Chief Executive Officer Mr. J. Hicks Lanier served as a member of the compensation committee of SunTrust Banks, Inc. Mr. Lanier ceased to serve on the compensation committee of SunTrust Banks, Inc. at the first meeting of SunTrust Banks' Board of Directors following Mr. Wood's promotion. However, pursuant to the NYSE's corporate governance listing standards, because Mr. Lanier served on SunTrust Banks, Inc.'s compensation committee at the same time Mr. Wood served as an executive officer of SunTrust Banks, Inc., Mr. Wood was not independent as of the time of such overlapping service (and would similarly not be independent pursuant to such corporate governance listing standards for a period of three years subsequent to the time that such overlap ceased).

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Corporate Governance Guidelines; Conduct Policies

Our Board of Directors has adopted Corporate Governance Guidelines that set forth certain guidelines for the operation of the Board of Directors and its committees. In accordance with its charter, our Nominating, Compensation & Governance Committee, or NC&G Committee, periodically reviews and assesses the adequacy of our Corporate Governance Guidelines. In addition, as provided under our Corporate Governance Guidelines, our Board of Directors annually conducts a self-evaluation. Our NC&G Committee oversees our Board of Directors' self-evaluation process.

Our Board of Directors has also adopted a Conflict of Interest and Business Ethics Policy for all of our directors, officers and employees. It is our policy that all such covered persons must avoid any activity that is or has the appearance of being hostile, adverse or competitive with our business, or that interferes with the proper performance of the individual's duties, responsibilities or loyalty to our company. Members of the Executive Committee of our Board of Directors have the authority to grant a waiver of a provision of our Conflict of Interest and Business Ethics Policy to any of our employees (including any officer who is also not a director). Our Board of Directors has the exclusive authority to grant a waiver of a provision of our Conflict of Interest and Business Ethics Policy to any of our directors.

In addition, our Board of Directors has adopted an ethical conduct policy applicable to our senior financial officers, including, among others, our chief executive officer and our chief financial officer and controller. Failure to comply with this ethical conduct policy is a serious offense and will result in appropriate disciplinary action. Our Board of Directors has the authority to approve any deviation from or waiver of this ethical conduct policy.

Board Meetings and Committees of our Board of Directors

During fiscal 2009, our Board of Directors held four meetings and standing committees of our Board of Directors held a total of 12 meetings. Overall attendance at our board meetings and these committee meetings during fiscal 2009 was approximately 99%. During fiscal 2009, each of our directors attended at least 75% of the aggregate number of meetings of our Board of Directors and of all committees of which the director was a member during the period he or she was a director or committee member.

Although we do not have a formal policy regarding attendance by directors at our annual meetings of shareholders, we encourage directors to attend our annual meetings of shareholders in person and, to facilitate attendance by our directors, generally schedule our annual meetings of shareholders to coincide with the date of a quarterly meeting of our Board of Directors. All of our directors attended our 2009 Annual Meeting of Shareholders.

Our Board of Directors has a standing Executive Committee, Audit Committee and NC&G Committee. The following table identifies the members of each of these committees as of April 15, 2010 and the number of meetings held by each of these committees (and actions taken by written consent in lieu of meetings) during fiscal 2009.

Name	Executive Committee	Audit Committee	NC&G Committee
Cecil D. Conlee*	X	chair	
George C. Guynn*		X	
John R. Holder*		X	
J. Hicks Lanier	chair		
J. Reese Lanier			
Dennis M. Love*	X		X
Clarence H. Smith*			chair
Helen B. Weeks*			X
E. Jenner Wood III			
Total Number of Meetings	**3**	**5**	**4**
Actions by Written Consent	**0**	**1**	**4**

* Independent Director

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Executive Committee

Our Executive Committee has the power to exercise the authority of the full Board of Directors in managing the business and affairs of our company, except that our Executive Committee does not have certain powers that are reserved to our full Board of Directors under the Georgia Business Corporation Code. In practice, our Executive Committee serves as a means for taking action requiring our Board of Directors' approval between its regularly scheduled meetings.

Audit Committee

Our Board of Directors established the Audit Committee in accordance with the rules and regulations of the U.S. Securities and Exchange Commission (which we refer to as the "SEC") to assist our Board of Directors in fulfilling its responsibilities with respect to oversight of the following:

- the integrity of our financial statements, reporting processes and systems of internal controls;
- our compliance with applicable laws and regulations;
- the qualifications and independence of our independent registered public accounting firm; and
- the performance of our internal audit department and our independent registered public accounting firm.

The principal duties and responsibilities of our Audit Committee are set forth in its charter. Our Audit Committee may exercise additional authority prescribed from time to time by our Board of Directors.

Our Board of Directors annually evaluates the financial expertise and independence of the members of our Audit Committee. Following its review, our Board of Directors determined that Mr. Conlee is an "audit committee financial expert," as that term is defined by SEC rules and regulations. Our Board of Directors also determined that all members of the Audit Committee are independent and are financially literate in accordance with the NYSE's governance listing standards and SEC rules and regulations.

Nominating, Compensation & Governance Committee (or NC&G Committee)

The purpose of our NC&G Committee is to:

- assist our Board of Directors in fulfilling its responsibilities with respect to compensation of our executive officers;
- recommend candidates for all directorships to be filled;
- identify individuals qualified to serve as members of our Board of Directors;
- review and recommend committee appointments;
- take a leadership role in shaping our corporate governance;
- develop and recommend to our Board of Directors for adoption our Corporate Governance Guidelines;

- lead our Board of Directors in an annual review of its own performance; and
- perform other functions that it deems necessary or appropriate.

Our NC&G Committee also has the following responsibilities, among others, related to compensation matters:

- administering our stock option and restricted stock plans;
- administering our Executive Performance Incentive Plan;

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- reviewing and approving corporate goals and objectives relevant to the compensation of our Chief Executive Officer, evaluating our Chief Executive Officer's performance in light of those goals and objectives and determining the compensation of our Chief Executive Officer based upon this evaluation;

- reviewing and approving the compensation of our non-CEO executive officers; and

- making recommendations to our Board of Directors regarding certain incentive-compensation plans and equity-based plans.

Our Board of Directors has determined that all members of our NC&G Committee are independent in accordance with the NYSE's corporate governance listing standards. To facilitate our NC&G Committee's fulfillment of its responsibilities relating to the compensation of our Chief Executive Officer, as well as certain of our other executive officers, our Corporate Human Resources Department and other internal resources provide information to the committee, upon request. In addition, in reviewing and approving the compensation of our non-CEO executive officers, our NC&G Committee considers the recommendation and evaluation of our Chief Executive Officer.

Pursuant to its charter, our NC&G Committee has the exclusive authority to retain a compensation consultant to assist in the evaluation of director, chief executive officer or non-CEO executive officer compensation and the non-exclusive authority to retain a search firm to assist in identifying director candidates, to retain outside counsel and to retain any other advisors the committee may deem appropriate. Our NC&G Committee has the sole discretion with respect to the retention and fees payable to any such consultants or advisors it retains.

Meetings of Non-Employee Directors

Pursuant to our Corporate Governance Guidelines, our non-employee directors periodically meet separately from the other directors in executive sessions. Our non-employee directors include directors who are independent, as determined by our Board of Directors, and any other directors who are not officers or employees of our company even though they may have another relationship with our company or management that prevents them from being considered independent under the NYSE's corporate governance listing standards.

Board Leadership; Presiding Independent Director

Our Board of Directors designates one of its members to serve as chair. We believe that our company and shareholders are best served by having a chair with a wide-ranging, in-depth knowledge of our business operations and the competitive landscape in which we operate. Our Corporate Governance Guidelines expressly provide that our Board of Directors may appoint one individual to serve in the dual capacity of Chief Executive Officer and chair of our Board of Directors, but they do not require that the chair of our Board of Directors be one of our executive officers or employees.

Mr. J. Hicks Lanier, our Chief Executive Officer, currently serves as Chairman of our Board of Directors. We believe it is common practice among public companies in the United States to have the chief executive officer also chair its board of directors. In particular, in his capacity as our Chief Executive Officer, Mr. Lanier gains insights into the day-to-day operations of our business, including significant activities of our operating groups, operating results, short- and long-term objectives of our various business units and economic trends and factors impacting our business. These insights permit Mr. Lanier to help prepare agendas for Board meetings and lead discussions in a productive and efficient manner. Mr. Lanier's day-to-day operational oversight of our company also facilitates communication with our other directors and various committee members between regularly scheduled meetings of our Board of Directors when circumstances dictate. For example, during fiscal 2009, Mr. Lanier regularly communicated with our other directors on the progress of a senior secured notes financing that we undertook and completed in June 2009.

Our Board of Directors has also designated Mr. Cecil D. Conlee as our presiding independent director. In his capacity as the presiding independent director, Mr. Conlee sets the agenda for, and chairs, executive sessions of our non-employee directors, serves as a liaison between non-employee directors and our Chairman and serves as a liaison

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between our shareholders and our non-employee directors. As presiding independent director, Mr. Conlee, who also serves as Chairman of our Audit Committee, is in regular contact with our Chairman and other members of senior management. These conversations permit Mr. Conlee to facilitate productive discussions during executive sessions of our non-employee directors relating to our operating results and activities, risks to our business, succession planning and business prospects.

We believe that having an active, engaged presiding independent director, holding regular meetings of our non-employee directors in executive session, having a succession plan for senior management overseen by our Board of Directors and having our Audit Committee and NC&G Committee (each of which reports to our full Board of Directors on a quarterly basis on significant committee activities) comprised solely of independent directors mitigates any risks associated with our Chief Executive Officer chairing our Board of Directors. Our Board of Directors regularly reviews the appropriateness of its leadership structure and believes that the combination of Mr. Lanier as Chief Executive Officer and Chairman and Mr. Conlee as presiding independent director is currently the appropriate leadership structure for our Board of Directors and organization and is in the best interests of our shareholders.

Board's Role in Risk Oversight

Our Board of Directors is ultimately charged with overseeing our business, including risks to our business, on behalf of our shareholders. In order to fulfill this responsibility, our Audit Committee, pursuant to its charter, reviews our policies with respect to our company's risk assessment and risk management. At our Audit Committee's direction and with its oversight, we conduct an enterprise risk management program (which we refer to as the "ERM program") on an ongoing basis. Our President, with the assistance of our Director of Internal Audit who reports to the Audit Committee, oversees the ERM program, with the participation and input of other members of senior management and leaders of our various operating groups.

Our ERM program involves senior management and leaders of our various operating groups identifying potential risks to our company based on the probability of occurrence (i.e., "almost certain," "probable," "reasonably possible," "not probable" and "remote") and the likely impact to our company if such an event were to occur (i.e., "critical," "major," "moderate," "minor," and "insignificant"), based on defined parameters. Based on this analysis, we rank the various risks to our organization. For example, when our ERM program's risk categories were updated in December 2009, the highest ranking risks to our company and its operations identified by our ERM program included, among other things, risks related to protecting the value of our brand names; risks associated with the concentration of our wholesale sales among our major wholesale customers; the risks associated with maintaining a concentrated portfolio of brands; and the risks attributable to having a large percentage of our products sourced from a concentrated number of geographic locations. Accompanying these risks is management's assessment of internal controls and potential mitigating factors that would alleviate the impact to our company, as well as potential actions that could be undertaken to further mitigate the impact to our company, of the various identified risks. We continually update our ERM risk categories and priorities based on intervening events and circumstances.

At each quarterly meeting of our Audit Committee, a portion of time is devoted to management's report to the committee on the status of the ERM program and particular risks faced by our company. Our Audit Committee actively engages management on potential strategies for reducing, eliminating or mitigating the risks to our organization. Our Audit Committee regularly reports to our Board of Directors on our ERM program. In addition to our ERM program, our Board of Directors examines specific business risks in its regular reviews of our operating groups and also on a company-wide basis as part of its regular strategic reviews.

As part of its oversight of our overall compensation program, our NC&G Committee considers our compensation policies and procedures, including the incentives that they create and factors that may influence excessive risk taking. In particular, our compensation program provides for short-term cash incentive payments to individuals throughout our company based on satisfaction of pre-established performance targets. For employees within our various operating groups, these performance targets may be based on performance by the operating group, as a whole, or a specific business unit or business location within that operating group. Employees who are not assigned to a specific operating

group typically receive cash incentives based on the satisfaction by our various operating groups of pre-established performance targets and our company as a whole of pre-established performance targets. Each cash incentive award for an individual employee within our organization is subject to a maximum amount payable to the individual. Our senior management, and with respect to our executive officers, our compensation committee, approves applicable performance targets based on our detailed, internal budgets for upcoming fiscal periods. These members of senior management receive monthly financial reports and review and analyze deviations from the budgeted plans to assess whether, among other things, the deviations were the result of inappropriate risk taking. We have concluded that our compensation policies and procedures are not reasonably likely to have a material adverse effect on our company.

Website Information

We have posted our Corporate Governance Guidelines, our Conflict of Interest and Business Ethics Policy, our ethical conduct policy for our senior financial officers, our Audit Committee charter and our NC&G Committee charter under the "Corporate Governance" tab on our Internet website at www.oxfordinc.com. We will disclose on our Internet website at www.oxfordinc.com, to the extent and in the manner permitted by Item 5.05 of Form 8-K under Section 13 or 15(d) of the Securities Exchange of 1934, as amended (which we refer to as the "Exchange Act"), (1) the nature of any amendment to our Conflict of Interest and Business Ethics Policy or our ethical conduct policy for our senior financial officers (other than technical, administrative or other non-substantive amendments), (2) our approval of any material departure from a provision of these conduct policies granted to any of our executive officers or directors, or (3) our failure to take action within a reasonable period of time regarding any material departure from a provision of these conduct policies that has been made known to any of our executive officers.

Director Nomination Process

In accordance with our corporate governance guidelines, our NC&G Committee periodically reviews the skills and characteristics required of our directors in the context of the existing make-up of our Board of Directors. This assessment includes issues such as independence, age, skills such as understanding of our industry, general business knowledge and experience, financial literacy and expertise, availability and commitment, and other criteria that our NC&G Committee finds to be relevant.

Although we do not have a formal policy with respect to our NC&G Committee's consideration of diversity in identifying nominees for directors, our NC&G Committee recognizes that a diversity of viewpoints and practical experiences can enhance our Board of Directors' effectiveness. Accordingly, it is the practice of our NC&G Committee in evaluating potential candidates to serve on our Board of Directors to not only consider the factors identified above but to give particular consideration to the diverse experiences and perspectives that a prospective candidate may bring to our Board of Directors. In order to accomplish its objectives, our NC&G Committee's evaluations of potential candidates generally involve a review of the candidate's background and credentials, interviews of a candidate by one or more members of our Board of Directors, and discussions among our directors. Based on its evaluation in light of the foregoing factors, our NC&G Committee recommends candidates to our full Board of Directors which, in turn, selects candidates to be nominated for election by the shareholders or to be elected by our Board of Directors to fill a vacancy.

Director Compensation

Compensation Program for Fiscal 2009

During fiscal 2009, our non-employee directors received compensation in accordance with the following program guidelines:

- an annual stock retainer (subject to a limited vesting period coinciding with one year of service on our Board of Directors) granted to each non-employee director with a grant date fair value of $30,000;

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- an annual cash retainer of $30,000 payable in quarterly installments to each non-employee director (for fiscal 2009, our non-employee directors were given the option to elect to receive the cash retainer in the form of a one-time stock grant having a grant date fair value of $30,000, subject to a limited vesting period coinciding with the vesting period for the stock retainer);

- an additional $10,000 annual cash retainer payable in quarterly installments to the chair of our Audit Committee;

- an additional $6,000 annual cash retainer payable in quarterly installments to the chair of our NC&G Committee; and

- a $1,250 meeting fee for each committee or board meeting attended.

Director compensation is paid for the twelve-month period commencing with each annual meeting of shareholders. The number of shares of our restricted stock to be issued in respect of each non-employee director's annual stock retainer (and in respect of the annual cash retainer if a director elected to receive that portion of his retainer in the form of stock) was based on the fair market value (based on the closing price of our common stock as reported on the NYSE) as of the grant date for the restricted stock. The grant date for restricted shares issued in respect of each non-employee director's annual retainer for fiscal 2009 was June 30, 2009 and these shares will vest on June 14, 2010 (the date of this year's annual meeting). For fiscal 2009, each of Messrs. Holder and Love elected to receive his cash retainer in the form of restricted stock.

Employee directors do not receive an annual retainer or meeting fees for their service on our Board of Directors.

Director Compensation for Fiscal 2009

The table below summarizes the compensation we paid to our non-employee directors for fiscal 2009.

Name	Fees Earned or Paid in Cash($)	Stock Awards ($)[1]	All Other Compensation ($)[2]	Total ($)
Cecil D. Conlee	45,001	29,999	1,591	76,591
George C. Guynn	33,751	29,999	1,206	64,956
John R. Holder[3]	16,253	67,491	1,485	85,229
J. Reese Lanier	27,501	29,999	1,253	58,753
Dennis M. Love	12,503	59,998	1,513	74,013
Clarence H. Smith	39,501	29,999	1,253	70,753
Helen B. Weeks	32,501	29,999	1,305	63,805
E. Jenner Wood III	28,751	29,999	1,253	60,003

(1) Reflects the grant date fair value associated with stock awards made to each of our directors during fiscal 2009, as calculated in accordance with the provisions of the Financial Accounting Standards Board Accounting Standards Codification 718, Compensation Stock Compensation ("FASB Topic 718").

The assumptions used in valuing the stock awards are described under the captions "Stock-Based Compensation" and "Long-Term Stock Incentive Plan" in Notes 1 and 7, respectively, to our consolidated financial statements included in our Annual Report on Form 10-K for fiscal 2009 filed with the SEC on March 31, 2010.

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The table below summarizes the grant date fair value of stock awards to each of our non-employee directors and the aggregate number of restricted shares of our common stock held by each of our non-employee directors as of January 30, 2010.

	Grand Date Fair Value ($)		
Name	**March 26, 2009**	**June 30, 2009**	**Total Restricted Shares Held at January 30, 2010 (#)**
Cecil D. Conlee		29,999	4,281
George C. Guynn		29,999	3,557
John R. Holder	7,494	59,998	5,150
J. Reese Lanier		29,999	3,557
Dennis M. Love		59,998	5,150
Clarence H. Smith		29,999	3,557
Helen B. Weeks		29,999	3,557
E. Jenner Wood III		29,999	3,557

(2)

Represents the dollar value of dividends paid on unvested stock awards which was not factored into the grant date fair value for the stock. Amounts in respect of perquisites and other personal benefits provided to each of our directors during fiscal 2009, consisting of discounted and complimentary apparel and related merchandise, had a total value of less than $10,000 and, in accordance with SEC rules and regulations, are excluded from this table.

(3)

Mr. Holder was elected to our Board of Directors on March 26, 2009 and received a pro-rated portion of the annual cash and stock retainers received by our other directors in respect of the twelve-month period that commenced as of our 2008 Annual Meeting of Shareholders. The restricted shares issued to Mr. Holder in connection with that pro-rated annual retainer were granted on March 26, 2009 and vested on June 15, 2009 (consistent with the vesting of restricted shares granted to our other non-employee directors in respect of the twelve-month period that commenced as of our 2008 Annual Meeting of Shareholders). Amounts paid to our other non-employee directors in respect of the cash and stock retainers in respect of the twelve-month period that commenced as of our 2008 Annual Meeting of Shareholders are not reflected in the table above, as all such amounts were paid or granted during fiscal 2008 (consistent with our compensation practices that were in effect during fiscal 2008).

Director Stock Ownership Guidelines

Our Board of Directors has established stock ownership guidelines for our non-employee directors. The ownership guidelines specify a target number of shares of our common stock that our non-employee directors are expected to accumulate and hold within three years of the later of the effective date of the guidelines or the date of appointment to our Board of Directors (which we refer to as the "director's determination date"). The specific guidelines for each applicable individual are established based on the fair market value of our common stock (based on a 365-day trailing average for our common stock price as reported on the NYSE as of the director's determination date) and the amount of the director's annual retainer as of the director's determination date. Pursuant to these guidelines, each of our non-employee directors is expected to own or acquire shares of our common stock having a fair market value equal to one times his or her annual retainer.

Shares owned outright by a non-employee director or by members of his or her immediate family sharing the same household, restricted stock and shares held in trust for the benefit of the non-employee director or his or her immediate family are counted towards satisfying the applicable guideline. As of April 15, 2010, each of our non-employee directors had satisfied the ownership guidelines applicable to him or her.

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EXECUTIVE OFFICERS

The following table sets forth information about our executive officers as of April 15, 2010:

Name	Age	Position Held
J. Hicks Lanier	70	Chairman and Chief Executive Officer
Thomas E. Campbell	46	Senior Vice President-Law, General Counsel and Secretary
Thomas C. Chubb III	46	President
K. Scott Grassmyer	49	Senior Vice President, Chief Financial Officer and Controller
Dennis D. MacCulloch	66	President, Lanier Clothes
Knowlton J. O'Reilly	70	Group Vice President
Panayiotis P. Philippou	52	CEO, Ben Sherman Group
Terry R. Pillow	57	CEO, Tommy Bahama Group
Scott D. Sennett	46	President, Oxford Apparel Group

All of our executive officers are elected by and serve at the discretion of either our Board of Directors or the Chairman of our Board of Directors.

Mr. J. Hicks Lanier has been our Chairman and Chief Executive Officer since 1981. Mr. Lanier also served as our President from 1977 until 2003. He currently serves as a director of SunTrust Banks, Inc., Crawford & Company and Genuine Parts Company. He serves on the Audit Committee and Risk Committee of SunTrust Banks, Inc. He also serves as the Chairman of the Compensation, Nominating and Governance Committee of Genuine Parts Company and as the Chairman of the Nominating / Corporate Governance / Compensation Committee of Crawford & Company. Mr. Lanier will be retiring from his position as a director of Crawford & Company at its May 2010 annual meeting.

Mr. Thomas E. Campbell has served as Senior Vice President-Law, General Counsel and Secretary since 2008. Mr. Campbell served as our Vice President-Law, General Counsel and Secretary from 2006 to 2008. Prior to joining our company, Mr. Campbell was Senior Counsel at Interface, Inc., a manufacturer and marketer of floor coverings and fabrics, where he had served since 1997.

Mr. Thomas C. Chubb III was elected President in June 2009. He served as our Executive Vice President from 2004 until June 2009 and, from 1999 to 2004, he served as our Vice President, General Counsel and Secretary.

Mr. K. Scott Grassmyer has served as Senior Vice President, Chief Financial Officer and Controller since 2008. Mr. Grassmyer served as our Senior Vice President and Controller from 2004 to 2008. From 2003 to 2004, he served as our Vice President and Controller. Mr. Grassmyer was appointed our Controller in 2002.

Mr. Dennis D. MacCulloch was promoted to the position of President, Lanier Clothes (one of our operating groups), in March 2010. From 2005 until his March 2010 promotion, Mr. MacCulloch served as President, National Accounts for Lanier Clothes. From 1997 until 2005, Mr. MacCulloch served as Vice President, National Accounts for Lanier Clothes.

Mr. Knowlton J. O'Reilly is Group Vice President and has held that position since 2007. Mr. O'Reilly previously served as a Group Vice President of our company from 1978 until 2006. Mr. O'Reilly's previous employment with our company ended in June 2006 in connection with the sale of our Womenswear Group. From June 2006 until November 2007, Mr. O'Reilly served as Group Vice President of The Millwork Trading Co., Ltd., d/b/a Li & Fung USA, a subsidiary of Hong Kong-based consumer sourcing goods company Li & Fung Trading Limited and the purchaser of our Womenswear Group. Mr. O'Reilly also served as a member of our Board of Directors from 1987 to 2005.

Mr. Panayiotis P. Philippou is CEO, Ben Sherman Group (one of our operating groups), and has held that position since January 2010. Mr. Philippou joined our company in November 2009 as CEO-elect of Ben Sherman Group. From 2007 until September 2009, Mr. Philippou served as CEO of World Design & Trade Co. Ltd., a designer and wholesaler of branded men's and women's casual wear. From 1995 until 2007, Mr. Philippou was employed by

Diesel S.p.A., an Italian-based apparel design company, including as Managing Director of Diesel UK starting with that division's launch in 2003, and later as CEO of Diesel S.p.A.'s North American operations.

Mr. Terry R. Pillow is CEO, Tommy Bahama Group (one of our operating groups), and has held that position since 2008. Prior to joining our company, from 2005 to 2006, Mr. Pillow served at Polo Ralph Lauren Corporation as President & Chief Executive Officer, Ralph Lauren Footwear. From 1999 to 2005, Mr. Pillow was Executive Vice President for Reebok International Limited, where he served as President & Chief Executive Officer of Ralph Lauren Footwear from 2001 to 2005.

Mr. Scott D. Sennett is President, Oxford Apparel Group (one of our operating groups), and has held this position since March 2010. From August 2009 to March 2010, Mr. Sennett served as Executive Vice President, Oxford Apparel Group. Prior to joining our company in August 2009, Mr. Sennett was Executive Vice President of Sales and Marketing at StyleMark, Inc., the world's largest diversified accessories and eyewear company, starting in 2008. Mr. Sennett's employment with StyleMark, Inc. began when it acquired Motive Eyewear, Inc., a designer and supplier of sunglasses, reading glasses, and optical frames primarily in the United States and Canada, where Mr. Sennett had served as Executive Vice President and General Manager starting in 2004.

In addition, the following individuals served as executive officers of our company during all or a significant portion of fiscal 2009.

Mr. Miles H. Gray served as CEO, Ben Sherman Group, from our acquisition of Ben Sherman Limited in 2004 until his retirement in January 2010. Prior to joining our company, Mr. Gray had been the CEO of Ben Sherman Limited since 2000. From 1997 to 2000, Mr. Gray was Ben Sherman's European Sales & Marketing Director.

Mr. James F. Tuman III served as President, Lanier Clothes, from 2005 until his retirement from that position in March 2010. From 1994 to 2005, Mr. Tuman served as Group Manager and Vice President-Manufacturing of Lanier Clothes.

EXECUTIVE COMPENSATION

Fiscal Years

We refer in this section of our proxy statement to "fiscal 2008," which is the 52 week period which commenced on February 3, 2008 and ended on January 31, 2009; "fiscal 2009," which is the 52 week period which commenced on February 1, 2009 and ended on January 30, 2010; and "fiscal 2010," which is the 52 week period which commenced on January 31, 2010 and will end on January 29, 2011.

On October 8, 2007, our Board of Directors approved a change to our fiscal year end. Effective with our fiscal year which commenced on June 2, 2007, our fiscal year ends at the end of the Saturday closest to January 31 and will, in each case, begin at the beginning of the day next following the last day of the preceding fiscal year. Accordingly, there was an eight month transition period from June 2, 2007 through February 2, 2008, which we refer to as our "eight month transition period ended February 2, 2008." Because our eight month transition period ended February 2, 2008 represents an eight month period, compensation amounts disclosed with respect to the eight month transition period are not directly comparable to amounts presented for fiscal 2008 and fiscal 2009.

Named Executive Officers for Fiscal 2009

Under the rules of the SEC, we are required to disclose compensation and related information relating to our principal executive officer, our principal financial officer, our three most highly compensated executive officers other than the principal executive officer and principal financial officer who were serving as executive officers at the end of fiscal 2009 and up to two additional individuals for whom disclosure would have been provided pursuant to the

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preceding but for the fact that the individual was not serving as an executive officer at the end of fiscal 2009. We have determined under these rules that our "named executive officers" for fiscal 2009 are as follows:

- Mr. J. Hicks Lanier, our Chairman and Chief Executive Officer (who is our principal executive officer);
- Mr. K. Scott Grassmyer, our Senior Vice President, Chief Financial Officer and Controller (who is our principal financial officer);
- Mr. Thomas C. Chubb III, our President;
- Mr. Terry R. Pillow, CEO, Tommy Bahama Group;
- Mr. Knowlton J. O'Reilly, our Group Vice President; and
- Mr. Miles H. Gray, who formerly served as CEO, Ben Sherman Group (but was not serving as an executive officer at the end of fiscal 2009).

Because Messrs. Pillow and O'Reilly were not named executive officers for our eight month transition period ended February 2, 2008, compensation information for these individuals for our eight month transition period ended February 2, 2008 is not included in this proxy statement.

In addition, compensation paid to Mr. Gray is denominated in pounds sterling. In this proxy statement, compensation paid to Mr. Gray has been restated to U.S. dollars based on (a) an exchange rate of pounds sterling 1.00 = U.S.$1.57 for amounts paid to Mr. Gray during or in respect of fiscal 2009, (b) an exchange rate of pounds sterling 1.00 = U.S.$1.81 for amounts paid to Mr. Gray during or in respect of fiscal 2008, and (c) an exchange rate of pounds sterling 1.00 = U.S.$2.02 for amounts paid to Mr. Gray during or in respect of our eight month transition period ended February 2, 2008. In each case, the exchange rate used to restate compensation paid to Mr. Gray represents the average month-end exchange rate during the applicable fiscal period that was used for financial reporting purposes.

Compensation Discussion and Analysis

Significant Actions during Fiscal 2009

In light of the considerable deterioration in the economic environment, we took certain actions in response to the challenging business conditions faced by our company during fiscal 2009. These actions included the following:

- None of our named executive officers received a salary increase for fiscal 2009 other than Mr. Chubb, who received an increase in his base salary in connection with his promotion to the position of President;
- In March 2009, at the request of Mr. Lanier, our NC&G Committee (which we refer to in this section of the proxy statement as our "compensation committee") approved a 40% reduction in the base salary paid to Mr. Lanier;
- In March 2009, Mr. Lanier, Mr. Grassmyer and Mr. Chubb each voluntarily declined cash incentive awards that he would have otherwise received in respect of fiscal 2008 and, with the approval of our compensation committee, no such incentive awards were paid to Mr. Lanier, Mr. Grassmyer or Mr. Chubb;

In respect of fiscal 2009, our compensation committee suspended our annual cash incentive program for our named executive officers under our Executive Performance Incentive Plan (which we refer to as the "EPIP");

In June 2009, after considering the significant reductions in cash compensation opportunities for our named executive officers for fiscal 2009 and in order to incent retention of key members of management and sufficiently align the interests of our shareholders and management, our compensation committee approved restricted stock grants to certain of our named executive officers that were greater than the number of shares granted to them in prior fiscal years;

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Effective July 1, 2009, we temporarily suspended the matching contributions we would have paid under our Retirement Savings Plan (company matching contributions were reinstituted for calendar year 2010 but at a lower rate than previously in effect); and

For calendar year 2010, we reduced the rate of company matching contributions under our Deferred Compensation Plan.

The following table summarizes the total cash compensation (base salary and cash incentive awards) paid to each of our named executive officers for fiscal 2009 in comparison to fiscal 2008, including the percentage change in the total cash compensation paid to these individuals between such fiscal years, as a result of these actions.

Name	Fiscal 2008 Base Salary ($)	Fiscal 2008 Cash Incentive ($)(1)	Fiscal 2008 Total Cash Compensation ($)	Fiscal 2009 Base Salary ($)	Fiscal 2009 Cash Incentive ($)	Fiscal 2009 Total Cash Compensation ($)	Percentage Change between Fiscal 2008 and Fiscal 2009 (%)
J. Hicks Lanier	832,000		832,000	500,000	N/A	500,000	(39.9)
K. Scott Grassmyer	265,000		265,000	265,000	N/A	265,000	0
Thomas C. Chubb III	405,000		405,000	465,289	N/A	465,289	14.9
Terry R. Pillow(2)	663,157	493,151	1,156,308	750,000	N/A	750,000	(35.1)
Knowlton J. O'Reilly	500,000	258,497	758,497	500,000	N/A	500,000	(34.1)
Miles Gray(3)	457,025		457,025	400,350	N/A	400,350	(12.4)

(1) Based on our company's performance during fiscal 2008, each of Mr. Lanier, Mr. Grassmyer and Mr. Chubb would have been entitled to receive a cash incentive award under the terms of the cash incentive program initially approved by our compensation committee for fiscal 2008. However, each of Messrs. Lanier, Grassmyer and Chubb voluntarily declined his respective incentive award in respect of fiscal 2008 and, as a result, no cash incentives were paid under our EPIP to these individuals in respect of fiscal 2008.

(2) Mr. Pillow was hired by our company in March 2008. The amount set forth in the table above under the heading "Fiscal 2008 Base Salary" is the actual amount earned by Mr. Pillow in respect of fiscal 2008 (based on an annualized base salary of $750,000). In connection with Mr. Pillow's employment by our company, Mr. Pillow was guaranteed a cash incentive award, solely with respect to fiscal 2008. The amount set forth in the table above under the heading "Fiscal 2008 Cash Incentive" reflects the amount actually paid to Mr. Pillow in respect of his guaranteed incentive award.

(3) Mr. Gray's base salary for each of fiscal 2008 and fiscal 2009 was £250,000. In addition, the amounts set forth with respect to compensation paid to Mr. Gray for fiscal 2009 exclude amounts paid to him pursuant to a separation agreement entered into between Ben Sherman Limited and Mr. Gray in connection with Mr. Gray's retirement in January 2010, as described below under, " *Other Significant Actions during Fiscal 2009 Mr. Gray's Retirement*."

Significant Actions for Fiscal 2010

Consistent with cost containment and reduction efforts undertaken by our company in the face of continuing adverse economic conditions, we have taken various steps in fiscal 2010 related to compensation for our named executive officers, including the following:

In March 2010, our compensation committee approved increases in base salary for only two of our named executive officers, Mr. Grassmyer and Mr. Chubb, based, in part, on its determination that the base salaries paid to each of these individuals during fiscal 2009 was materially below the median base salary paid to similarly situated individuals in our industry with comparable responsibilities;

In March 2010, at Mr. Lanier's insistence, our compensation committee approved no change in the base salary payable to Mr. Lanier for fiscal 2010 despite its belief that Mr. Lanier's leadership and accomplishments during fiscal 2009 more than merited a reinstatement of his base salary at a level commensurate with chief executives

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at comparator companies (as described below under " *Base Salaries for Fiscal 2010 Chief Executive Officer's Review and Base Salary*");

In respect of fiscal 2010, our compensation committee reinstated our annual cash incentive program under our EPIP for our named executive officers but approved performance goals under the incentive program based exclusively on the performance of our company or applicable operating group (unlike during recent fiscal years prior to fiscal 2009, where the compensation committee expressly approved awards that included incentive compensation opportunities based on the individual performance of our named executive officers);

In light of the size of equity awards to certain of our named executive officers during fiscal 2009, our compensation committee has not made any equity awards to our named executive officers for fiscal 2010;

As noted above under " *Significant Actions during Fiscal 2009,*" we reinstated company matching contributions payable under our Retirement Savings Plan for calendar year 2010 but at a lower rate than had been in effect during the first half of calendar year 2009; and

As noted above under " *Significant Actions during Fiscal 2009,*" for calendar year 2010, we reduced the rate of company matching contributions under our Deferred Compensation Plan.

Compensation Philosophy and Objectives

Our executive compensation programs are designed to:

maintain a strong link between pay and performance for compensation paid to our executive officers (generally through the use of both cash incentive awards conditioned on company or operating group performance and stock based awards that fluctuate in value based on the price of our common stock);

align our executive officers' interests with those of our shareholders by creating a strong focus on stock ownership; and

ensure that we are able to attract and retain exceptionally talented individuals who can deliver outstanding business performance relative to our competitors.

Prior to fiscal 2009, our compensation committee, in approving the compensation for our Chief Executive Officer, targeted total cash compensation at the median of the total cash compensation paid to chief executives at a comparison group of "comparator companies" (as further described below under " *Role of Executive Officers in Compensation Decisions; Benchmarking*"). For our other executive officers, we have historically targeted total cash compensation (base salary and cash incentive awards) between the median and 75th percentile of total cash compensation paid to similarly situated individuals in our industry with comparable responsibilities and experience of those individuals. While we target total cash compensation between the median and 75th percentile for these other executive officers, in establishing specific base salary amounts and cash incentive award target amounts payable to any individual executive officer, our compensation committee takes into consideration other factors, such as the specific individual's prior performance and accomplishment of significant business strategies, geographic distinctions, an individual's prior employment experience and compensation history, and other factors that may result in deviations from these target ranges.

In approving the amount of long-term equity compensation paid to our executive officers, our compensation committee reviews market data to understand trends and compensation practices among comparator companies (for example, typical vesting periods and/or types of equity grants). However, in establishing specific equity awards made to our executive officers, our compensation committee generally exercises its own judgment as to the number of shares necessary to accomplish the specific objectives of a particular award (for example, retention, alignment of the interests of our executive officers with our shareholders, rewarding individual performance and/or rewarding business performance).

Our compensation committee reviews all components of the compensation payable to our executive officers, including base salaries, cash incentive awards, and long-term equity incentive compensation.

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Role of Executive Officers in Compensation Decisions; Benchmarking

To assist our compensation committee, the agenda for each meeting of the committee is prepared by our compensation committee in consultation with our senior management, as appropriate. Our senior management, in particular our General Counsel and our Senior Vice President-Human Resources, is responsible for providing appropriate agenda materials for our compensation committee's review and consideration. Our Chief Executive Officer, President, Chief Financial Officer, General Counsel and Senior Vice President-Human Resources regularly attend meetings of our compensation committee, excluding portions of meetings during which the committee may request to meet without one or more of such officers present.

With the oversight of our compensation committee and Chief Executive Officer, our President and our Senior Vice President-Human Resources are tasked with reviewing and summarizing executive compensation at comparator companies, analyzing trends in executive compensation, reviewing with our compensation committee summary data (obtained from survey data and proxy data) relating to the range(s) of compensation for chief executive officers at comparator companies, and making preliminary recommendations on executive officer compensation (other than the compensation of our Chief Executive Officer) to our Chief Executive Officer. Our Chief Executive Officer reviews the materials relating to compensation of these other executive officers and makes recommendations to our compensation committee annually. In making his recommendations to our compensation committee, our Chief Executive Officer considers various factors, including an individual's performance with our company, achievement of strategic business objectives, compensation history and similar factors. Our compensation committee considers our Chief Executive Officer's recommendations with respect to the compensation paid to other executive officers in approving the components of those officers' compensation.

To assist our compensation committee with establishing company and operating group performance goals for performance based compensation, when applicable, and in making determinations that relate to our or an operating group's satisfaction of applicable performance criteria, our Chief Financial Officer provides our compensation committee with requested information relating to our budgeted plans for future periods and to our historical financial performance, including providing certifications as to actual performance relative to established performance measures. Our compensation committee considers our Chief Financial Officer's information and certifications in establishing performance measures and in determining whether we have, or the applicable operating group has, met or exceeded the applicable performance measure.

Compensation surveys that we used to obtain a general understanding of compensation practices and trends when making compensation recommendations and decisions for our named executive officers for fiscal 2009 and fiscal 2010 are the Towers Watson Top Management 2009/2010 Survey (consisting of surveys for Atlanta, Georgia-based companies and, where applicable to a particular executive officer, New York / New Jersey-based companies, for companies in the apparel and accessories industry and for companies with annual revenues between $500 million and $1.5 billion); Towers Watson 2009/2010 UK Compensation Survey; Salary.com's Apparel and Footwear 2009/2010 Industry Survey; Mercer's 2009/2010 Apparel Industry Survey; and Equilar, Inc. 2009/2010 Top 25 Survey.

In addition, we review the compensation levels and reward practices, as disclosed in proxy statements, of companies we consider to be comparator companies for benchmarking purposes. To access compensation information for comparator companies, we use Equilar, Inc.'s database. The following publicly-traded companies, representing a mix of Georgia-based companies, apparel marketing companies and retailers (including certain department stores that

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are also our customers), constituted our comparator group in connection with compensation evaluations for fiscal 2009:

Aaron Rents, Inc.	Genuine Parts Company	Quiksilver, Inc.
Acuity Brands, Inc.	Georgia Gulf Corporation	Rock-Tenn Company
AGL Resources Inc.	Graphic Packaging Corporation	Rollins, Inc.
AnnTaylor Stores Corporation	Guess?, Inc.	Roper Industries, Inc.
Caraustar Industries, Inc.	Hartmarx Corporation	Saks Incorporated
Carter's, Inc.	Haverty Furniture Companies, Inc.	SunTrust Banks, Inc.
Charming Shoppes, Inc.	Interface, Inc.	Synovus Financial Corp.
Chico's FAS, Inc.	Jones Apparel Group, Inc.	The Talbots, Inc.
Coldwater Creek Inc.	Kenneth Cole Productions, Inc.	The Timberland Company
Columbia Sportswear Company	Liz Claiborne, Inc.	The Warnaco Group, Inc.
Crawford & Company	Mirant Corporation	Total System Services, Inc.
Equifax Inc.	Nordstrom, Inc.	V. F. Corporation
Exide Technologies	Perry Ellis International, Inc.	
Flowers Foods, Inc.	Phillips-Van Heusen Corporation	

For fiscal 2010 compensation evaluations, we reviewed compensation data from the following comparator companies:

Aaron Rents, Inc.	Interface, Inc.	Rollins, Inc.
Caraustar Industries, Inc.	Jones Apparel Group, Inc.	The Warnaco Group, Inc.
Carter's, Inc.	Liz Claiborne, Inc.	Total System Services, Inc.
Columbia Sportswear Company	Perry Ellis International, Inc.	V. F. Corporation
Crawford & Company	Phillips-Van Heusen Corporation	
Haverty Furniture Companies, Inc.	Polo Ralph Lauren Corporation	

Elements of Executive Officer Compensation

Total compensation for our named executive officers has traditionally consisted of the following components:

Compensation Component	Overview	Specifics and Purpose
Base Salary	Base salary provides a fixed amount of cash compensation to our named executive officers.	Providing base salary competitive with comparator companies allows our company to attract and retain qualified executives and to compensate them for performing basic job responsibilities. The base salaries of our named executive officers are reviewed annually, typically in the first quarter of each fiscal year, with increases made effective prospectively. Modifications to base salary are generally based on an individual's specific job level, responsibilities and performance relative to comparator group data. Merit-based salary increases encourage our named executive officers to achieve short- and long-term corporate goals that further shareholder interests.

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Compensation Component	Overview	Specifics and Purpose
Short-Term/Annual Incentive Compensation	Cash incentive awards provide our named executive officers with variable cash compensation opportunities based on company, operating group and/or individual performance.	We have historically provided our named executive officers with the opportunity to receive cash incentives based on performance awards granted under the EPIP. The EPIP is used, among other things, to attract and retain qualified executives; align the compensation paid to our executive officers with our company's performance; motivate our executive officers to work to achieve and exceed specific company performance goals; and facilitate the treatment of elements of compensation as performance-based compensation under the Internal Revenue Code. Our compensation committee typically establishes target levels of company or operating group performance and individual incentive amounts (expressed as a percentage of base salary) for the fiscal year during the first quarter of that fiscal year. Target incentive award levels for our executive officers generally increase as an officer's responsibilities within our organization increase.
Long-Term Equity Compensation (Restricted Stock Grants)	Long-term equity incentive compensation awards incent key members of our management to remain with our company and further align the interests of our shareholders and management.	From time to time, our compensation committee has granted our named executive officers equity awards, either service-based or performance-based, under our Long-Term Stock Incentive Plan (which we refer to as the "LTIP"). In June 2009, our compensation committee awarded service-based (time-based) restricted stock grants to certain of our named executive officers. These restricted shares were scheduled to vest on April 30, 2013, subject to the condition that the participant continues to be employed with our company through the vesting date. Restricted stock grants further align the interests of our named executive officers with those of our shareholders by rewarding increases in stock price.

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Compensation Component	Overview	Specifics and Purpose
Cash Retention Compensation (Ben Sherman Group Cash Retention Plan)	Cash compensation payable only upon satisfaction of service-based (time-based) vesting facilitates our retention of executives in our Ben Sherman Group.	The purpose of the Ben Sherman Group Long Term Incentive Plan (which we refer to as the "BSG Retention Plan") is to retain qualified executives of our Ben Sherman Group by providing a cash retention award to individuals who contribute materially to the growth, development and business success of that operating group. Participation in the BSG Retention Plan is limited, and awards may be made from time to time in order to attract talented individuals to our Ben Sherman Group and retain existing members of management of our Ben Sherman Group. In October 2007, we granted an award to Mr. Gray under the BSG Retention Plan that would have paid him £250,000 on September 30, 2010, generally subject to Mr. Gray's continued employment with our Ben Sherman Group through such vesting date.
Other Benefit Plan Participation Opportunities	Our named executive officers based in the United States are generally eligible to participate in our Employee Stock Purchase Plan, Retirement Savings Plan, Non-Qualified Deferred Compensation Plan, executive medical plan and other health, life insurance and disability benefit plans made available to our U.S.-based employees (with certain limited distinctions). Prior to his retirement effective January 30, 2010, Mr. Gray, as a U.K.-based executive officer, was eligible to participate in our Ben Sherman Group Personal Pension Plan, our Ben Sherman private medical insurance plan, our Ben Sherman Income Protection Plan and our Ben Sherman Death-in-Service Plan.	These benefit plans are designed to attract and retain key employees by providing benefits competitive with those generally available at comparator companies.
Perquisites	From time to time, our named executive officers receive discounts on merchandise purchased directly from our distribution centers or in our retail stores, as well as complimentary meals at our Tommy Bahama restaurants or allowances for apparel merchandise.	These perquisites are designed to attract and retain key employees by providing perquisites that are common practice within our industry.

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In approving the total compensation paid to our named executive officers, our compensation committee does not expressly allocate a specified percentage of total compensation to base salary, short-term incentive compensation, long-term cash retention compensation and/or long-term equity compensation. However, our compensation committee considers the total cash compensation that would become payable to that officer in comparison to the total cash compensation ranges that are developed at the direction of our compensation committee and our Chief Executive Officer based on market surveys (as further described above under " *Role of Executive Officers in Compensation Decisions; Benchmarking*").

Other Significant Actions during Fiscal 2009

Mr. Chubb's Promotion. In June 2009, our Board of Directors promoted Mr. Chubb from his position as our Executive Vice President to the position of President. As a result of his promotion, Mr. Chubb took on additional executive-level responsibilities, including strategic oversight of our Ben Sherman Group. Notwithstanding our compensation committee's commitment to limit increases in cash compensation opportunities for our named executive officers in light of the challenging business conditions faced by our company, Mr. Lanier recommended, and our compensation committee approved, an increase in Mr. Chubb's annual base salary from $405,000 to $500,000. At the time Mr. Chubb's base salary was increased, our compensation committee noted that it would have been inappropriate not to reward a promotion of this nature with an increase in base salary and that the appropriate annual base salary for Mr. Chubb for the remainder of fiscal 2009 was to match the annual base salary payable to Mr. Lanier for fiscal 2009.

Mr. O'Reilly's Anticipated Retirement. During fiscal 2009, with the full support of Mr. O'Reilly, Mr. Scott D. Sennett was hired by our company to succeed Mr. O'Reilly in overseeing the operations of our Oxford Apparel Group. Although Mr. O'Reilly continues to be employed by our company, supervisory responsibilities with respect to our Oxford Apparel Group were turned over to Mr. Sennett in March 2010. At a meeting of our compensation committee held in January 2010, our compensation committee recognized Mr. O'Reilly's decades of service to our company in various managerial capacities and determined that in anticipation of Mr. O'Reilly's expected retirement during 2010 and accompanying transfer of responsibilities overseeing the Company's Oxford Apparel Group to his successor, it was appropriate to accelerate the vesting periods for two restricted stock grants previously made to Mr. O'Reilly. The restricted stock grants that were accelerated consisted of 25,000 shares granted to Mr. O'Reilly in March 2008, which was originally scheduled to vest in March 2011, and 37,500 shares granted to Mr. O'Reilly in June 2009, which was originally scheduled to vest in April 2013.

Mr. Gray's Retirement. In 2009, Mr. Gray met with Messrs. Lanier and Chubb and indicated his intention to retire during 2010. In connection with his anticipated retirement, we retained an executive search firm to identify potential successors to Mr. Gray. At the time, it was expected that identification and integration of a successor to Mr. Gray would extend well into 2010, and Mr. Gray stated that his loyalty to our Ben Sherman Group would keep him with that operating group until his successor was fully prepared to take over supervisory responsibilities of that operating group. In part due to the efforts of Mr. Gray, Mr. Panayiotis P. Philippou, formerly a senior executive at Diesel S.P.A., an Italian-based apparel design company selling men's and women's branded casual wear, was identified and ultimately employed by our Ben Sherman Group as CEO starting in January 2010. As a result of the timely identification of Mr. Philippou as Mr. Gray's successor and Mr. Philippou's quick integration into our organization, Mr. Gray concluded that he could retire and hand over supervisory responsibilities with respect to our Ben Sherman Group earlier than was initially anticipated. In connection with his retirement, we felt it was appropriate that Mr. Gray not be penalized for his successful work in transitioning responsibilities to Mr. Philippou and entered into a separation agreement with Mr. Gray that paid to him in respect of his termination of employment an amount that represented the base salary, car allowance, pension benefit and long-term cash retention payment he otherwise would have received had he continued to be employed by our Ben Sherman Group through September 2010.

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Base Salary

Our compensation committee utilizes base salaries to provide a fixed amount of compensation to our named executive officers for the performance of their duties.

All of the positions within our corporate headquarters are assigned a job level based on the requirements and responsibilities of the position. At the direction of our compensation committee and our Chief Executive Officer, our Corporate Human Resources Department reviews published market surveys of compensation of similarly positioned employees (within our industry and within our geographic locations) in order to obtain a general understanding of compensation practices and develop salary ranges for each of these job levels (other than for our Chief Executive Officer). These published surveys include industry specific reports from Mercer HR Consulting, Salary.com, and Towers Watson (as described above under " *Role of Executive Officers in Compensation Decisions; Benchmarking*"). Our Chief Executive Officer, together with other members of our senior management, reviews and approves the salary ranges that are developed by our Corporate Human Resources Department for each of our executive officers. For those positions where we have not established a specific salary range, our Corporate Human Resources Department provides our Chief Executive Officer and President with compensation information derived from the same published surveys used in developing our salary ranges.

Base salaries of our named executive officers are reviewed on an annual basis. Our Chief Executive Officer recommends the salaries of all of our executive officers (other than our Chief Executive Officer) to our compensation committee based on his review of each individual's performance and contributions to the business. Salary recommendations are based on an executive officer's individual performance, the assumption of greater responsibilities and the accomplishment of significant business strategies, as well as the relationship of the individual's current salary to market comparisons.

Our compensation committee determines the salary of our Chief Executive Officer and reviews and approves (with or without modification) the recommended salaries of all of our other executive officers. In evaluating and determining the salary of our Chief Executive Officer, our compensation committee generally considers our performance and our Chief Executive Officer's performance during the preceding fiscal year and the salaries of chief executive officers at comparator companies. While our compensation committee has not established a formal policy regarding the evaluation of the base salaries of our executive officers relative to executive officers at comparator companies or within our company, it does evaluate the relative position of the base salary internally to comparable positions and/or to the market to ensure fairness based on individual performance and the importance and complexity of each executive officer's position.

Base Salaries for Fiscal 2009

Chief Executive Officer's Base Salary. In March 2009, our compensation committee reviewed Mr. Lanier's performance during fiscal 2008. Despite Mr. Lanier's effective leadership in the face of challenging business conditions and recent successes in transitioning our company from our historical domestic manufacturing roots towards a lifestyle branded apparel company, our compensation committee approved a 40% reduction in Mr. Lanier's annual base salary from $832,000 to $500,000. The reduction in base salary was proposed by Mr. Lanier as part of our overall initiative to reduce costs in response to the difficult economic environment. At Mr. Lanier's request, the reduction in annual base salary was made retroactive to the beginning of fiscal 2009 and, as a result, the rate of payment of Mr. Lanier's base salary for the remainder of fiscal 2009 was reduced to an amount which would bring Mr. Lanier's total base salary for fiscal 2009 to $500,000.

Base Salaries of our Other Named Executive Officers. In connection with our annual compensation review in March 2009, Mr. Lanier recommended to our compensation committee that there be no increase in base salary for any of our other named executive officers for fiscal 2009. Mr. Lanier believed this recommendation was consistent with our company's overall initiative to contain or reduce costs in response to the difficult economic environment. After

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consideration, our compensation committee approved the recommendation, and none of our named executive officers was given a base salary increase for fiscal 2009.

As noted above under " *Significant Actions during Fiscal 2009 Mr. Chubb's Promotion*," subsequent to our annual compensation review, Mr. Chubb received an increase in his annual base salary from $405,000 to $500,000 in connection with his promotion to President.

The actual base salaries paid to each of our named executive officers for fiscal 2009 are set forth under the column heading "Salary" in the table below under " *Compensation Tables Summary Compensation Table for Fiscal 2009.*"

Base Salaries for Fiscal 2010

Chief Executive Officer's Review and Base Salary. In March 2010, our compensation committee evaluated Mr. Lanier's performance during fiscal 2009, including in particular Mr. Lanier's oversight and leadership in the face of challenging economic conditions. As part of its review, our compensation committee noted the following significant achievements by our company during fiscal 2009 that were attributable to Mr. Lanier's leadership:

- the successful consummation of a $150 million senior secured notes issuance in June 2009, which facilitated our satisfaction and discharge of $166.8 million of outstanding senior notes, despite tremendous turbulence in the capital markets throughout 2009;

- our company exceeding by more than $13 million its initially stated objective to reduce selling, general and administrative (SG&A) expenses during fiscal 2009 by $40 million (relative to SG&A expenses during fiscal 2008);

- our company reducing the level of our inventories on our balance sheet by more than 35% at the end of fiscal 2009 (relative to the end of fiscal 2008), which was consistent with our initially stated plan to mitigate risks to our company from excessive inventory levels;

- our company achieving increased gross margins of 41.7% of net sales, on a consolidated basis, in fiscal 2009 compared to gross margins of 40.9% of net sales, on a consolidated basis, in fiscal 2008, which reflected our company's objective to avoid becoming overly promotional like many apparel companies;

- the improvements in operating profitability in our Oxford Apparel and Lanier Clothes operating groups, even taking into account adjustments for unusual charges during fiscal 2008, which reflected the successful restructuring efforts that Mr. Lanier oversaw in those operating groups; and

- significant leadership succession planning and execution, including the recruitment and hiring of new business unit leaders for our Oxford Apparel Group and our Ben Sherman Group in anticipation of the retirements of the respective heads of those two groups, as well as the promotion of Mr. Chubb to President of our company.

In light of Mr. Lanier's accomplishments during fiscal 2009, our compensation committee believed it would be appropriate to reinstate Mr. Lanier's base salary at a level commensurate with chief executives at comparator companies. Our compensation committee noted that according to a Salary.com Apparel & Footwear 2009/2010 Survey of apparel companies with revenues between $500 million and $1.5 billion, median chief executive base salary was $850,000, and according to a Towers Watson Top Management 2009/2010 Survey of retail and wholesale apparel companies, median chief executive base salary was $1,000,000. Despite our compensation committee's belief that Mr. Lanier's performance during fiscal 2009 merited a significant reward that would align his base salary with that paid to chief executives at comparator companies and be more comparable to his base salary in previous years, at Mr. Lanier's insistence, our compensation committee approved no change in Mr. Lanier's annual base salary of $500,000 for fiscal 2010.

Base Salaries for our Other Named Executive Officers. In recommending the base salaries of each of our other named executive officers, Mr. Lanier (in collaboration with our Corporate Human Resources Department and, other than with respect to his own salary, our President), evaluated the compensation paid to such officers in the context of

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the individual's job level, the salary range developed by our Corporate Human Resources Department for the applicable job level based on applicable survey data, the individual's responsibility within the organization as a whole and the individual's personal performance during fiscal 2009. In light of the efforts put forth by each of Mr. Grassmyer and Mr. Chubb during fiscal 2009, including their efforts in our consummation of a $150 million senior secured notes issuance in June 2009, leading cost-cutting efforts within the organization, the assumption of greater responsibilities by each of these individuals during fiscal 2009, in particular Mr. Chubb's assumption of oversight responsibilities of certain of our operating groups, and their existing base salaries relative to market data, Mr. Lanier recommended, and our compensation committee approved, a 2.8% and 10% increase in base salary (to $272,500 and $550,000) for each of Mr. Grassmyer and Mr. Chubb, respectively, effective April 1, 2010.

Mr. Pillow's annual base salary of $750,000 was established in connection with his initial employment with our company during fiscal 2008. In making a recommendation to our compensation committee with respect to Mr. Pillow's base salary for fiscal 2010, Mr. Lanier noted Mr. Pillow's successful transition to our company and his leadership of our Tommy Bahama Group during the challenging economic conditions of fiscal 2009, as well as his assessment that Mr. Pillow's base salary was consistent with, or above, that paid to similarly situated executives with his level of responsibility. As a result, although Mr. Lanier believed that Mr. Pillow's efforts merited an increase in his base salary, after consultation with Mr. Pillow and Mr. Pillow's support of not receiving an increase in his base salary for fiscal 2010, Mr. Lanier recommended, and our compensation committee approved, no change in Mr. Pillow's base salary for fiscal 2010.

In making a recommendation to our compensation committee with respect to Mr. O'Reilly's base salary, Mr. Lanier reviewed Mr. O'Reilly's performance during fiscal 2009 and noted Mr. O'Reilly's tremendous work in streamlining our Oxford Apparel Group's operations and turning around the operating results of that business. However, in recognition of Mr. O'Reilly's expected retirement during fiscal 2010 and our compensation committee's acceleration of the vesting date for 62,500 shares of restricted stock granted to Mr. O'Reilly during fiscal 2008 and fiscal 2009, following consultation with Mr. O'Reilly and Mr. O'Reilly's support of not receiving an increase in his base salary for fiscal 2010, Mr. Lanier recommended, and our compensation committee approved, no change in Mr. O'Reilly's base salary for fiscal 2010.

Short-Term Incentive Compensation

Our compensation committee utilizes cash incentive awards under the EPIP to provide our named executive officers with variable cash compensation opportunities based on company, operating group and/or individual performance.

Fiscal 2009 Incentives. For fiscal 2009, our management recommended, and our compensation committee approved, the suspension of our EPIP cash incentive program for our named executive officers. The decision to suspend the cash incentive program was part of our company's overall initiative to reduce costs in light of the challenging economic conditions faced by our company. The decision also reflected the inherent difficulty the economic conditions presented with respect to establishing meaningful performance targets that serve the best interests of our shareholders.

The suspension of the EPIP cash incentive program represented a significant deviation from our company's historical compensation practices, which generally provided a named executive officer with an opportunity to earn significant cash compensation for achieving pre-established company or operating group performance targets.

Fiscal 2010 Incentives. For fiscal 2010, our compensation committee reinstated the cash incentive program for our named executive officers. In fiscal years prior to fiscal 2009, our compensation committee established the EPIP cash incentive program to provide for a formula-based cash incentive element (based exclusively on company- or operating group-performance) and an individual performance cash incentive element (which was tied to both the achievement of the applicable company- or operating group-performance targets and the satisfaction of individual performance goals), with our compensation committee retaining the discretion to increase or decrease an individual named executive officer's individual performance cash incentive award within prescribed parameters.

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In March 2010, our compensation committee approved target awards and set performance goals under the incentive program based exclusively on the performance of our company or applicable operating group during fiscal 2010. The committee believed that more closely linking the cash incentive award to the objective performance of our company and its operating groups was consistent with its goal to motivate our named executive officers to achieve and exceed company specific goals that contribute to the inherent value of our organization; however, in approving the target cash incentive awards, our compensation committee did retain "downward discretion" to reduce (but not to increase) the total cash incentive awards payable to any of our named executive officers.

Consistent with this objective, for those of our named executive officers currently expected to remain employed by our company for the duration of fiscal 2010, our compensation committee approved (1) performance measures based on return on net assets, as adjusted for specifically identified non-recurring or unusual items (RONA), and profit before taxes, as adjusted for specifically identified non-recurring or unusual items (PBT), of our company and/or each of our operating groups, and (2) target and maximum award levels expressed as a percentage of each of the named executive officers' base salary for fiscal 2010, as follows:

		Incentive Awards (as % of Base Salary)		
Name	**Performance Measure(s)**	**Threshold**	**Target**	**Maximum**
J. Hicks Lanier	10% based on RONA of Lanier Clothes Group 20% based on RONA of Oxford Apparel Group 40% based on RONA of Tommy Bahama Group 10% based on RONA of Ben Sherman Group 20% based on RONA of our company	0.0	105.0	157.5
K. Scott Grassmyer	10% based on RONA of Lanier Clothes Group 20% based on RONA of Oxford Apparel Group 40% based on RONA of Tommy Bahama Group 10% based on RONA of Ben Sherman Group 20% based on RONA of our company	0.0	45.0	67.5
Thomas C. Chubb III	10% based on RONA of Lanier Clothes Group 20% based on RONA of Oxford Apparel Group 40% based on RONA of Tommy Bahama Group 10% based on RONA of Ben Sherman Group 20% based on RONA of our company	0.0	55.0	82.5
Terry R. Pillow	100% based on PBT of Tommy Bahama Group	0.0	60.0	100.0

For cash incentive awards that may become payable to Mr. Lanier, Mr. Grassmyer and/or Mr. Chubb, each performance measure component is determinable independent of the other components. For example, if our Lanier Clothes Group (which comprises 10% of those named executive officers' total bonus opportunity) was to equal or exceed the maximum RONA performance measure applicable for fiscal 2010, but none of our other operating groups or our company as a whole were to satisfy the applicable threshold performance measure, each of Messrs. Lanier, Grassmyer and Chubb would be entitled to receive a cash incentive award equal to 15% (or 150% of the portion allocated to our Lanier Clothes Group) of his target cash incentive award opportunity. So, based on these assumptions, Mr. Lanier would be entitled to receive 15.75% (or 15% of 105.0%) of his base salary as a cash incentive award, Mr. Grassmyer would be entitled to receive 6.75% (or 15% of 45.0%) of his base salary as a cash incentive award and Mr. Chubb would be entitled to receive 8.25% (or 15% of 55.0%) of his base salary as a cash incentive award.

For cash incentive awards that may become payable to Mr. Pillow, no incentive will become payable unless the applicable threshold PBT of our Tommy Bahama Group is satisfied.

For each of our named executive officers, cash incentive awards for company or operating group performance between the threshold and target performance measures or between the target and maximum performance measures will be interpolated on a straight-line basis relative to the threshold, target and maximum performance measures.

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In light of Mr. O'Reilly's anticipated retirement in 2010 and our compensation committee's acceleration of the vesting date for 62,500 shares of restricted stock granted to Mr. O'Reilly during fiscal 2008 and fiscal 2009, as described under " *Other Significant Actions during Fiscal 2009 Mr. O'Reilly's Anticipated Retirement*," our compensation committee decided not to include Mr. O'Reilly in the EPIP cash incentive program for fiscal 2010.

In establishing performance targets for cash incentive award opportunities for our named executive officers for fiscal 2010, our compensation committee took into consideration our budgeted plans for the fiscal year and our earnings guidance for fiscal 2010 (which were disclosed in our March 29, 2010 earnings press release). The performance measures established by our compensation committee at target for our company and each of our operating groups represent between approximately 85% and 110% of the returns necessary to achieve the earnings forecast in our earnings guidance for fiscal 2010. We believe the performance targets established by our compensation committee represent meaningful performance targets that serve the best interests of our shareholders.

In addition to EPIP awards, in its discretion, our compensation committee may, from time to time, approve cash bonuses based on subjective criteria and performance against individual objectives for the year and other economic factors.

Cash Compensation Mix. Our compensation committee generally increases target incentive award levels for our executive officers as an officer's responsibilities within our organization increase, thereby more heavily weighting the variable elements of cash compensation for our most senior executive officers who are more likely to have a strong and direct impact in achieving strategic and financial goals that are most likely to affect shareholder value. The following chart illustrates the total potential cash compensation for fiscal 2010 (which would become payable if our company and/or the applicable operating groups achieve maximum performance), expressed as dollars and broken out by percentage, that is variable and based on the satisfaction of objective performance measures for each of our named executive officers who is currently expected to remain employed by our company for the duration of fiscal 2010:

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Long-Term Equity Incentive Compensation

Our compensation committee utilizes stock-based incentive awards under the LTIP to incent our named executive officers to remain with our company and further align the interests of our named executive officers with those of our shareholders.

LTIP Awards for Fiscal 2009. In June 2009, our compensation committee considered the merits of a service-based restricted stock grant to our named executive officers with a significant vesting period. In light of the significant reductions in cash compensation opportunities for our named executive officers, our compensation committee carefully considered the number of shares of restricted stock to be granted to the named executive officers, including in comparison to the size of the restricted stock grants made in prior fiscal years. In order to achieve the goals of incenting these key members of management to remain with our company and sufficiently aligning the interests of our shareholders and management, our compensation committee determined that the number of shares granted to the named executive officers, as set forth in the table below, should be greater than the number of shares granted to them in prior fiscal years. In particular, our compensation committee noted that the challenging economic environment made it even more significant to our company to incent the retention of key executives we believed necessary to overcome the business challenges presented by the prevailing economic environment.

The grants approved by our compensation committee consisted of the following grants to our named executive officers:

Name	Shares of Restricted Stock
J. Hicks Lanier	0
K. Scott Grassmyer	20,000
Thomas C. Chubb III	50,000
Terry R. Pillow	75,000
Knowlton J. O'Reilly	37,500
Miles H. Gray	0

Consistent with his request that no shares be granted to him as part of our compensation committee's awards, no grants were made to Mr. Lanier. In addition, no shares were granted to Mr. Gray after consideration of the anticipated vesting of his long-term cash retention award in September 2010.

The shares of restricted stock were granted to our named executive officers with a vesting date of April 30, 2013. At the time our compensation committee approved the restricted stock grants noted above, our compensation committee noted that future grants of restricted stock to these named executive officers would be expected to consist of a significantly smaller number of shares than the number of shares set forth above and may be subject to the satisfaction of performance conditions. As noted above under " *Other Significant Actions during Fiscal 2009 Mr. O'Reilly's Anticipated Retirement*," the 37,500 shares of restricted stock granted to Mr. O'Reilly in June 2009 were vested on an accelerated basis in January 2010 by our compensation committee.

LTIP Awards for Fiscal 2010. Our compensation committee periodically reviews the successes of the compensation programs it has implemented. In evaluating whether to grant any equity awards to our named executive officers for fiscal 2010, our compensation committee considered the size, vesting date and purpose of awards granted to these individuals during fiscal 2009, as discussed above under " *LTIP Awards for Fiscal 2009.*" Consistent with our compensation committee's previous indications following its June 2009 grants of restricted stock awards, our compensation committee has not granted any equity awards to our named executive officers for fiscal 2010.

Ben Sherman Group Retention Plan

The purpose of the BSG Retention Plan is to retain highly-qualified executives of our Ben Sherman Group by providing a cash retention payment to individuals who may contribute materially to the growth, development and

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business success of that operating group. In connection with the adoption of the BSG Retention Plan in October 2007, Mr. Gray was awarded a cash retention award opportunity under the BSG Retention Plan. Pursuant to Mr. Gray's award, Mr. Gray was to receive a cash payment of £250,000 (which was equal to his annual base salary at the time of the award) generally if he remained continually employed by our Ben Sherman Group through September 30, 2010. Mr. Gray would forfeit this opportunity if his employment with our Ben Sherman Group was terminated at any time prior to September 30, 2010, if he gave notice of his intent to terminate his employment prior to September 30, 2010, if he was not in good standing as an employee on September 30, 2010, or if he materially breached any of his obligations to our Ben Sherman Group prior to September 30, 2010. As noted above under " *Other Significant Actions during Fiscal 2009 Mr. Gray's Retirement*," the amount of the award Mr. Gray would have received pursuant to his BSG Retention Plan was taken into consideration in determining the separation payment he received upon his retirement.

Other Benefit Plans

Employee Stock Purchase Plan. We have a tax-qualified Employee Stock Purchase Plan, which we refer to as the "ESPP," generally available to all eligible employees based in the United States, including our named executive officers other than Mr. Lanier, who is not permitted to participate because he owns more than 5% of our outstanding common stock. The ESPP allows participants to acquire shares of our common stock at a discounted price.

The ESPP consists of four purchase periods each calendar year. Pursuant to the ESPP, participants are allowed to make voluntary payroll deductions that accumulate in individual accounts beginning on the first day of each calendar quarter. At the end of each calendar quarter, the amount credited to each individual employee's account is applied to the purchase of our common stock at a price equal to 85% of the market price as of the close of business on the last day of the applicable calendar quarter. During fiscal 2009, Mr. Grassmyer participated in the ESPP.

Retirement Savings Plan. We provide retirement benefits to our eligible employees, including the named executive officers, who are based in the United States and have achieved a minimum of one year of service under the terms of our tax-qualified retirement savings plan (which we also refer to as our "401(k) plan"). Our 401(k) plan is intended to promote retirement savings by providing employees with an opportunity to save in a tax-efficient manner.

From January 1, 2009 through June 30, 2009, we made matching contributions of 100% of the first 3% of a participant's compensation that was deferred, and matched 50% of the next 2% of a participant's compensation that was deferred. In connection with our cost savings efforts during fiscal 2009, we suspended making matching contributions under the 401(k) plan for pay dates on or after July 1, 2009. Effective January 1, 2010, we amended our 401(k) plan to provide for matching contributions of 100% of the first 1% of a participant's compensation that is deferred, and matching contributions of 50% of the next 2% of a participant's compensation that is deferred.

Our company contributions under the 401(k) plan are subject to limitations prescribed by the Internal Revenue Code. Our company contributions to the 401(k) plan vest immediately. Our named executive officers are permitted to make contributions to the plan solely from pre-tax compensation. Our named executive officers participate in our 401(k) plan on the same terms as other "highly compensated employees" (determined under applicable Internal Revenue Service guidelines) of our company. During fiscal 2009, Messrs. Lanier, Grassmyer, O'Reilly and Chubb participated in our 401(k) plan. Company contributions for each named executive officer during fiscal 2009 under our 401(k) plan are included in the table below under " *Compensation Tables Summary Compensation Table for Fiscal 2009.*"

Non-Qualified Deferred Compensation Plan. We offer a Non-Qualified Deferred Compensation Plan, which we refer to as the "Deferred Compensation Plan," to certain highly compensated employees based in the United States, including the named executive officers. Under the Deferred Compensation Plan, a participant may defer up to 50% of base salary and up to 100% of an annual performance-based cash incentive award. The named executive officers participate in the Deferred Compensation Plan on the same terms as our other eligible, participating employees. During fiscal 2009, all of our named executive officers (other than Mr. Gray, who was not eligible) participated in the Deferred Compensation Plan.

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All deferral elections are irrevocable except in the case of a hardship. In respect of calendar year 2009, we made a contribution to each participant's account of (1) 4% of the amount that a participant's compensation during the calendar year exceeded the 401(k) compensation limit for the calendar year (which for calendar years 2009 and 2010 is $245,000), and (2) 4% of any compensation that is excluded from receiving a company match in the 401(k) plan due to participation in the Deferred Compensation Plan, provided in each case that the participant elects under the Deferred Compensation Plan to defer at least 1% of his or her base salary following enrollment in the Deferred Compensation Plan. Company contributions for each named executive officer during fiscal 2009 under our Deferred Compensation Plan are included in the table below under " *Compensation Tables Summary Compensation Table for Fiscal 2009.*" We amended the Deferred Compensation Plan effective January 1, 2010 so that for calendar year 2010, we will make a contribution to each participant's account of (1) 2% of the amount that a participant's compensation during the calendar year exceeded the 401(k) compensation limit for the calendar year, and (2) 2% of any compensation that is excluded from receiving a company match in the 401(k) plan due to participation in the Deferred Compensation Plan, provided in each case that the participant elects under the Deferred Compensation Plan to defer at least 1% of his or her base salary for calendar year 2010.

The Deferred Compensation Plan is intended to offer our highly compensated employees, including our eligible named executive officers, a tax-efficient method for accumulating retirement savings, as well as to provide an opportunity for our executives to accumulate savings in a tax-efficient manner for significant expenses while continuing in service. The Deferred Compensation Plan constitutes an unfunded, non-qualified deferred compensation plan, and participants' account balances are subject to the claims of our company's creditors. In the event that our company becomes insolvent, participants in the Deferred Compensation Plan would be unsecured general creditors with respect to their account balances, which we believe further aligns the interests of our participating named executive officers with the long-term interests of our shareholders.

Because none of our named executive officers received above-market rates of return under the Deferred Compensation Plan, earnings under the plan are not included in the table below under " *Compensation Tables Summary Compensation Table for Fiscal 2009.*" However, earnings and related activity under the Deferred Compensation Plan by our named executive officers during fiscal 2009 are described below under " *Compensation Tables Fiscal 2009 Non-Qualified Deferred Compensation.*"

Ben Sherman Group Personal Pension Plan. Our Ben Sherman Group has established a group personal pension plan (which we refer to as the "GPP"). The GPP is a defined contribution group personal pension plan that is tax registered with Her Majesty's Revenue and Customs (HMRC) under Part IV of the Finance Act 2004. Participation in the GPP is limited to management staff and certain other executives of our Ben Sherman Group who are resident in the United Kingdom. Under the terms of Mr. Gray's employment contract that was in effect until January 30, 2010, our Ben Sherman Group contributed an amount equal to 15% of Mr. Gray's base salary to a separately designated individual pension plan account held by Mr. Gray in the GPP (our Ben Sherman Group's contribution rate for Mr. Gray was greater than the usual contribution rate of 5% of base salary for participants in the GPP generally). Under the GPP, Mr. Gray will be eligible to receive annuity payments and/or a lump sum cash payment in accordance with his elections pursuant to his pension plan account and U.K. pension regulations following normal retirement (which is at age 65). Mr. Gray's retirement prior to normal retirement age has no effect on the amount of accrued benefits to Mr. Gray under the GPP, which remain vested.

Executive Medical Insurance Plans. Certain key employees based in the United States, including our named executive officers, are eligible to receive reimbursement of qualified medical expenses in an amount up to $100,000 per year with a limit of $10,000 per occurrence under an insurance contract we entered into effective January 1, 2007. Our executive medical insurance plan reimburses eligible executives for reasonable, medically necessary expenses that are not covered under a base medical plan. Our executive medical insurance also provides for a $100,000 accidental death and dismemberment benefit that will pay an eligible executive officer's beneficiary the lump sum amount in the event of death as a result of a covered accident.

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Our Ben Sherman Group also has a private medical insurance plan that is limited to management staff and certain other executives of our Ben Sherman Group, which Mr. Gray participated in during fiscal 2009. The medical plan is a "top-up" plan that provides access to private healthcare facilities for certain illnesses and surgical procedures.

Company contributions for each named executive officer during fiscal 2009 under our executive medical plan and our Ben Sherman Group's private medical insurance plan, as applicable, are included in the table below under *" Compensation Tables Summary Compensation Table for Fiscal 2009."*

Income Protection Plan. Our Ben Sherman Group has an income protection plan insured by a third party that is available to individuals participating in the GPP. The income protection plan provides eligible employees with an annual benefit of 50% of the employee's base salary in the event of long-term illness or disability which results in incapacity for work. Payment under this plan would commence 13 weeks after cessation of work. Mr. Gray was a participant in this health insurance plan until his retirement on January 30, 2010. Company contributions to Mr. Gray during fiscal 2009 under this health insurance plan are included in the table below under " *Compensation Tables Summary Compensation Table for Fiscal 2009*."

Death-in-Service Plan. Our Ben Sherman Group has a death-in-service insurance plan insured by a third party that is available to individuals participating in the GPP. The death-in-service plan provides for a tax-free payment of four times annual base salary in the event of the death of a participant up to age 65 while an employee of our Ben Sherman Group. Mr. Gray was a participant in the death-in-service insurance plan until his retirement on January 30, 2010.

Other Benefits. In addition to some of the other compensation policies discussed above, our named executive officers are generally eligible to participate in and receive the same health, life insurance and disability benefits available to our U.S.-based, eligible employees generally, subject to certain distinctions in our plans that are applicable to employees of our subsidiaries.

Non-U.S. Employees. Because Mr. Gray is a resident of the United Kingdom, he was ineligible to participate in any of the benefit plans described above that were available to employees based in the United States.

Perquisites

From time to time, our named executive officers receive discounts on merchandise purchased directly from our distribution centers or in our retail stores, as well as complimentary meals at our Tommy Bahama restaurants. Certain of these discounts and benefits are offered to other designated employees from time to time. We offer these discounts and benefits because they represent common practice in our industry.

Stock Ownership Guidelines

Our Board of Directors has established stock ownership guidelines for our executive officers, including the named executive officers. The ownership guidelines specify a target number of shares of our common stock that our executive officers are expected to accumulate and hold within five years of the later of the effective date of the guidelines or the date of appointment to the applicable position set forth in the guidelines (which we refer to as the "executive's determination date"). The specific guidelines for each applicable individual are established based on the fair market value of our common stock (based on a 365-day trailing average for our common stock price as reported on the NYSE as of the executive's determination date) and the executive officer's base salary as of the executive's determination date. Pursuant to these guidelines, each of our executive officers is expected to own or acquire shares of our common stock having a fair market value of a multiple of his or her base salary as indicated below:

Chief Executive Officer	2.0x
President	1.25x

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Group Vice Presidents and Executive Vice Presidents	1.0x
All Other Executive Officers	0.5x

Shares owned outright by an executive officer or by members of his or her immediate family sharing the same household, restricted stock, shares acquired pursuant to the exercise of stock options, shares held in trust for the benefit of the executive officer or his or her immediate family and shares acquired through our ESPP are counted towards satisfying the applicable guideline. Unexercised stock options do not count towards satisfying the guidelines.

As of April 15, 2010, each of our named executive officers who continued to be employed by our company had satisfied the stock ownership guideline applicable to him.

Tax Deductibility Considerations

It is the responsibility of our compensation committee to address the issues raised by Section 162(m) of the Internal Revenue Code. As it relates to us, Section 162(m) generally prohibits us from deducting the compensation of certain named executive officers that exceeds $1,000,000 during any year. The limitation does not apply to compensation based on achievement of pre-established performance goals if certain requirements are met. Our EPIP is structured to permit awards to qualify as performance-based compensation to maximize the tax deductibility of such awards. Our compensation committee, as much as possible, uses and intends to use performance-based compensation to limit the amount of compensation paid by us that would not be eligible for deductibility. However, our compensation committee believes that we must be able to attract, retain and reward the executive leadership necessary to develop and execute our strategic plans and that the loss of a tax deduction may be necessary and appropriate in some circumstances. Accordingly, our compensation committee may exercise its discretion to award compensation in excess of the Section 162(m) limits as it deems necessary or appropriate.

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Compensation Tables

Summary Compensation Table for Fiscal 2009

The table below shows the compensation earned during each of fiscal 2009, fiscal 2008 and our eight month transition period ended February 2, 2008 by our named executive officers:

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Stock Awards ($)[1]	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)[2][3]	Total ($)
J. Hicks Lanier	2009	500,000				37,279	537,279
Chairman and Chief	2008	832,000		559,000	78,624[4]	71,593	1,541,217[5]
Executive Officer	2008T	538,831			226,581	69,958	835,370
K. Scott Grassmyer	2009	265,000		231,400		26,151	522,551
Senior Vice President, Chief	2008	265,000		335,400	10,733[4]	31,085	642,218[5]
Financial Officer and Controller	2008T	144,933			26,594	18,408	189,935
Thomas C. Chubb III	2009	465,289		578,500		41,902	1,085,691
President	2008	405,000		559,000	20,048[4]	39,400	1,023,448[5]
	2008T	261,173			58,070	23,553	342,796
Terry R. Pillow	2009	750,000		867,750		90,162	1,707,912
CEO, Tommy Bahama Group	2008	663,157	493,151	1,118,000		59,445	2,333,753
Knowlton J. O'Reilly	2009	500,000		669,000[6]		46,827	1,215,827
Group Vice President	2008	500,000		559,000[6]	258,497	41,956	1,359,453
Miles H. Gray	2009	400,350				798,275	1,198,625
Former CEO, Ben Sherman	2008	457,025				97,879	554,904
Group	2008T	328,250				74,067	402,317

(1) Compensation for fiscal 2009 (except with respect to Mr. O'Reilly's stock awards) represents the grant date fair value associated with stock awards made to each of our named executive officers during fiscal 2009, as calculated in accordance with the provisions of FASB Topic 718.

Compensation for fiscal 2008 represents the grant date fair value associated with stock awards made to each of our named executive officers during fiscal 2008, as calculated in accordance with the provisions of FASB Topic 718.

The assumptions used in valuing the stock awards are described under the captions "Stock-Based Compensation" and "Long-Term Stock Incentive Plan" in Notes 1 and 7, respectively, to our consolidated financial statements included in our Annual Report on Form 10-K for fiscal 2009 filed with the SEC on March 31, 2010.

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(2)

Amounts reported under "All Other Compensation" for fiscal 2009 reflect the following amounts paid by us during fiscal 2009:

Name	Company Paid Life Insurance ($)	Executive Health Insurance ($)	Company Contributions to Defined Contribution Plans ($)	Company Contributions to Non-Qualified Deferred Compensation Plan ($)	Car Allowance ($)	Retirement Payment upon Resignation of Employment ($)	Dividends on Unvested Stock Awards ($)
J. Hicks Lanier	8,622	14,491	4,956				9,210
K. Scott Grassmyer		9,903	4,588	800			10,860
Thomas C. Chubb III	756	5,056	4,083	9,386			22,620
Terry R. Pillow	1,032			50,880			38,250
Knowlton J. O'Reilly		2,127	5,035	20,540			19,125
Miles H. Gray	6,761	3,845	60,053		15,700	709,904[(a)]	2,012

(a)

The £452,168 (or $709,904) paid to Mr. Gray as a retirement payment pursuant to his separation agreement was calculated based on the total base salary, car allowance, pension benefit and long-term cash retention payment he otherwise would have received had he continued to be employed by our Ben Sherman Group through September 2010.

(3)

From time to time, our named executive officers receive discounts on merchandise purchased directly from our distribution centers or in our retail stores, and may from time to time receive complimentary meals at our Tommy Bahama restaurants or allowances for apparel merchandise. The aggregate incremental cost to us of these discounts and benefits does not exceed $10,000 for any of our named executive officers; however, because the specific amount of these discounts and benefits to each of our named executive officers is not readily ascertainable, they have been excluded from the compensation disclosed above.

(4)

In March 2009, Mr. Lanier, Mr. Grassmyer and Mr. Chubb each voluntarily declined cash incentive awards that he would have otherwise received in respect of fiscal 2008 and, with the approval of our compensation committee, no such incentive awards were paid to Mr. Lanier, Mr. Grassmyer or Mr. Chubb.

(5)

The reported "Total" amounts for fiscal 2008 include $78,624, $10,733 and $20,048 for each of Mr. Lanier, Mr. Grassmyer and Mr. Chubb, respectively, voluntarily declined by such named executive officer in respect of cash incentive awards that he otherwise would have received.

(6)

Our compensation committee approved amendments to Mr. O'Reilly's restricted stock award agreements providing for the accelerated vesting as of January 29, 2010 of grants made to Mr. O'Reilly during fiscal 2008 and fiscal 2009. In accordance with the SEC's guidelines, the fiscal 2009 compensation with respect to stock awards to Mr. O'Reilly represents the grant date fair value associated with stock awards made to Mr. O'Reilly during fiscal 2009 plus the incremental fair value of the stock awards with an accelerated vesting date of January 29, 2010, as calculated in accordance with the provisions of FASB Topic 718. The assumptions used in valuing the stock awards are described under the captions "Stock-Based Compensation" and "Long-Term Stock Incentive Plan" in Notes 1 and 7, respectively, to our consolidated financial statements included in our Annual Report on Form 10-K for fiscal 2009 filed with the SEC on March 31, 2010.

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Grants of Plan-Based Awards in Fiscal 2009

The following table presents information regarding equity awards granted to each of our named executive officers under the LTIP during fiscal 2009:

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock[1]	Grant Date Fair Value of Stock Awards ($)[2]
J. Hicks Lanier			
K. Scott Grassmyer	6/16/09	20,000	231,400
Thomas C. Chubb III	6/16/09	50,000	578,500
Terry R. Pillow	6/16/09	75,000	867,750
Knowlton J. O'Reilly[3]	6/16/09	37,500	433,875
Miles H. Gray			

(1) These shares are restricted shares granted on June 16, 2009 pursuant to the LTIP, which is described above under "*Compensation Discussion and Analysis Long-Term Equity Incentive Compensation.*" These restricted shares (other than the restricted shares granted to Mr. O'Reilly) will vest on April 30, 2013, subject to the condition that the recipient continues employment with our company through the vesting date.

(2) The grant date fair value of stock awards is determined in accordance with FASB Topic 718 and is based on the closing price of our common stock as reported on the NYSE as of the grant date of such awards. The assumptions used in valuing the stock awards are described under the captions "Stock-Based Compensation" and "Long-Term Stock Incentive Plan" in Notes 1 and 7, respectively, to our consolidated financial statements included in our Annual Report on Form 10-K for fiscal 2009 filed with the SEC on March 31, 2010.

(3) As noted above under "*Compensation Discussion and Analysis Other Significant Actions during Fiscal 2009 Mr. O'Reilly's Anticipated Retirement*," the 37,500 shares of restricted stock granted to Mr. O'Reilly in June 2009 were vested on an accelerated basis in January 2010 by our compensation committee.

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Outstanding Equity Awards at Fiscal 2009 Year-End

The following table provides information with respect to outstanding stock options and restricted stock held by our named executive officers as of January 30, 2010. All of the outstanding stock options held by our named executive officers as of January 30, 2010 are exercisable.

	Option Awards			Stock Awards	
Name	**Number of Securities Underlying Unexercised Options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)[1]**
J. Hicks Lanier	13,000	26.4375	8/18/13		
				25,000[2]	446,000
K. Scott Grassmyer	5,000	26.4375	8/18/13		
				15,000[2]	267,600
				20,000[3]	356,800
Thomas C. Chubb III	3,270	10.7250	7/16/11		
	10,000	11.7250	7/15/12		
	13,000	26.4375	8/18/13		
				25,000[2]	446,000
				50,000[3]	892,000
Terry R. Pillow				50,000[2]	892,000
				75,000[3]	1,338,000
Knowlton J. O'Reilly					
Miles H. Gray					

(1) The market value of stock awards reported is computed by multiplying the reported number of shares of stock by $17.84, the per-share closing price of our common stock on January 30, 2010.

(2) The restricted shares vest on March 28, 2011.

(3) The restricted shares vest on April 30, 2013.

Option Exercises and Stock Vested During Fiscal 2009

The following table provides information concerning the vesting of restricted stock and restricted share units for each of our named executive officers during fiscal 2009. The table reports the number of shares of stock that have

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vested and the aggregate dollar value realized upon vesting of stock. During fiscal 2009, none of our named executive officers exercised stock options.

	Stock Awards	
Name	**Number of Shares Acquired on Vesting (#)[(1)]**	**Value Realized on Vesting ($)[(1)]**
J. Hicks Lanier	2,335	24,728
K. Scott Grassmyer	667	7,064
Thomas C. Chubb III	1,334	14,127
Terry R. Pillow		
Knowlton J. O'Reilly	62,500[(2)]	1,115,000[(2)]
Miles H. Gray	1,001	10,601

(1) Except with respect to Mr. O'Reilly, the vested shares reflect stock-based awards granted or awarded in 2006. The dollar amount is determined by multiplying the number of shares of our common stock vested by the per-share closing price of our common stock on the vesting date.

(2) As described under " *Compensation, Discussion and Analysis Other Significant Actions during Fiscal 2009 Mr. O'Reilly's Anticipated Retirement,*" our compensation committee approved amendments to Mr. O'Reilly's restricted stock award agreements providing for the accelerated vesting as of January 29, 2010 of grants made to Mr. O'Reilly during fiscal 2008 and fiscal 2009. The dollar amount is determined by multiplying the number of shares of our common stock vested by the per-share closing price of our common stock on January 29, 2010.

Fiscal 2009 Non-Qualified Deferred Compensation

The following table shows the activity under our Deferred Compensation Plan for each of our named executive officers during fiscal 2009.

Name	**Executive Contributions in Last FY ($)[(1)]**	**Registrant Contributions in Last FY ($)[(2)]**	**Aggregate Earnings in Last FY ($)**	**Aggregate Withdrawals/ Distributions ($)**	**Aggregate Balance at Last FYE ($)[(3)(4)]**
J. Hicks Lanier	353		645,825		2,362,046
K. Scott Grassmyer	2,650	800	22,591		81,933
Thomas C. Chubb III	9,269	9,386	2,639	(23,498)	75,725
Terry R. Pillow	7,500	50,880	(131)		86,258
Knowlton J. O'Reilly	5,000	20,540	(84)		43,816
Miles H. Gray					

(1) The amounts reported in this "Executive Contributions in Last FY" column are also included in the "Salary" column for fiscal 2009 in the Summary Compensation Table above.

(2) The amounts reported in this "Registrant Contributions in Last FY" column are also included in the "All Other Compensation" column for fiscal 2009 in the Summary Compensation Table above.

(3) The amounts reported in this "Aggregate Balance at Last FYE" column reflect balances as of January 30, 2010.

(4)

The amounts reported in this "Aggregate Balance at Last FYE" column include amounts that are also reported as salary or non-equity incentive plan awards in the Summary Compensation Table above. Those amounts, as well as

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amounts in the "Aggregate balance at last FYE" column that represent salary and bonus that was reported in the Summary Compensation Tables in prior years, are quantified as follows:

Name	Amount Included in Both Non-Qualified Deferred Compensation Table and Summary Compensation Table ($)	Amount Included in Both Non-Qualified Deferred Compensation Table and Previously Reported in Prior Years' Summary Compensation Table ($)	Total Amounts Included in Both Non-Qualified Deferred Compensation Table and Current Year or Prior Years' Summary Compensation Table ($)
J. Hicks Lanier		340,337	340,337
K. Scott Grassmyer	800	5,300	6,100
Thomas C. Chubb III	9,386	38,574	47,960
Terry R. Pillow	50,880	22,512	73,392
Knowlton J. O'Reilly	20,540	12,943	33,483
Miles H. Gray			

Under the Deferred Compensation Plan, participants may elect to have their contributions, as well as our contributions, during a given calendar year distributed as either:

- in-service distributions starting at least two years following the year of the applicable contributions in a single sum or in annual installment payments over a period of up to five years; or

- following a deemed retirement (which occurs when a participant reaches age 55 with at least five years of service) generally in a single sum or in annual installment payments over a period of up to 15 years.

Distribution of account balances in a single sum is automatically made on termination for reasons other than a deemed retirement. Participants elect to invest their account balances among a variety of investment options in an array of asset classes, and earnings are based on the equivalent returns from the elected investment options. Accounts are 100% vested at all times.

Termination, Severance and Change-in-Control Arrangements

Subject to the effect of local labor laws, all of our employees, including our executive officers, are terminable at our discretion. From time to time, we have entered into written employment arrangements with certain of our employees, including certain of our executive officers. In addition, we have from time to time implemented discretionary separation programs that have provided for separation payments to departing employees.

Mr. Gray's Separation Agreement

Mr. Gray previously entered into an employment contract with Ben Sherman Limited (the predecessor to our Ben Sherman Group) dated August 22, 2000. Pursuant to that employment contract, Mr. Gray was entitled to a period of 12 months' notice of termination of employment (or payment of salary and contractual benefits in lieu of notice), payable in 12 equal monthly installments, if our Ben Sherman Group terminated Mr. Gray's employment; however, Mr. Gray would have been required to mitigate his losses starting three months following termination (and our Ben Sherman Group's payment obligations to Mr. Gray following termination would terminate when Mr. Gray obtained alternative employment at a level and status commensurate with his employment by our Ben Sherman Group).

In connection with Mr. Gray's retirement, our Ben Sherman Group entered into a separation agreement with Mr. Gray. The agreement, among other things, provided for Mr. Gray's termination of employment and resignation from the directorship or trusteeship of any of our Ben Sherman affiliated entities effective as of January 30, 2010; a retirement payment by our Ben Sherman Group to Mr. Gray of £452,168 (or $709,904); a waiver by Mr. Gray of all

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potential claims against Ben Sherman Limited or any of its affiliated companies; the return of all company property in Mr. Gray's possession to our Ben Sherman Group (other than a company-issued laptop computer and Blackberry PDA device, which Mr. Gray is entitled to retain); and certain confidentiality and non-disparagement obligations applicable to Mr. Gray. Accordingly, in connection with Mr. Gray's retirement effective January 30, 2010, he received an aggregate payment of £452,168 (or $709,904).

Other Named Executive Officer Severance and Change-in-Control Arrangements

The restricted stock grants under the LTIP in March 2008 and June 2009 provide for an acceleration of vesting in the event of a change of control. For these purposes, a change of control is defined as any of the following:

any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than us or one of our subsidiaries or any employee benefit plan sponsored or maintained by us or any of our subsidiaries (including any trustee of such plan acting as trustee), becoming the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of our securities representing at least 35% of the total voting power represented by our then outstanding voting securities;

the commencement by an entity, person or group (other than us or one of our subsidiaries) of a tender offer or an exchange offer for more than 35% of our outstanding capital stock;

the effective time of (1) a merger or consolidation of us with one or more corporations as a result of which the holders of our outstanding voting stock immediately prior to such merger or consolidation hold less than 50% of the voting stock of the surviving or resulting corporation, or (2) a transfer of all or substantially all of our assets other than to an entity of which we own at least 80% of the voting stock;

individuals who, as of the grant date for the restricted stock, constitute our Board of Directors (which we refer to as, the "Incumbent Board") ceasing for any reason to constitute at least a majority of our Board of Directors; provided, that any individual becoming a director subsequent to such date whose election, or nomination for election by our shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) other than our Board of Directors; and

approval by our shareholders of a complete liquidation or dissolution of our company.

The following table summarizes the value of the restricted stock grants under the LTIP that would be realized by each named executive officer if a change in control (as described above) had occurred on January 30, 2010 (which was the last day of fiscal 2009):

Name	**Number of Shares Vested upon a Change of Control (#)**	**Value Realized on Vesting Following a Change of Control ($)[1]**
J. Hicks Lanier	25,000	446,000
K. Scott Grassmyer	35,000	624,400
Thomas C. Chubb III	75,000	1,338,000
Terry R. Pillow	125,000	2,230,000
Knowlton J. O'Reilly		
Miles H. Gray		

(1)
The value of the stock awards realized upon vesting following a change of control is computed by multiplying the reported number of shares of stock by $17.84, the per-share closing market price of our common stock on January 30, 2010.

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None of our named executive officers is party to any other written employment, severance and/or change in control agreement.

Other Potential Post-Employment Payments

Stock Options. All of the outstanding stock options held by our named executive officers as of January 30, 2010, as set forth in the table *"Compensation Tables Outstanding Equity Awards at Fiscal 2009 Year-End"* above, were granted under the Oxford Industries, Inc. 1992 Stock Option Plan or the Oxford Industries, Inc. 1997 Stock Option Plan. The outstanding stock options, in accordance with the terms of the relevant option plans, provide that the options are not exercisable after employment ends (other than for death or disability). The option holder's estate may exercise the option upon the holder's death (including portions of the options that had not vested) for a period of one year. Similarly, the option holder may exercise the option upon termination due to disability (including portions of the options that had not vested) for a period of three months following termination of employment.

Retirement Savings Plan. Our matching contributions under our 401(k) plan are immediately vested at the time they are made, and each participant is always fully vested in the value of his or her contributions under the plan.

Deferred Compensation Plan. Each of our named executive officers is fully vested in account assets held in the Deferred Compensation Plan. Under the terms of the Deferred Compensation Plan, if a participant (other than one eligible for retirement) terminates employment with us, the participant's account balance under the plan would continue to be adjusted for earnings and losses in the investment choices selected by the participant and would be paid six months following termination of employment. If a participant who is eligible for retirement (one who is 55 years of age with five years of service to us) terminates employment with us for any reason, the participant's account balance under the plan would continue to be adjusted for earnings and losses in the investment choices selected by the participant until paid in accordance with the retirement distribution election made by the participant.

Employee Stock Purchase Plan. Upon termination of employment, all amounts in the participant's account are paid to the participant.

Executive Medical Insurance Plan. Upon termination of employment, our named executive officers are ineligible to continue participation under our executive medical plan and our other benefit and welfare plans (subject to rights to participate in continuation coverage).

General. We do not have any other written or unwritten arrangement, policy or plan which would provide payments, equity or acceleration of vesting on unvested stock awards to any of our named executive officers as a result of a termination of any kind, including following a change in control.

NOMINATING, COMPENSATION & GOVERNANCE COMMITTEE REPORT

The Nominating, Compensation & Governance Committee has reviewed and discussed with management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K. Based on such review and discussions, the Nominating, Compensation & Governance Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference into the Company's Annual Report on Form 10-K for fiscal 2009.

Respectfully submitted,

Clarence H. Smith, Chairman
Dennis M. Love
Helen B. Weeks

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Dennis M. Love, Clarence H. Smith and Helen B. Weeks served on our NC&G Committee during fiscal 2009. None of them are current officers or employees of our company or any subsidiary, none of them are former officers of our company or any subsidiary and none of them have any other relationship requiring disclosure by us under any paragraph of Item 404 of Regulation S-K.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Our Board of Directors reviews all related party transactions that are disclosable under Item 404(a) of Regulation S-K. To help identify related party transactions, each director and executive officer annually completes a questionnaire that requires the disclosure of any transaction or relationship that the individual, or any member of his or her immediate family, has or will have with our company. Our Legal Department, with the assistance of other members of senior management, also reviews contemplated transactions by our company and our subsidiaries to determine if one of our directors or executive officers, or a company with which one of our directors or executive officers is affiliated, proposes to engage in a transaction that our Board of Directors should review.

Our Board of Directors will only approve those related party transactions that are in, or not inconsistent with, the best interests of our company and our shareholders. In determining whether to approve or reject a related party transaction, our Board of Directors considers such information as it deems important to determine whether the transaction is on reasonable and competitive terms and is fair to our company.

Mr. E. Jenner Wood III, one of our directors, is Chairman, President and Chief Executive Officer of SunTrust Bank, Central Group, a subsidiary of SunTrust Banks, Inc. (to which we refer collectively with its subsidiaries as "SunTrust") and is an executive officer of SunTrust Banks, Inc. We maintain a $175 million syndicated, revolving credit facility under which subsidiaries of SunTrust serve as agent and lender. This loan was made in the ordinary course of business, was made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with persons not related to the lender and did not involve more than the normal risk of collectibility or present other unfavorable features. Our aggregate payments to SunTrust did not exceed 1% of our gross revenues during fiscal 2009 or 1% of SunTrust's gross revenues during its fiscal year ended December 31, 2009. Additional information relating to SunTrust's relationship with our company can be found under the caption "Related Party Transactions" in Note 12 to our consolidated financial statements included in our Annual Report on Form 10-K for fiscal 2009 filed with the SEC on March 31, 2010.

In addition, in June 2009, we completed a private offering of $150 million in aggregate principal amount of senior secured notes. The net proceeds from that offering, together with other borrowings, were used to consummate a tender offer for other outstanding senior unsecured notes of our company. SunTrust Robinson Humphrey, Inc., an affiliate of SunTrust Banks, Inc., acted as a joint book-running manager in connection with the June 2009 offering and as a dealer-manager in connection with the tender offer for our other senior unsecured notes. SunTrust Robinson Humphrey, Inc. received an aggregate of $750,000 for its services in connection with those transactions.

AUDIT-RELATED MATTERS

Report of the Audit Committee

The Audit Committee, which operates under a written charter adopted by the Board of Directors of Oxford Industries, Inc., is composed of independent directors and oversees, on behalf of the Board of Directors, the Company's financial reporting process and system of internal control over financial reporting.

The Company's management has the primary responsibility for the financial statements and the reporting process, including the systems of internal control over financial reporting. The Company has a full-time Internal Audit Department that reports to the Audit Committee and the Company's senior management. The Internal Audit Department is responsible for objectively reviewing and evaluating the adequacy, effectiveness and quality of the

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Company's system of internal controls related to, among other things, the reliability and integrity of the Company's financial information and the safeguarding of the Company's assets.

Ernst & Young LLP, the Company's independent registered public accounting firm, is responsible for performing an independent audit of the Company's consolidated financial statements in accordance with the auditing standards of the Public Company Accounting Oversight Board and expressing an opinion on the effectiveness of the Company's internal control over financial reporting. In accordance with law, the Audit Committee has ultimate authority and responsibility for selecting, compensating, evaluating and, when appropriate, replacing the Company's independent registered public accounting firm. The Audit Committee has the authority to engage its own outside advisers, including experts in particular areas of accounting, as it determines appropriate, apart from counsel or advisers hired by management.

In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed with management the audited financial statements included in the Company's Annual Report on Form 10-K for fiscal 2009, including a discussion of the quality and acceptability of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements.

The Audit Committee discussed with Ernst & Young LLP its judgment as to the quality, not just the acceptability, of the Company's accounting principles and such other matters as are required to be discussed with the Audit Committee under Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T, and as amended by applicable law.

In addition, Ernst & Young LLP provided to the Audit Committee the written disclosures and the letter regarding their independence from management and the Company as required by applicable requirements of the Public Company Accounting Oversight Board. The Audit Committee discussed this information with the independent auditors. The Audit Committee discussed with Ernst & Young LLP and the Company's Internal Audit Department the overall scope and plans for their respective audits. The Audit Committee met with the internal and independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls and the overall quality of the Company's financial reporting. The Audit Committee also considered whether the independent auditors' provision of other non-audit services to the Company is compatible with the auditors' independence.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors (and the Board of Directors approved) that the audited financial statements be included in the Company's Annual Report on Form 10-K for fiscal 2009 for filing with the U.S. Securities and Exchange Commission.

Respectfully Submitted,

Cecil D. Conlee, Chairman
George C. Guynn
John R. Holder

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Fees Paid to Independent Registered Public Accounting Firm

The following table summarizes certain fees that we paid to Ernst & Young LLP, our independent registered public accounting firm, for professional services rendered for each of fiscal 2009 and fiscal 2008:

Fee Category	Fiscal 2009 ($)	Fiscal 2008 ($)
Audit fees	1,376,382	1,213,653
Audit-related fees	14,214	11,715
Tax fees	42,975	82,119
All other fees		
Total fees	1,433,571	1,307,487

Audit Fees. "Audit fees" are fees for the audit of our financial statements, reviews of our quarterly financial statements included in Forms 10-Q filed with the SEC and related services provided in connection with statutory and regulatory filings.

Audit-Related Fees. "Audit-related fees" are fees for audit-related services such as services related to potential business acquisitions and dispositions, assistance with implementation of recently adopted rules and regulations, compliance with rules and regulations applicable to accounting matters and audits performed pursuant to certain royalty and lease agreements.

Tax Fees. "Tax fees" are fees for tax compliance, planning and advisory services.

The Audit Committee considered the effects that the provision of the services described above under the subheadings *"Audit-related fees"* and *"Tax fees"* may have on the auditors' independence and has determined that such independence has been maintained.

Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors

Our Audit Committee has adopted a policy for the pre-approval of services provided by our independent registered public accounting firm. Unless a service to be provided by our independent registered public accounting firm has received general pre-approval under the policy, it requires specific pre-approval by our Audit Committee or the chair of our Audit Committee before the commencement of the service. The pre-approval policy is detailed as to the particular services to be provided, and our Audit Committee is to be informed about each service provided.

Specific pre-approval is required for significant recurring annual engagements, such as engagements for the required annual audit and quarterly reviews (including the audit of internal control over financial reporting) and statutory or employee benefit plan audits. Any individual engagement with an estimated cost of more than $75,000 must be specifically pre-approved before the commencement of the engagement by our Audit Committee or by the chair of our Audit Committee, even if the service in question has received general pre-approval. In addition, further Audit Committee pre-approval is required if the aggregate fees for such engagements would exceed $200,000. As appropriate, at each Audit Committee meeting, the entire Audit Committee reviews services performed since the prior meeting pursuant to the general pre-approvals granted under the policy, as well as services pre-approved by the chair of our Audit Committee.

The nature and dollar value of services performed under the general pre-approval guidelines are reviewed with our Audit Committee on at least an annual basis. None of the fees paid to Ernst & Young LLP for fiscal 2009 or fiscal 2008 were in connection with services provided in reliance upon the *de minimis* exception to the SEC's rules requiring pre-approval of such services.

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COMMON STOCK OWNERSHIP BY MANAGEMENT AND CERTAIN BENEFICIAL OWNERS

The table below sets forth certain information, as of April 15, 2010 (except as noted), regarding the beneficial ownership of shares of our common stock by:

owners of 5% or more of our common stock;

our directors;

our named executive officers; and

our directors and executive officers as a group.

Except as set forth below, the shareholders named below have sole voting and investment power with respect to all shares of our common stock shown as being beneficially owned by them. Unless otherwise indicated, the address for each shareholder on this table is c/o Oxford Industries, Inc., 222 Piedmont Avenue, N.E., Atlanta, Georgia 30308.

Name	Beneficial Ownership of Common Stock	
	Number of Shares(1)	Percent of Class(1)
Kornitzer Capital Management, Inc.	1,546,159(a)	9.36
Blackrock, Inc.	1,076,387(b)	6.51
Robeco Investment Management, Inc.	1,021,513(c)	6.18
Thomas C. Chubb III	117,238(d)	*
Cecil D. Conlee	24,571(e)	*
K. Scott Grassmyer	47,907(f)	*
Miles H. Gray	1,001(g)	*
George C. Guynn	5,111	*
John R. Holder	6,722	*
J. Hicks Lanier	1,705,467(h)	10.31
J. Reese Lanier	505,960(i)	3.06
Dennis M. Love	6,513	*
Knowlton J. O'Reilly	46,439	*
Terry R. Pillow	135,000	*
Clarence H. Smith	6,490	*
Helen B. Weeks	6,638	*
E. Jenner Wood III	7,090	*
All directors and executive officers as a group (17 persons)(j)	2,711,673(k)	16.36

* Less than 1%

(1) Calculations based on an aggregate of 16,523,729 shares of our common stock outstanding as of the close of business on April 15, 2010. The number of shares and percentage of the class beneficially owned for each shareholder assume the issuance of all shares attributable to outstanding options held by such shareholder that may be exercised within 60 days of April 15, 2010 but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. The number of shares and percentage of the class beneficially owned by all directors and executive officers as a group assume the issuance of all shares attributable to outstanding options held by such directors and executive officers that may be exercised within 60 days of April 15, 2010.

(a) The shares reported are held by Kornitzer Capital Management, Inc. ("KCM") in its capacity as an investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E) of the Exchange Act. As reported by KCM, KCM is an investment adviser with respect to the reported shares for the accounts of other persons who have the right to receive, and the power to direct the receipt of, dividends from, or the proceeds from the sale of, the reported

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shares. KCM reported sole dispositive power over 1,503,316 of the reported shares and sole voting power over all of the reported shares. The address for KCM is 5420 West 61st Place, Shawnee Mission, KS 66205. This information was as of December 31, 2009 and was obtained from a Schedule 13G/A filed on January 22, 2010.

(b)

The shares reported are held by Blackrock, Inc. ("Blackrock") in its capacity as a parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G) of the Exchange Act. As reported by Blackrock, various persons have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of the common stock of, the reported shares. Blackrock reported sole voting and dispositive power over all of the reported shares. The address for Blackrock is 40 East 52nd Street, New York, NY 10022. This information was as of December 31, 2009 and was obtained from a Schedule 13G filed on January 29, 2010.

(c)

The shares reported are held by Robeco Investment Management, Inc. ("RIM") in its capacity as an investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E) of the Exchange Act for the discretionary account of certain clients. RIM reported sole voting power over 475,175 of the reported shares and sole dispositive power over all of the reported shares. The address for RIM is 909 Third Ave., New York, NY 10022. This information was as of December 31, 2009 and was obtained from a Schedule 13G filed on February 12, 2010.

(d)

Includes 26,270 shares issuable pursuant to outstanding stock options that may be exercised within 60 days of April 15, 2010.

(e)

Consists of 14,571 shares held individually by Mr. Conlee and 10,000 shares held by The Conlee Company. Mr. Conlee disclaims beneficial ownership of the shares held by The Conlee Company except to the extent of his pecuniary interest therein.

(f)

Includes 5,000 shares issuable pursuant to outstanding stock options that may be exercised within 60 days of April 15, 2010.

(g)

Mr. Gray served as one of our executive officers until January 28, 2010, when his successor as CEO of the Ben Sherman Group, Mr. Panayiotis P. Philippou, was elected an executive officer. Mr. Gray retired from the Ben Sherman Group as of January 30, 2010. Section 16(a) of the Exchange Act requires that our executive officers, among others, file with the SEC certain reports with respect to such person's beneficial ownership of our equity securities. Accordingly, Mr. Gray's obligation to file such reports pursuant to Section 16(a) of the Exchange Act generally terminated on January 28, 2010. Information regarding Mr. Gray's beneficial ownership of shares of our common stock is based on the last report filed by Mr. Gray with the SEC with respect to his beneficial ownership of our equity securities.

(h)

Consists of 617,970 shares held individually by Mr. J. Hicks Lanier, 582,020 shares held in trust, 492,477 shares held by a charitable foundation of which Mr. Lanier is a trustee and 13,000 shares issuable pursuant to outstanding stock options that may be exercised within 60 days of April 15, 2010. Mr. Lanier disclaims beneficial ownership of the 582,020 reported shares held in trust and the 492,477 reported shares held by the charitable foundation of which Mr. Lanier is a trustee.

(i)

Consists of 428,461 shares held individually by Mr. J. Reese Lanier, 76,899 shares held in trust and 600 shares held by Mr. Lanier's wife. Mr. Lanier disclaims beneficial ownership of the reported shares held in trust and by his wife.

(j)

The number of shares and percentage of the class beneficially owned by all directors and executive officers as a group exclude shares beneficially owned by Mr. Gray because he was not an executive officer of the Company on April 15, 2010.

(k)

Of this amount, the executive officers not listed by name hold individually an aggregate of 87,527 shares and have the right to acquire 3,000 shares pursuant to outstanding stock options that may be exercised within 60 days of April 15, 2010.

Under the SEC's rules, a person may be deemed to beneficially own securities in which he or she has no pecuniary interest. The information set forth above under this heading "*Common Stock Ownership by Management and Certain Beneficial Owners*" shall not be construed as an admission that any such person is, for purposes of Section 13(d) or 13(g) of the Exchange Act or otherwise, the beneficial owner of any securities disclosed above.

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Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires that our officers and directors, and persons who beneficially own more than 10% of our common stock, file with the SEC certain reports, and to furnish copies thereof to us, with respect to each such person's beneficial ownership and changes in ownership of our equity securities. Due to the complexity of the SEC's reporting rules, our Legal Department undertakes to file such reports on behalf of our directors and executive officers and has instituted procedures to assist them with these obligations.

Based on a review of the company's records and other information, we believe that all required reports by our directors and executive officers were filed on a timely basis in fiscal 2009, except that (1) due to the timing of communications between our Legal Department and Mr. Holder, one Form 3 and one Form 4 timely filed for Mr. Holder following his election to our Board of Directors failed to include shares of our common stock that were acquired by Mr. Holder prior to his election to our Board of Directors (and resulted in an amendment to his Form 3 upon discovery (after the filing due date) to report the correct number of shares of our common stock owned by Mr. Holder at the time of his election to our Board of Directors), and (2) one Form 4 timely filed for Mr. Campbell to report shares of our common stock withheld to satisfy tax withholding obligations upon the vesting of a restricted stock award reported an incorrect number of shares withheld due to an administrative error and was promptly amended upon discovery (after the filing due date) to report the correct number of shares withheld.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth information concerning our equity compensation plans as of January 30, 2010:

Plan Category	**(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights**	**(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights**	**(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))**
Equity compensation plans approved by security holders			
1992 Stock Option Plan	11,895	$10.73	
1997 Stock Option Plan	179,210	26.02	
Employee Stock Purchase Plan[(1)]			578,132
Long-Term Stock Incentive Plan	10,000[(2)]		1,021,463
Equity compensation plans not approved by security holders			
Total	191,105[(3)]	25.07[(3)]	1,599,595

(1) The number of securities to be issued and the weighted average purchase price under our ESPP are not determinable as of any date other than the last day of the applicable quarterly purchase period.

(2) Reflects the number of shares of our common stock that, as of January 30, 2010, were to be granted (contingent upon the lapse of certain restrictions) pursuant to restricted share units granted under our LTIP.

(3) The total number of securities to be issued upon exercise of outstanding options, warrants and rights reflected in the table, and the associated weighted-average exercise price of such outstanding options, warrants and rights, exclude the 10,000 shares of our common stock to be granted (contingent upon the lapse of certain restrictions) pursuant to restricted share units granted under our LTIP.

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PROPOSALS FOR SHAREHOLDER CONSIDERATION

Proposal No. 1: Election of Directors

Board of Directors

Under our Articles of Incorporation, our Board of Directors is to consist of at least nine members, with the specific number fixed by our Bylaws, as amended from time to time. Currently, our Bylaws have fixed the number of directors at 10, with nine members presently serving. Accordingly, there is one vacancy on our Board of Directors; however, proxies cannot be voted for more than three nominees. In accordance with our Articles of Incorporation, our directors are divided into three classes that are as nearly equal in size as possible. Directors in each class are elected to three-year terms, with director classes serving staggered terms. A director holds office until the annual meeting of shareholders held in the year during which the director's term ends and until his or her successor is elected and qualified.

Bylaws Relating to Retirement

Pursuant to our Bylaws, an individual becomes ineligible for election or appointment as a director:

- for any employee director (i.e., someone who concurrently serves as an employee of our company and as a member of our Board of Directors), other than an individual who has at any time served as our Chief Executive Officer, following the end of our fiscal year during which such individual reaches the age of 65; and

- for any other individual, following the end of our fiscal year during which such individual reaches the age of 72.

Director Nominees

Our Board of Directors currently consists of three Class I directors (consisting of Messrs. Cecil D. Conlee, J. Reese Lanier and Dennis M. Love), three Class II directors (consisting of Messrs. John R. Holder, J. Hicks Lanier and Clarence H. Smith) and three Class III directors (consisting of Mr. George C. Guynn, Ms. Helen B. Weeks and Mr. E. Jenner Wood III).

At our 2010 Annual Meeting of Shareholders, the terms of our three Class III directors will expire. Each of Mr. George C. Guynn, Ms. Helen B. Weeks and Mr. E. Jenner Wood III was most recently elected by our shareholders at our 2007 Annual Meeting of Shareholders. Our Board of Directors has nominated each of Mr. George C. Guynn, Ms. Helen B. Weeks and Mr. E. Jenner Wood III for election at our annual meeting, each to serve for a three year term expiring in 2013 and until his or her respective successor is elected and qualified.

The term of our Class I directors expires in 2011, and the term of our Class II directors expires in 2012. Each of our Class I and Class II directors is expected to remain in office for the remainder of his respective term.

Required Vote

In an uncontested election at an annual meeting of shareholders, our Bylaws require that each director be elected by a majority of the votes cast with respect to such director (number of shares voted "for" a director must exceed the number of votes cast "against" that director). In accordance with our Bylaws, in order for a shareholder to have nominated a director for consideration at the 2010 Annual Meeting of Shareholders, we must have received the nomination not later than the close of business on March 17, 2010. We have not received a shareholder nomination for a director for consideration at the annual meeting. Accordingly, the election of directors at the 2010 Annual Meeting of Shareholders is an uncontested election.

Under Georgia law, if, in an uncontested election at the annual meeting, a nominee who is already serving as a director is not elected, the director would continue to serve on our Board of Directors as a "holdover director." Under our Bylaws, any holdover director who fails to be elected by a majority of the votes cast with respect to such director in

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an uncontested election must offer to tender his or her resignation to our Board of Directors. Our Board of Directors, in consultation with any of its committees so designated, would then determine whether to accept or reject the resignation, or whether other action should be taken. Under our Bylaws, our Board of Directors is required to act on the resignation and publicly disclose its decision and the rationale behind it within 90 days from the date the election results are certified. If a nominee who was not already serving as a director is not elected at the annual meeting, that nominee would not become a director and would not serve on our Board of Directors as a "holdover director." All of the director nominees for election at the 2010 Annual Meeting of Shareholders are currently serving on our Board of Directors.

Abstentions will have no effect on the vote for the election of directors.

Each nominee has consented to serve if elected, and our Board of Directors has no reason to believe that any nominee will be unable or unwilling to serve if elected. If a nominee becomes unwilling or unable to serve prior to the annual meeting, then at the recommendation of our Board of Directors:

- proxies will be voted for a substitute nominee selected by or at the direction of our Board of Directors;
- the vacancy created by the inability or unwillingness of a nominee to serve will remain open until filled by our Board of Directors; or
- our Bylaws may be amended to reduce the number of directors serving on our Board of Directors.

Our Board of Directors is also searching for other qualified persons to add to our Board of Directors to fill the remaining vacancy. Because no such candidate was identified at the time that this proxy statement was delivered to our shareholders, our Board of Directors has determined to leave the seat vacant until an appropriate individual has been identified. Proxies cannot be voted for a greater number of persons than the number of nominees named.

Recommendation of our Board of Directors

OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" EACH OF MR. GEORGE C. GUYNN, MS. HELEN B. WEEKS AND MR. E. JENNER WOOD III AS A CLASS III DIRECTOR.

Proposal No. 2: Ratification of Appointment of Independent Registered Public Accounting Firm

Independent Registered Public Accounting Firm

At the recommendation of our Audit Committee, our Board of Directors has selected Ernst & Young LLP to serve as our independent registered public accounting firm during fiscal 2010. Ernst & Young LLP has served as our independent auditors since May 2002. Our Board of Directors considers such accountants to be well qualified and recommends that our shareholders vote to ratify their appointment. Shareholder ratification of the appointment of our independent registered public accounting firm is not required by law; however, our Board of Directors considers the solicitation of shareholder ratification to be in our company's and its shareholders' best interests.

Required Vote

Ratification of the appointment of Ernst & Young LLP to serve as our independent registered public accounting firm during fiscal 2010 requires the affirmative vote of at least a majority of the outstanding shares of our common stock present at the annual meeting, in person or by proxy, and entitled to vote on the proposal. Abstentions will have the same effect as a vote against this proposal.

In light of the difficulty and expense involved in changing auditors on short notice, if our shareholders do not ratify the appointment of Ernst & Young LLP at the annual meeting, it is contemplated that the appointment of Ernst & Young LLP to serve as our independent registered public accounting firm during fiscal 2010 will stand unless our Board of Directors finds other reasons for making a change. Disapproval by our shareholders will be considered a

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recommendation that our Board of Directors select another independent registered public accounting firm for the following year. A representative of Ernst & Young LLP is expected to attend the annual meeting. The representative will be given the opportunity to make a statement if he or she desires to do so and is expected to be available to respond to appropriate questions from shareholders.

Recommendation of our Board of Directors

OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE PROPOSAL TO RATIFY THE APPOINTMENT OF ERNST & YOUNG LLP TO SERVE AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM DURING FISCAL 2010.

Other Matters

Our Board of Directors knows of no other matters that will be brought before the annual meeting, and our Bylaws do not allow proposals to be presented at the annual meeting unless they were properly presented to us prior to March 17, 2010. However, if any other question that requires a vote is properly presented at the meeting, the persons named in the enclosed proxy as the proxy holders will vote on such matters as recommended by our Board of Directors or, if no recommendation is given, in their discretion to the extent permitted under applicable law.

Approval of any other matter that properly comes before the annual meeting requires the affirmative vote of a majority of the outstanding shares of our common stock present at the annual meeting, in person or by proxy, and entitled to vote on the proposal (except as otherwise provided in our Articles of Incorporation or Bylaws or applicable law for actions that require a greater percentage of votes in favor of a proposal).

ADDITIONAL INFORMATION

Annual Report on Form 10-K

We will provide without charge, at the written request of any shareholder of record as of April 15, 2010, a copy of our Annual Report on Form 10-K, including the financial statements, for fiscal 2009, as filed with the SEC, excluding exhibits. We will provide copies of the exhibits if they are requested by eligible shareholders. We may impose a reasonable fee for providing the exhibits. Requests for copies of our Annual Report on Form 10-K should be mailed to: Oxford Industries, Inc., 222 Piedmont Avenue, N.E., Atlanta, GA 30308, Attention: Investor Relations.

Submission of Director Candidates by Shareholders

Pursuant to our Bylaws, to be timely, a director nomination by a shareholder must generally be delivered to our Secretary not less than 90 days nor more than 120 days prior to the first anniversary of the date of the preceding year's annual meeting; however, if the annual meeting of shareholders is advanced more than 30 days prior to or delayed more than 30 days after the first anniversary of the preceding year's annual meeting, a director nomination submitted by a shareholder to be timely must be delivered not later than the close of business on the later of (1) the 90th day prior to the annual meeting or (2) the 10th day following the date on which public announcement of the date of such annual meeting is first made. Any recommendation received by our Secretary will be promptly forwarded to the chair of our NC&G Committee for consideration. In order for a shareholder to nominate a director candidate for consideration at our 2011 Annual Meeting of Shareholders, we must receive notice of such nomination on or before March 16, 2011 unless the date of our 2011 Annual Meeting of Shareholders is advanced more than 30 days prior to or delayed more than 30 days after June 14, 2011. Any such nominations must comply with the other requirements for proper nominations pursuant to our Bylaws.

Our Bylaws set out the specific requirements that a shareholder must satisfy in order to properly nominate a director candidate. Any shareholder filing a written notice of nomination for director must describe various matters regarding the nominee and the shareholder, including, among other things, such information as name; address;

occupation; shares, rights to acquire shares and other derivative securities held; and any relevant understandings or arrangements between the shareholder and affiliated parties, if any. A copy of the requirements for nominating a director candidate is available in print to any shareholder who so requests it. Requests for a copy of these requirements should be mailed to: Oxford Industries, Inc., 222 Piedmont Avenue, N.E., Atlanta, GA 30308, Attention: Investor Relations.

In addition to candidates submitted by shareholders, our NC&G Committee will also consider candidates recommended by directors, management, third party search firms and other credible sources. Candidates recommended by any of these sources will be equally evaluated and considered. Our NC&G Committee will compile a complete list of candidates recommended from any credible source and evaluate each candidate. Each candidate will be evaluated in the context of the current composition of our Board of Directors, the current needs of our Board of Directors and the long-term interests of our shareholders. In making its evaluation of possible director candidates, our NC&G Committee will consider, among other things, issues such as a candidate's independence, age, understanding of our industry, general business knowledge and experience, financial literacy and expertise, availability and commitment. After evaluating each candidate, our NC&G Committee will determine which candidates it will recommend to the full Board of Directors.

Shareholder Proposals

Pursuant to our Bylaws, in order for a shareholder proposal (other than a director nomination) to be considered at an annual meeting, the proposal must be delivered to our Secretary not less than 90 days nor more than 120 days prior to the first anniversary of the date of the preceding year's annual meeting; however, if the annual meeting of shareholders is advanced more than 30 days prior to or delayed more than 30 days after the first anniversary of the preceding year's annual meeting, in order to be timely, a shareholder proposal must be delivered not later than the close of business on the later of (1) the 90th day prior to the annual meeting or (2) the 10th day following the date on which public announcement of the date of such annual meeting is first made. Our Bylaws further contemplate that shareholders who wish to have a proposal included in our proxy statement may be permitted to do so in accordance with Rule 14a-8 under the Exchange Act provided the proposal is otherwise in accordance with such Rule 14a-8.

Accordingly, in order for a shareholder proposal (other than a director nomination) to be considered at our 2011 Annual Meeting of Shareholders, we must receive the proposal on or before March 16, 2011 unless the date of our 2011 Annual Meeting of Shareholders is advanced more than 30 days prior to or delayed more than 30 days after June 14, 2011.

Our Bylaws set out the specific requirements that a shareholder must satisfy in order to properly make a proposal for consideration by our shareholders at an annual meeting. Any shareholder submitting a proposal must describe various matters regarding the shareholder, including, among other things, such information as name; address; occupation; shares, rights to acquire shares and other derivative securities held; and any relevant understandings or arrangements between the shareholder and affiliated parties, if any. A copy of the requirements for submitting a shareholder proposal is available in print to any shareholder who so requests it. Requests for a copy of these requirements should be mailed to: Oxford Industries, Inc., 222 Piedmont Avenue, N.E., Atlanta, GA 30308, Attention: Investor Relations.

Communications to our Board of Directors

Mail can be addressed to our directors in care of the Office of the Secretary, Oxford Industries, Inc., 222 Piedmont Ave., N.E., Atlanta, Georgia 30308. At the direction of our Board of Directors, all mail received will be opened and screened for security purposes. The mail will then be logged in. All mail, other than trivial or obscene items, will be forwarded. Trivial items will be delivered to our directors at the next scheduled meeting of our Board of Directors. Mail addressed to a particular director will be forwarded or delivered to that director. Mail addressed to "Outside Directors," "Non-Management Directors" or the "Presiding Independent Director" will be forwarded or

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delivered to our presiding independent director. Mail addressed to the "Board of Directors" will be forwarded or delivered to the chair of our Board of Directors.

Proxy Solicitation

We will bear the cost of solicitation of proxies by our Board of Directors in connection with the annual meeting. We will reimburse brokers, fiduciaries and custodians for reasonable expenses incurred by them in forwarding proxy materials to beneficial owners of our common stock held in their names. Our employees may solicit proxies by mail, telephone, facsimile, electronic mail and personal interview. We have also engaged Laurel Hill Advisory Group, LLC to act as our proxy solicitor and have agreed to pay it $7,000 per year, plus reasonable expenses, for such services, among other services that will be provided to us in the ordinary course of business.

By Order of the Board of Directors

Thomas E. Campbell
Senior Vice President-Law,
General Counsel and Secretary

Our Annual Report to Shareholders for fiscal 2009, which includes audited financial statements, accompanies this proxy statement. The annual report does not form any part of the material for the solicitation of proxies.

right of first negotiation to manufacture clinical supplies of covered products. If we and SurModics enter into such clinical manufacturing agreement, SurModics has a right of first negotiation to manufacture commercial supplies of covered products.

Under the license agreement, we have agreed to pay SurModics aggregate milestone payments of up to $4.75 million upon the first achievement of specified development, regulatory and sales level milestones related to the first clinical indication approved by a regulatory authority for covered products. We must also pay an additional milestone payment upon regulatory approval of each additional clinical indication for covered products and royalties in the low single digits on worldwide net sales of commercial product. In countries where a valid SurModics patent claim does not cover the product, the applicable royalty rate decreases. If we do not enter into a commercial manufacturing agreement with SurModics, the applicable royalty rate will increase, though it will remain in the low single digits.

Under the license agreement we are responsible for developing and obtaining regulatory approval for covered products. We have agreed to use commercially reasonable efforts to actively develop and obtain regulatory approvals to market a covered product, including NP201, in major markets throughout the world. In addition, we have agreed to comply with specific diligence milestones to obtain such regulatory approval and to develop and commercialize a covered product in the U.S.

The license agreement and our obligation to pay SurModics royalties will terminate on a country by country basis on the later of the date on which a valid SurModics patent claim no longer covers the product or an agreed period after the first commercial sale of the product in such country. Thereafter the license will become an exclusive, perpetual fully paid-up license.

We have the right to terminate the license agreement for any reason at any time upon ninety days notice to SurModics. Either party has the right to terminate the agreement in connection with the other party s uncured material breach, bankruptcy or insolvency. SurModics may either terminate the license agreement or make it non-exclusive if we fail to meet the agreed upon diligence milestones or otherwise fail to use commercially reasonable efforts to develop and obtain regulatory approval for a covered product.

Intellectual Property and Exclusivity

We seek to protect our product candidates and our technology through a combination of patents, trade secrets, proprietary know-how, FDA exclusivity and contractual restrictions on disclosure.

Patents and Patent Applications

Our policy is to seek to protect the proprietary position of our product candidates by, among other methods, filing U.S. and foreign patent applications related to our proprietary technology, inventions and improvements that are important to the development of our business. U.S. patents generally have a term of 20 years from the date of nonprovisional filing. Because patent protection is not available for the active

pharmaceutical ingredient compounds included in our current product candidates, we will need to rely primarily on the protections afforded by device, formulation and method of use patents.

As of April 30, 2010, we exclusively license one issued U.S. patent and its foreign counterparts, and own six U.S. patent applications, as well as corresponding Patent Cooperation Treaty, or PCT, applications and their foreign counterparts, which relate to Zelrix.

Our licensed issued U.S. Patent No. 6,745,071, owned by Travanti, is generally directed towards wearable iontophoretic devices, including Zelrix, that are prepackaged as complete self-contained units that include an active pharmaceutical ingredient to be administered, a provision for isolating moisture sources from the electrodes and from the power source during storage to optimize shelf stability, and a simple, user-friendly mechanism to transfer the active pharmaceutical ingredient and counter ion reservoirs to the electrodes. The expiration date for this patent is in 2023. There are corresponding foreign patent applications pending in Australia, Canada, China, Europe, Japan and Korea which will also expire in 2023 if issued. Under the Travanti asset purchase and license agreement, we also have a perpetual, worldwide, exclusive, royalty-free license, in the field of migraine, to Travanti patents, patent applications and know-how that relate generally to iontophoresis.

Our six U.S. pending patent applications are generally directed to:

- Methods and devices for treating migraine using integrated iontophoretic patches, including Zelrix;
- Active ingredient reservoir formulations, including the Zelrix formulation; and
- Electronic control systems and methods for use of the same in delivering an active for an integrated iontophoretic patch, including Zelrix.

Four of the U.S. applications currently have pending international applications. We have corresponding foreign patent applications in Australia, Brazil, Canada, China, Europe, Japan, Mexico, New Zealand, South Africa, Asia, India and Israel for one of these applications. The remaining two U.S. applications are related provisional applications and have yet to be foreign filed. If the four non-provisional U.S. applications and their foreign corresponding applications issue, we generally expect these patents to expire between 2027 and 2029. The two U.S. provisional applications, if pursued in non-provisional and foreign corresponding applications, and if issued, would generally be expected to expire in 2030.

Additionally, as of April 30, 2010, we own or exclusively license one issued U.S. patent and nine U.S. patent applications, as well as corresponding PCT patent applications and their foreign counterparts, relating to our LAD pipeline product candidates. The U.S. patent, and seven non-provisional U.S. applications and their corresponding foreign applications, if issued, are generally expected to expire between 2021 and 2027. The remaining two U.S. provisional applications, if pursued in non-provisional and foreign corresponding applications, and if issued, would generally be expected to expire in 2030. These patents and patent applications include claims generally directed to the LAD technology, as well as the use of the LAD technology in conjunction with various medications in the treatment of certain neurological and psychiatric diseases, including Parkinson s disease, schizophrenia and bipolar disorder.

Under the LTS development and license agreement and the SurModics license agreement, we have rights to LTS s and SurModics proprietary processing and manufacturing technologies related to our product candidates.

FDA Marketing Exclusivity

The FDA may grant three years of marketing exclusivity in the U.S. for the approval of new and supplemental NDAs, including Section 505(b)(2) NDAs, for, among other things, new indications, dosages or dosage forms of an existing drug, if new clinical investigations that were conducted or sponsored by the applicant are essential to the approval of the application. Additionally, six months of marketing exclusivity in the U.S. is available under Section 505A of the FDCA if, in response to a written request from the FDA, a sponsor submits and the agency accepts requested information relating to the use of the approved drug in the pediatric population. This six month pediatric exclusivity period is not a standalone exclusivity period, but

rather is added to any existing patent or non-patent exclusivity period for which the drug product is eligible. Based on our clinical trial program for Zelrix, we plan to seek three years of marketing exclusivity upon receipt of FDA approval for Zelrix. We may also seek an additional period of six months exclusivity from the FDA if the FDA requests, and we successfully complete, pediatric clinical trials for Zelrix.

Trade Secrets and Proprietary Information

We seek to protect our proprietary information, including our trade secrets and proprietary know-how, by requiring our employees, consultants and other advisors to execute confidentiality agreements upon the commencement of their employment or engagement. These agreements generally provide that all confidential information developed or made known during the course of the relationship with us be kept confidential and not be disclosed to third parties except in specific circumstances. In the case of our employees, the agreements also typically provide that all inventions resulting from work performed for us, utilizing our property or relating to our business and conceived or completed during employment shall be our exclusive property to the extent permitted by law. Where appropriate, agreements we obtain with our consultants also typically contain similar assignment of invention obligations. Further, we require confidentiality agreements from entities that receive our confidential data or materials.

Government Regulation

Federal Food, Drug and Cosmetic Act

Prescription drug products are subject to extensive pre- and post-market regulation by the FDA, including regulations that govern the testing, manufacturing, distribution, safety, efficacy, approval, labeling, storage, record keeping, reporting, advertising and promotion of such products under the FDCA, and its implementing regulations, and by comparable agencies and laws in foreign countries. Failure to comply with applicable FDA or other regulatory requirements may result in civil or criminal penalties, recall or seizure of products, partial or total suspension of production or withdrawal of the product from the market. The FDA must approve any new unapproved drug or dosage form, including a new use of a previously approved drug, prior to marketing in the U.S. All applications for FDA approval must contain, among other things, information relating to safety and efficacy, pharmaceutical formulation, stability, manufacturing, processing, packaging, labeling and quality control.

New Drug Applications

Generally, the FDA must approve any new drug before marketing of the drug occurs in the U.S. This process generally involves:

Completion of preclinical laboratory and animal testing in compliance with the FDA s Good Laboratory Practice, or GLP, regulations;

Submission to the FDA of an IND application for human clinical testing, which must become effective before human clinical trials may begin in the U.S.;

Performance of human clinical trials, including adequate and well-controlled clinical trials, to establish the safety and efficacy of the proposed drug product for each intended use;

Satisfactory completion of an FDA pre-approval inspection of the product s manufacturing facility or facilities to assess compliance with the FDA s cGMP regulations; and

Submission to, and approval by, the FDA of an NDA application.

The preclinical and clinical testing and approval process requires substantial time, effort and financial resources, and we cannot be certain that the FDA will grant approvals for any of our product candidates on a timely basis, if at all. Preclinical tests include laboratory evaluation of product chemistry, formulation and stability, as well as studies to evaluate toxicity in animals. The results of preclinical tests, together with manufacturing information and analytical data, comprise a part of an IND application submission to the FDA. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA, within the 30-day

time period, raises concerns or questions about the conduct of the clinical trial, including concerns regarding exposure of human research subjects to unreasonable health risks. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin. Our submission of an IND may not result in FDA authorization to commence a clinical trial. In addition, the FDA requires a separate submission to an existing IND for each successive clinical trial conducted during product development. Further, an independent institutional review board, or IRB, covering each medical center proposing to conduct the clinical trial must review and approve the plan for any clinical trial before it commences at that center and it must monitor the clinical trial until completed. The FDA, the IRB or the sponsor may suspend a clinical trial at any time, or from time to time, on various grounds, including a finding that the subjects or patients are being exposed to an unacceptable health risk. As a separate amendment to an IND, a sponsor may submit a request for a special protocol assessment, or SPA, from the FDA. Under the SPA procedure, a sponsor may seek the FDA s agreement on the design, conduct and analyses of, among other things, a clinical trial intended to form the primary basis of an efficacy claim. If the FDA agrees in writing, it may not change its agreement after the clinical trial begins, except in limited circumstances, such as upon identification of a substantial scientific issue essential to determining the safety and effectiveness of a product candidate after commencement of a Phase III clinical trial. If the clinical trial succeeds, the sponsor can ordinarily rely on it as the primary basis for approval with respect to effectiveness. Clinical testing also must satisfy extensive Good Clinical Practice, or GCP, regulations, including regulations for informed consent, IRB review and approval and IND submission.

For purposes of an NDA submission and approval, typically, the conduct of human clinical trials occurs in the following three pre-market sequential phases, which may overlap:

Phase I: Sponsors initially conduct clinical trials in a limited population to test the product candidate for safety, dose tolerance, absorption, metabolism, distribution and excretion in healthy humans or, on occasion, in patients, such as cancer patients.

Phase II: Sponsors conduct clinical trials generally in a limited patient population to identify possible adverse effects and safety risks, to determine the efficacy of the product for specific targeted indications and to determine dose tolerance and optimal dosage. Sponsors may conduct multiple Phase II clinical trials to obtain information prior to beginning larger and more extensive Phase III clinical trials.

Phase III: These include expanded controlled and uncontrolled trials, including pivotal clinical trials. When Phase II evaluations suggest the effectiveness of a dose range of the product and acceptability of such product s safety profile, sponsors undertake Phase III clinical trials in larger patient populations to obtain additional information needed to evaluate the overall benefit and risk balance of the drug and to provide an adequate basis to develop labeling.

In addition, sponsors may conduct Phase IV clinical trials after the FDA approves a drug. In some cases, the FDA may condition approval of an NDA for a product candidate on the sponsor s agreement to conduct additional clinical trials to further assess the drug s safety or effectiveness after NDA approval. Such post approval trials are typically referred to as Phase IV clinical trials.

Sponsors submit the results of product development, preclinical studies and clinical trials to the FDA as part of an NDA. NDAs must also contain extensive manufacturing information and proposed labeling. Upon receipt, the FDA initially reviews the NDA to determine whether it is sufficiently complete to initiate a substantive review. If the FDA identifies deficiencies that would preclude substantive review, the FDA will refuse to accept the NDA and will inform the sponsor of the deficiencies that must be corrected prior to resubmission. If the FDA accepts the submission for substantive review, the FDA typically reviews the NDA in accordance with established time frames. Under the Prescription Drug User Fee Act, or PDUFA, the FDA agrees to specific goals for NDA review time through a

two-tiered classification system, Priority Review and Standard Review. For a Priority Review application, the FDA aims to complete the initial review cycle in six months. Standard Review applies to all applications that are not eligible for Priority Review. The FDA aims to complete Standard Review NDAs within a ten-month timeframe. We anticipate that the FDA will grant our product candidates a Standard Review. Review processes often extend significantly beyond anticipated

completion dates due to FDA requests for additional information or clarification, difficulties scheduling an advisory committee meeting or FDA workload issues. The FDA may refer the application to an advisory committee for review, evaluation and recommendation as to the application s approval. The recommendations of an advisory committee do not bind the FDA, but the FDA generally follows such recommendations.

If an NDA does not satisfy applicable regulatory criteria, the FDA may deny approval of an NDA or may require, among other things, additional clinical data or an additional pivotal Phase III clinical trial. Even if such data are submitted, the FDA may ultimately decide that the NDA does not satisfy the criteria for approval. Data from clinical trials are not always conclusive and the FDA may interpret data differently than we do. The FDA could also require a risk evaluation and mitigation strategy, or REMS, plan to mitigate risks, which could include medication guides, physician communication plans, or elements to assure safe use, such as restricted distribution methods, patient registries and other risk minimization tools. The FDA also may condition approval on, among other things, changes to proposed labeling, a commitment to conduct one or more post-market studies or clinical trials and the correction of identified manufacturing deficiencies, including the development of adequate controls and specifications.

After approval, the NDA sponsor must comply with comprehensive requirements governing, among other things, manufacturing, marketing activities, distribution, annual reporting and adverse event reporting. If new safety issues are identified following approval, the FDA can require the NDA sponsor to revise the approved labeling to reflect the new safety information; conduct post-market studies or clinical trials to assess the new safety information; and implement a REMS program to mitigate newly-identified risks. In addition, if after approval the FDA determines that the product does not meet applicable regulatory requirements or poses unacceptable safety risks, the FDA may take other regulatory actions, including requesting a product recall or initiating suspension or withdrawal of the NDA approval.

Drugs may be marketed only for approved indications and in accordance with the provisions of the approved label. Further, if we modify a drug, including any changes in indications, labeling or manufacturing processes or facilities, the FDA may required us to submit and obtain FDA approval of a new or supplemental NDA, which may require us to develop additional data or conduct additional preclinical studies and clinical trials.

Under PDUFA, NDA applicants must pay significant NDA user fees upon submission. In addition, manufacturers of approved prescription drug products must pay annual establishment and product user fees.

Section 505(b)(2) New Drug Applications

As an alternate path to FDA approval, particularly for modifications to drug products previously approved by the FDA, an applicant may submit an NDA under Section 505(b)(2) of the FDCA. Section 505(b)(2) was enacted as part of the Drug Price Competition and Patent Term Restoration Act of 1984, also known as the Hatch-Waxman Act, and permits the submission of an NDA where at least some of the information required for approval comes from clinical trials not conducted by or for the applicant and for which the applicant has not obtained a right of reference. The FDA interprets Section 505(b)(2) of the FDCA to permit the applicant to rely upon the FDA s previous findings of safety and effectiveness for an approved product. The FDA may also require companies to perform additional clinical trials or measurements to support any change from the previously approved product. The FDA may then approve the new product candidate for all or some of the label indications for which the referenced product has been approved, as well as for any new indication sought by the Section 505(b)(2) applicant.

To the extent that a Section 505(b)(2) NDA relies on clinical trials conducted for a previously approved drug product or the FDA s prior findings of safety and effectiveness for a previously approved drug product, the 505(b)(2) applicant must submit patent certifications in its 505(b)(2) application with respect to any patents listed for the approved product on which the application relies in the FDA s publication, Approved Drug Products with Therapeutic

Equivalence Evaluations, commonly referred to as the Orange Book. Specifically, the applicant must certify for each listed patent that (1) the required patent information has not been filed; (2) the listed patent has expired; (3) the listed patent has not expired, but will expire on a particular date and approval is not sought until after patent expiration; or (4) the listed patent is invalid, unenforceable or will not be infringed by the proposed new product. A certification that the new product will not infringe the

previously approved product s listed patent or that such patent is invalid or unenforceable is known as a Paragraph IV certification. If the applicant does not challenge one or more listed patents through a Paragraph IV certification, the FDA will not approve the Section 505(b)(2) NDA application until all the unchallenged listed patents claiming the referenced product have expired. Further, the FDA will also not accept or approve, as applicable, a Section 505(b)(2) NDA application until any non-patent exclusivity, such as exclusivity for obtaining approval of a New Chemical Entity, listed in the Orange Book for the referenced product, has expired.

If the 505(b)(2) NDA applicant has provided a Paragraph IV certification to the FDA, the applicant must also send notice of the Paragraph IV certification to the owner of the referenced NDA for the previously approved product and relevant patent holders within 20 days after the 505(b)(2) NDA has been accepted for submission by the FDA. The NDA and patent holders may then initiate a patent infringement suit against the 505(b)(2) applicant. Under the FDCA, the filing of a patent infringement lawsuit within 45 days of receipt of the notification regarding a Paragraph IV certification automatically prevents the FDA from approving the Section 505(b)(2) NDA for 30 months, or until a court deems the patent unenforceable, invalid or not infringed, whichever is earlier. Moreover, in cases where a 505(b)(2) application containing a Paragraph IV certification is submitted during a previously approved drug s five year exclusivity period, the 30-month period is automatically extended to prevent approval of the 505(b)(2) application until the date that is seven and one-half years after approval of the previously approved reference product. The court also has the ability to shorten or lengthen either the 30 month or the seven and one-half year period if either party is found not to be reasonably cooperating in expediting the litigation. Thus, the Section 505(b)(2) applicant may invest a significant amount of time and expense in the development of its product only to be subject to significant delay and patent litigation before its product may be commercialized. Alternatively, if the NDA applicant or relevant patent holder does not file a patent infringement lawsuit within the specified 45 day period, the 30 month stay will not prevent approval of the 505(b)(2) application.

Notwithstanding the approval of many products by the FDA pursuant to Section 505(b)(2), over the last few years, some pharmaceutical companies and others have objected to the FDA s interpretation of Section 505(b)(2). If the FDA changes its interpretation of Section 505(b)(2), or if the FDA s interpretation is successfully challenged in court, this could delay or even prevent the FDA from approving any Section 505(b)(2) NDA that we submit.

In the NDA submissions for our product candidates, we intend to follow the development and approval pathway permitted under the FDCA that we believe will maximize the commercial opportunities for these product candidates.

International Regulation

In addition to regulations in the U.S., we will be subject to a variety of foreign regulations governing clinical trials and commercial sales and distribution of any future products. Whether or not we obtain FDA approval for a product, we must obtain approval by the comparable regulatory authorities of foreign countries before we can commence clinical trials or marketing of the product in those countries. The approval process varies from country to country, and the time may be longer or shorter than that required for FDA approval. The requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary greatly from country to country.

For example, under European Union regulatory systems, sponsors may submit marketing authorizations either under a centralized or mutual recognition procedure. The centralized procedure provides for the grant of a single marketing authorization that is valid for all European Union member states. The mutual recognition procedure provides for mutual recognition of national approval decisions. Under this procedure, the holder of a national marketing authorization may submit an application to the remaining member states. Within 90 days of receiving the applications and assessment report, each member state must decide whether to recognize approval.

In addition to regulations in Europe and the U.S., we will be subject to a variety of foreign regulations governing clinical trials and commercial distribution of any future products.

Third Party Payor Coverage and Reimbursement

Although none of our product candidates have been commercialized for any indication, if the FDA approves these products for marketing, commercial success of our product candidates will depend, in part, upon the availability of coverage and reimbursement from third party payors at the federal, state and private levels. Government payor programs, including Medicare and Medicaid, private health care insurance companies and managed care plans have attempted to control costs by limiting coverage and the amount of reimbursement for particular procedures or drug treatments. The United States Congress and state legislatures from time to time propose and adopt initiatives aimed at cost containment, which could impact our ability to sell our products profitably.

For example, in March 2010, President Obama signed into law the Patient Protection and Affordable Care Act and the associated reconciliation bill, which we refer to collectively as the Health Care Reform Law, a sweeping law intended to broaden access to health insurance, reduce or constrain the growth of healthcare spending, enhance remedies against fraud and abuse, add new transparency requirements for health care and health insurance industries, impose new taxes and fees on the health industry and impose additional health policy reforms. Effective October 1, 2010, the Health Care Reform Law revises the definition of average manufacturer price for reporting purposes, which could increase the amount of Medicaid drug rebates to states once the provision is effective. Further, beginning in 2011, the new law imposes a significant annual fee on companies that manufacture or import branded prescription drug products. Substantial new provisions affecting compliance have also been enacted, which may require us to modify our business practices with health care practitioners. We will not know the full effects of the Health Care Reform Law until applicable federal and state agencies issue regulations or guidance under the new law. Although it is too early to determine the effect of the Health Care Reform Law, the new law appears likely to continue the pressure on pharmaceutical pricing, especially under the Medicare program, and may also increase our regulatory burdens and operating costs. Moreover, in the coming years, additional changes could be made to governmental healthcare programs that could significantly impact the success of our products.

The cost of pharmaceuticals continues to generate substantial governmental and third party payor interest. We expect that the pharmaceutical industry will experience pricing pressures due to the trend toward managed health care, the increasing influence of managed care organizations and additional legislative proposals. Our results of operations could be adversely affected by current and future health care reforms.

Some third party payors also require pre-approval of coverage for new or innovative devices or drug therapies before they will reimburse health care providers that use such therapies. While we cannot predict whether any proposed cost-containment measures will be adopted or otherwise implemented in the future, the announcement or adoption of these proposals could have a material adverse effect on our ability to obtain adequate prices for our product candidates and operate profitably.

Manufacturing Requirements

We and our third party manufacturers must comply with applicable FDA regulations relating to FDA s cGMP regulations. The cGMP regulations include requirements relating to organization of personnel, buildings and facilities, equipment, control of components and drug product containers and closures, production and process controls, packaging and labeling controls, holding and distribution, laboratory controls, records and reports, and returned or salvaged products. The manufacturing facilities for our products must meet cGMP requirements to the satisfaction of the FDA pursuant to a pre-approval inspection before we can use them to manufacture our products. We and our third party manufacturers are also subject to periodic inspections of facilities by the FDA and other authorities, including procedures and operations used in the testing and manufacture of our products to assess our compliance with applicable regulations. Failure to comply with statutory and regulatory requirements subjects a manufacturer to possible legal or regulatory action, including warning letters, the seizure or recall of products, injunctions, consent

decrees placing significant restrictions on or suspending manufacturing operations and civil and criminal penalties. Adverse experiences with the product must be reported to the FDA and could result in the imposition of market restrictions through labeling changes

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or in product removal. Product approvals may be withdrawn if compliance with regulatory requirements is not maintained or if problems concerning safety or efficacy of the product occur following approval.

Other Regulatory Requirements

With respect to post-market product advertising and promotion, the FDA imposes a number of complex regulations on entities that advertise and promote pharmaceuticals, which include, among other things, standards for direct-to-consumer advertising, off-label promotion, industry-sponsored scientific and educational activities and promotional activities involving the Internet. The FDA has very broad enforcement authority under the FDCA, and failure to abide by these regulations can result in penalties, including the issuance of a warning letter directing entities to correct deviations from FDA standards, a requirement that future advertising and promotional materials be pre-cleared by the FDA, civil money penalties and state and federal civil and criminal investigations and prosecutions.

We are also subject to various laws and regulations regarding laboratory practices, the experimental use of animals and the use and disposal of hazardous or potentially hazardous substances in connection with our research. In each of these areas, as above, government agencies have broad regulatory and enforcement powers, including the ability to levy fines and civil penalties.

In addition, drug manufacturers also are subject to federal and state requirements and restrictions concerning interactions with physicians and other health care professionals, internal compliance programs, and transparency reporting requirements, including, for example, reporting of physician payments and other transfers of value, reporting of physician ownership or investment interests, reporting of marketing expenditures and clinical trial registration and reporting of clinical trial results on the publicly available clinical trial databank maintained by the National Institutes of Health at www.ClinicalTrials.gov.

Legal Proceedings

We are not currently a party to any legal proceeding.

Employees

As of April 30, 2010, we employed 21 full-time employees, of which 14 were engaged in research and development and clinical trials and seven were engaged in administration, finance, marketing and business development. None of our employees are represented by a labor union and we consider our employee relations to be good.

Facilities

Our corporate headquarters are located in Conshohocken, Pennsylvania, where we occupy approximately 11,075 square feet of office space. Our lease term expires March 31, 2013.

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MANAGEMENT

Executive Officers, Directors and Key Employee

The following table sets forth information regarding our executive officers, directors and key employee as of April 30, 2010:

Name	Age	Position
Executive Officers and Directors		
Jane H. Hollingsworth	52	Chief Executive Officer and Director
Terri B. Sebree	52	President
Keith A. Goldan	39	Vice President and Chief Financial Officer
Gerald W. McLaughlin	42	Vice President Commercial Operations
Ezra H. Felker	40	Vice President Business Development
Michael Cola(1)(3)	50	Director
Jeanne Cunicelli(2)	43	Director
Michael C. Diem, MD(2)	40	Director
John H. Dillon, II(2)	68	Director
Richard S. Kollender(3)	40	Director
Gary J. Kurtzman, MD(3)	55	Director
Key Employee		
Mark W. Pierce, MD, PhD	61	Vice President and Chief Scientific Officer

(1) Chairman of the board of directors.

(2) Member of the audit committee.

(3) Member of the compensation committee.

Jane H. Hollingsworth is one of our founders and has served as a director and our Chief Executive Officer since January 2005. Prior to founding our company, Ms. Hollingsworth co-founded and served as Executive Vice President, Secretary and General Counsel of Auxilium Pharmaceuticals, Inc., or Auxilium, a specialty pharmaceutical company. Prior to co-founding Auxilium, Ms. Hollingsworth served as Vice President, Secretary and General Counsel of IBAH, Inc., or IBAH, a multinational contract research organization. Earlier in her career, Ms. Hollingsworth practiced law at the law firm of Montgomery, McCracken, Walker & Rhoads. Ms. Hollingsworth holds a BA from Gettysburg College and a JD from the Villanova University School of Law. Ms. Hollingsworth s legal background and widespread experience in the pharmaceutical industry provide significant expertise that she uses to advise our board of directors in evaluating regulatory, financial and other matters, which we believe makes her a valuable member of our board.

Terri B. Sebree is one of our founders and has served as our President since February 2005. Prior to founding our company, Ms. Sebree served as Senior Vice President, Development of Auxilium. Prior to joining Auxilium, Ms. Sebree served as Executive Vice President, U.S. Operations at IBAH. Prior to that, Ms. Sebree served in a variety of management roles with Abbott Laboratories for over nine years. Ms. Sebree holds a BS from Texas A&M University.

Keith A. Goldan, CPA has served as our Vice President and Chief Financial Officer since November 2008. Previously, Mr. Goldan served as Chief Financial Officer of PuriCore plc, a medical technology company listed on the London Stock Exchange, from October 2004 through October 2008. Mr. Goldan also served as a member of PuriCore s board of directors. Prior to that, Mr. Goldan served as Vice President and Chief Financial Officer of Biosyn, Inc., a specialty pharmaceutical company, and in a variety of roles with ViroPharma Incorporated, Century Capital Associates, a specialty consulting firm with a focus on capital strategy for healthcare clients, and the Healthcare & Life Sciences Practice of KPMG LLP. Mr. Goldan holds a BA from the Robert H. Smith School of Business at the University of Maryland and an MBA from The Wharton School at the University of Pennsylvania.

Gerald W. McLaughlin has served as our Vice President Commercial Operations since September 2007. Previously, Mr. McLaughlin served in a variety of roles at Endo Pharmaceuticals, a specialty pharmaceutical company, including Senior Director, Strategic Marketing from January 2007 through August 2007, Regional Sales Director from July 2005 through December 2006, Group Marketing Director, Pain Products from November 2002 through June 2005 and Marketing Director. Prior to that, Mr. McLaughlin served in a variety of marketing and sales roles at Merck for 11 years. Mr. McLaughlin holds a BA from Dickinson College and an MBA from Villanova University.

Ezra H. Felker has served as our Vice President Business Development since January 2006. Previously, Mr. Felker served as an Entrepreneur in Residence at BioAdvance, an initiative of the Commonwealth of Pennsylvania committed to funding early stage life sciences companies, from June 2005 through December 2005. Prior to that, Mr. Felker served as Associate Vice President, BTG Ventures at BTG International Inc., Manager, Business Development at Icagen, Inc. and as a protein chemist at Hybritech and Biosite Diagnostics. Mr. Felker holds a BS from the University of California, San Diego and an MBA from the Weatherhead School of Management at Case Western Reserve University.

Michael Cola has served as the Chairman of our board of directors since December 2006. Mr. Cola has served as President, Specialty Pharmaceuticals at Shire plc, or Shire, a global specialty pharmaceutical company, since June 2005. Prior to joining Shire, Mr. Cola served as Group President of Safeguard Scientifics, Inc., or Safeguard, a holding company for growth stage technology and life sciences companies, and in a variety of positions at AstraZeneca and AstraMerck, including Vice President, Global Clinical Operations. Mr. Cola has also served on the board of directors of Clarient, Inc., a publicly traded company. Mr. Cola holds a BA in biology and physics from Ursinus College and an MS in biomedical science from Drexel University. Mr. Cola has more than 20 years of international pharmaceutical industry experience. Mr. Cola s extensive expertise in pharmaceutical product development, commercialization and marketing, as well as his involvement in the development of public pharmaceutical companies, have provided him with a broad perspective on operations and make him a valuable asset to our board of directors. Furthermore, Mr. Cola s leadership abilities make him particularly well qualified to be our Chairman.

Jeanne Cunicelli has served as one of our directors since August 2006. Ms. Cunicelli has served as an Investment Partner at Bay City Capital LLC, a venture capital firm with a focus on the life sciences industry, since January 2004. Ms. Cunicelli joined Bay City Capital LLC as a Consultant in 1997. She is a member of the board of trustees, the Chairman of the investment committee and serves on the finance committee of the University of San Francisco. Ms. Cunicelli holds a BS in cognitive psychology from Carnegie Mellon University and an MBA from the University of San Francisco. Ms. Cunicelli s position with Bay City Capital has resulted in her gaining valuable experience in evaluating the financial performance and operations of companies in our industry, which we believe makes her a valuable member of our board of directors.

Michael C. Diem, MD has served as one of our directors since July 2008. Dr. Diem has served as a Partner at SR One, Limited, or SR One, the venture capital subsidiary of GlaxoSmithKline, since September 2008. Dr. Diem joined SR One as an associate in July 2005. Prior to joining SR One, Dr. Diem was an associate at Frantz Medical Ventures and practiced as an attending physician. Dr. Diem holds a BA in biological sciences from Rutgers University, an MD from the University of Medicine and Dentistry of New Jersey-Robert Wood Johnson Medical School and an MBA from the Weatherhead School of Management at Case Western Reserve University, completed his residency training at Duke University Medical Center and is an alumnus of the Kauffman Fellows Program. Dr. Diem s scientific, medical and pharmaceutical background, as well as his investment experience, enable him to advise our board of directors on a wide range of strategic and other financial transactions, which makes him a valuable member of our board.

John H. Dillon, II, has served as one of our directors since March 2006. Mr. Dillon has served as Managing Director and Chief Executive Officer of BioVerum Partners LLC, a healthcare consulting firm, since 2006. Before retiring in

August 2004, Mr. Dillon served as Executive Vice President, Corporate Development and Senior Vice President, Marketing at Auxilium, where he managed all pre-launch and launch activities for Auxilium s first commercial product. Prior to joining Auxilium, Mr. Dillon served for more than 20 years in a variety of positions at SmithKline Beecham Corporation, including Vice President and Director of Worldwide

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Business Development, where he managed business development and strategic product planning. He has also served on the board of directors and as a member of the audit committee for Encysive Pharmaceuticals Inc., a publicly traded company. Mr. Dillon holds a BA in history from Lafayette College and an MBA from The Wharton School at the University of Pennsylvania. His extensive expertise in marketing and product development, as well as his background in business and strategic planning, have enabled him to advise our board of directors on a wide range of strategic, operations, marketing and development matters, which we believe makes him an asset to our board.

Richard S. Kollender has served as one of our directors since December 2007. Mr. Kollender has served as a Partner at Quaker BioVentures, a venture capital firm with a focus on the life sciences industry, since October 2005. Mr. Kollender joined Quaker BioVentures as a Principal in 2003. Prior to joining Quaker BioVentures, Mr. Kollender served in a variety of sales, marketing and worldwide business development positions at GlaxoSmithKline, as an Investment Manager at SR One and as a Certified Public Accountant with KPMG LLP, with a significant emphasis on the healthcare and emerging businesses sectors. Mr. Kollender holds a BA from Franklin and Marshall College in Accounting and Business Administration and an MBA from the University of Chicago. Mr. Kollender s strong accounting background, pharmaceutical commercial experience and financial experience in the healthcare and emerging business sectors qualify him to serve as a member of our board of directors.

Gary J. Kurtzman, MD has served as one of our directors since August 2006. Dr. Kurtzman has served as a Vice President at Safeguard since June 2006. Dr. Kurtzman is also a Managing Director in Safeguard s Life Science Group. Previously, he served in a variety of roles at BioAdvance from July 2002 until June 2006, with his most recent position being Managing Director and Chief Operating Officer. Dr. Kurtzman currently serves on the board of directors of Tengion, Inc., a publicly traded biotechnology company, and is a lecturer in health care management at The Wharton School at the University of Pennsylvania, where he teaches bioentrepreneurship. Dr. Kurtzman holds a BS from Stanford University, an MD from Washington University and completed post-doctoral training at the National Heart, Lung and Blood Institute and Stanford University. Dr. Kurtzman s strong background of service on the boards of directors of numerous biotechnology companies and his position as a managing director in an organization that provides capital to biotechnology companies make him a valuable member of our board of directors who will assist in the development of our growth strategy and business plans.

Mark W. Pierce, MD, PhD has served as our Vice President and Chief Scientific Officer since October 2006. Previously, Dr. Pierce served as a Senior Vice President of Pfizer s Global Research and Development from July 2002 through October 2005. Dr. Pierce holds a BA and a PhD from Northwestern University and an MD from Northwestern University Medical School. He received his postgraduate training in internal medicine at the Peter Bent Brigham Hospital and Massachusetts General Hospital in Boston. Dr. Pierce was previously an Instructor in Medicine and Associate Professor of Medicine at Harvard Medical School.

Board Composition and Election of Directors

Our board of directors currently consists of seven directors. In accordance with our restated certificate of incorporation, to be in effect upon the closing of this offering, our board of directors may establish from time to time by resolution the authorized number of directors. Upon the closing of this offering, eight directors will be authorized to serve on our board of directors. All of our directors are elected annually for a one-year term until the next annual meeting of stockholders.

Under applicable NASDAQ Marketplace Rules, a director will only qualify as an independent director if, in the opinion of our board of directors, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Our board of directors has determined that each of our directors, with the exception of Ms. Hollingsworth, is an independent director as defined under Rule 5605(a)(2) of The NASDAQ Marketplace Rules. In making such determination, the board of directors considered the relationships that each such non-employee director has with our company and all other facts and circumstances that the board of directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by

each non-employee director. In considering the independence of the directors listed above, our board of directors considered the association of our directors with the holders of more than five percent of our common stock. There are no family relationships among any of our directors or executive officers.

Board Leadership Structure and Board s Role in Risk Oversight

The positions of our chairman of the board and chief executive officer are separated. Separating these positions allows our chief executive officer to focus on our day-to-day business, while allowing the chairman of the board to lead the board of directors in its fundamental role of providing advice to and independent oversight of management. Our board of directors recognizes the time, effort and energy that the chief executive officer must devote to her position in the current business environment, as well as the commitment required to serve as our chairman, particularly as the board of directors oversight responsibilities continue to grow. Our board of directors also believes that this structure ensures a greater role for the independent directors in the oversight of our company and active participation of the independent directors in setting agendas and establishing priorities and procedures for the work of our board of directors. This leadership structure also is preferred by a significant number of our stockholders. Our board of directors believes its administration of its risk oversight function has not affected its leadership structure.

Although our restated bylaws that will be in effect upon the closing of this offering will not require that our chairman and chief executive officer positions be separate, our board of directors believes that having separate positions is the appropriate leadership structure for us at this time and demonstrates our commitment to good corporate governance.

Risk is inherent with every business, and how well a business manages risk can ultimately determine its success. We face a number of risks, including those described under Risk Factors. Our board of directors is actively involved in oversight of risks that could affect us. This oversight is conducted primarily through committees of the board of directors, as disclosed in the descriptions of each of the committees below, but the full board of directors has retained responsibility for general oversight of risks. Our board of directors satisfies this responsibility through full reports by each committee chair regarding the committee s considerations and actions, as well as through regular reports directly from officers responsible for oversight of particular risks within our company. Our board of directors believes that full and open communication between management and the board of directors is essential for effective risk management and oversight.

Board Committees

Our board of directors has an audit committee and a compensation committee and, as of the closing of this offering, will have a nominating and corporate governance committee. Upon the closing of this offering, each of these committees will operate under a charter that has been approved by our board of directors.

Audit Committee

Our audit committee consists of Ms. Cunicelli, Mr. Dillon and Dr. Diem. Mr. Dillon serves as the chair of our audit committee. Upon the closing of this offering, the responsibilities of the audit committee will include, among other things:

- Evaluating the performance, independence and qualifications of our independent auditors and determining whether to retain our existing independent auditors or engage new independent auditors;

- Reviewing and approving the engagement of our independent auditors to perform audit services and any permissible non-audit services;

Monitoring the rotation of partners of our independent auditors on our engagement team as required by law;

Reviewing our annual and quarterly financial statements and reports and discussing the statements and reports with our independent auditors and management;

Reviewing with our independent auditors and management significant issues that arise regarding accounting principles and financial statement presentation, and matters concerning the scope, adequacy and effectiveness of our financial controls;

Reviewing with management and our auditors any earnings announcements and other public announcements regarding material developments;

Establishing procedures for the receipt, retention and treatment of complaints received by us regarding financial controls, accounting or auditing matters and other matters;

Preparing the audit committee report that the SEC requires in our annual proxy statement;

Reviewing the disclosures of the chief executive officer and chief financial officer during their certification process for our Form 10-K and Form 10-Q filings with the SEC;

Reviewing and providing oversight with respect to any related party transactions and monitoring compliance with our code of ethics;

Reviewing our investment, risk assessment and management and accounting policies on a periodic basis;

Reviewing the adequacy of our audit committee charter on a periodic basis; and

Reviewing and evaluating the performance of the audit committee, including compliance of the audit committee with its charter.

Our board of directors has determined that each of the directors serving on our audit committee is independent within the meaning of The NASDAQ Marketplace Rules and Rule 10A-3 under the Securities Exchange Act of 1934, as amended, or the Exchange Act. In addition, our board of directors has determined that qualifies as an audit committee financial expert within the meaning of SEC regulations and The NASDAQ Marketplace Rules. In making this determination, our board has considered the formal education and nature and scope of his/her previous experience, coupled with past and present service on various audit committees. Both our independent auditors and management periodically meet privately with our audit committee.

Compensation Committee

Our compensation committee consists of Mr. Cola, Mr. Kollender and Dr. Kurtzman. Mr. Kollender serves as the chair of our compensation committee. Upon the closing of this offering, the responsibilities of the compensation committee will include, among other things:

Reviewing, approving and, in the case of our chief executive officer, recommending to our board of directors the compensation and other terms of employment of our executive officers, including the terms of any employment agreements, severance arrangements, change in control protections and any other compensatory arrangements;

Reviewing, approving and, in the case of our chief executive officer, recommending to our board of directors performance goals and objectives relevant to the compensation of our executive officers and assessing their performance against these goals and objectives;

Evaluating and approving the equity incentive plans, compensation plans and similar programs advisable for us, as well as modification or termination of existing plans and programs;

Evaluating, approving and, in the case of our chief executive officer, recommending to our board of directors the type and amount of compensation to be paid or awarded to board members;

Administering our equity incentive plans;

Establishing policies with respect to equity compensation arrangements;

Reviewing the competitiveness of our executive compensation programs and evaluating the effectiveness of our compensation policy and strategy in achieving expected benefits to us;

- Reviewing with management our disclosures under the Compensation Discussion and Analysis section and recommending to the full board of directors inclusion in our periodic reports to be filed with the SEC;
- Preparing the report that the SEC requires in our annual proxy statement;
- Reviewing the adequacy of our compensation committee charter on a periodic basis; and
- Reviewing and evaluating the performance of our compensation committee.

Nominating and Corporate Governance Committee

Upon the closing of this offering, we will establish a nominating and corporate governance committee on which we expect , and will initially serve. will serve as the chair of our nominating and corporate governance committee. Upon the closing of this offering, the responsibilities of the nominating and corporate governance committee will include, among other things:

- Identifying, reviewing, evaluating, nominating and recommending candidates to serve on our board of directors;
- Determining the minimum qualifications for service on our board of directors;
- Evaluating director performance on the board of directors and applicable committees of the board;
- Considering nominations by stockholders of candidates for election to our board of directors;
- Considering and assessing the independence of members of our board of directors;
- Developing, as appropriate, a set of corporate governance principles, and reviewing and recommending to our board of directors any changes to such principles;
- Periodically reviewing our policy statements to determine their adherence to our code of business conduct and ethics and considering any request by our directors or executive officers for a waiver from such code;
- Reviewing the adequacy of its charter on a periodic basis; and
- Evaluating the performance of our nominating and corporate governance committee.

Compensation Committee Interlocks and Insider Participation

No member of our compensation committee has ever been an officer or employee of ours. None of our officers currently serves, or has served during the last completed year, on our compensation committee or the board of directors of any other entity that has one or more of its officers serving as a member of our board of directors or compensation committee. Prior to establishing our compensation committee, our full board of directors made decisions relating to compensation of our officers.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

In this Compensation Discussion and Analysis, we address the compensation determinations and the rationale for those determinations relating to our chief executive officer, our chief financial officer and our next three most highly compensated executive officers who were serving as executive officers as of December 31, 2009. We refer to these executive officers collectively as our named executive officers. Our named executive officers for the year ended December 31, 2009 are:

Jane H. Hollingsworth, Chief Executive Officer;

Terri B. Sebree, President;

Keith A. Goldan, Vice President and Chief Financial Officer;

Gerald W. McLaughlin, Vice President Commercial Operations; and

Ezra H. Felker, Vice President Business Development.

Objectives and Philosophy of Executive Compensation

The primary objective of our executive compensation program, as established by the compensation committee of our board of directors, is to attract, retain and motivate individuals who possess knowledge, experience and skills that we believe are important to the advancement of our business of developing and commercializing branded therapeutics for diseases of the central nervous system, including neurological and psychiatric disorders.

Specifically, our compensation programs are designed to:

Attract and retain individuals with superior ability and managerial experience;

Align executive officers incentives with our corporate strategies, business objectives and the long-term interests of our stockholders; and

Increase the incentive to achieve key strategic performance measures by linking incentive award opportunities to the achievement of performance objectives in these areas and by providing a portion of total compensation opportunities for executive officers in the form of direct ownership in our company.

To achieve these objectives, we seek to provide a competitive compensation package that ties a substantial portion of the executive s overall compensation to both our company objectives and the executive s individual performance. Base salary increases and annual performance bonuses are tied to our company and individual performance in relation to competitive market conditions. Equity awards are primarily used to promote long-term stockholder value and employee retention through the use of multi-year vesting schedules that provide an incentive to the executive to remain in the employ of the company through the end of the vesting period in order to share in any increase in the value of our company over time.

Determination of Executive Compensation

Our compensation committee oversees our compensation and benefit plans and policies, administers our equity incentive plans and reviews and approves annually all compensation decisions relating to all executive officers.

When determining our executive compensation policies, reviewing the performance of our executive officers and establishing compensation levels and programs, our compensation committee considers recommendations from Ms. Hollingsworth, our chief executive officer, regarding the compensation for executive officers other than herself. Ms. Hollingsworth does not participate in determining the amount of her own compensation. With the exception of our chief executive officer, our compensation committee has the final authority regarding the overall compensation structure for our executive officers. In the case of Ms. Hollingsworth, our compensation committee evaluates Ms. Hollingsworth s performance, with significant input and recommendations from the chairman of our

compensation committee, and recommends compensation levels to the board of directors, which sets her compensation.

Prior to this offering, we have not used a peer group to engage in benchmarking in determining our total compensation or the primary components of compensation for our executive officers. In reviewing compensation levels for 2009 and 2010, our compensation committee reviewed survey information for private life sciences companies published in CompStudy, an annual survey of compensation for executives at more than 700 private life sciences and technology companies conducted by J. Robert Scott in partnership with Ernst & Young LLP. As a survey participant, we had access to survey data, which we used to provide information to our compensation committee in setting compensation.

In the future, we expect that our compensation committee will engage a compensation consultant, establish comprehensive policies and guidelines for executive compensation and conduct competitive benchmarking against a peer group of public companies established in consultation with the compensation consultant.

Elements of Executive Compensation

The compensation for our executive officers consists of the following principal elements:

- Base salary;
- Annual performance bonuses; and
- Long-term incentives in the form of equity grants.

We do not have a formal or informal policy or target for allocating compensation between long-term and short-term compensation, cash and non-cash compensation, or among different forms of non-cash compensation. Our compensation committee has balanced our need to preserve cash with the expectations of those we hope to recruit and retain as executives. In the future, we may adjust the mix of cash and non-cash compensation if required by competitive market conditions for attracting and retaining skilled personnel.

We have set salary levels and the size of annual performance bonuses based on individual performance and by comparison to market survey data in CompStudy. Equity grant awards have been our primary form of long-term incentive and retention benefits, which have the benefit of not requiring a cash outlay from our company. We use awards of equity as a significant component of the initial compensation incentive when we hire executive officers. We have generally made equity grants to existing executives at times when we have raised capital from new investors, and not as a part of annual compensation. Our equity awards to executive officers generally have vesting schedules over four years, which we believe results in a retention incentive for our executives. If an executive voluntarily leaves our employ before the completion of the vesting period, then that executive would not receive any benefit from the non-vested portion of his or her award.

Base Salary

We generally establish base salaries for our executive officers based on the scope of their responsibilities and the amount and type of work experience prior to joining us, taking into account competitive market compensation paid by other companies for similar positions. In general, our compensation committee reviews base salaries annually based on these factors to adjust salaries to reflect current market levels. We may also adjust base salaries from time to time during the year in connection with promotions or in light of changes in market conditions. For 2009 and 2010, the base salaries for our named executive officers are set forth in the table below:

Named Executive Officer	2009 Base Salary	2010 Base Salary
Jane H. Hollingsworth	$ 304,756	$ 320,000
Terri B. Sebree	280,000	293,000
Keith A. Goldan	275,000	280,000
Gerald W. McLaughlin	206,876	216,500
Ezra H. Felker	196,833	216,500

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In setting salary levels for 2009 and 2010, our compensation committee had a goal of setting target compensation for our named executive officers at levels the committee believed to be competitive for companies of similar size and stage of development operating in the life sciences industry. To accomplish this, our compensation committee reviewed CompStudy survey information for private therapeutics companies with 20 to 40 employees, revenue of up to $40 million and between two to five rounds of outside investor financing. Salary levels for our named executive officers for 2010 were increased, based on the position and industry experience of the individual, to provide them generally with a level of total compensation in the mid-range for comparable positions. Salaries for 2009 were increased on the same basis, from 2008 salaries of $295,880 for Ms. Hollingsworth, $262,500 for Ms. Sebree, $200,850 for Mr. McLaughlin and $191,100 for Mr. Felker. Mr. Goldan s 2008 salary of $275,000 was negotiated at the time he was hired in November 2008 and remained at the same level for 2009.

Annual Performance Bonus Compensation

We pay annual performance bonuses to reward the performance achievements of our named executive officers. We generally pay these bonuses in cash, and an executive must be employed by us on the pay date to receive a bonus. Each named executive officer is assigned a targeted maximum payout, expressed as a percentage of his or her base salary for the year, which varies by their role with us. Each named executive officer s annual performance bonus is generally determined based on our achievement of company objectives and the executive officer s individual performance goals. For 2009, our chief executive officer s annual performance bonus was determined solely based on attainment of company objectives. Our board of directors and compensation committee determined that this was appropriate given our chief executive officer s responsibility for the overall direction and success of our business. Our company objectives generally relate to the achievement of preestablished performance goals based on company-wide business objectives. Individual performance goals are based on either key operational objectives, functional objectives within the executive s area of responsibility, or a combination of operational and functional objectives. If our company s or an executive officer s performance does not meet one or more of the objectives established for the year, then the portion of annual performance bonus attributable to that objective will not be paid.

The performance objectives are generally objectively determinable and measurable and their outcomes are uncertain at the time established. When we set the 2009 objectives, we considered them to be ambitious, but attainable and designed to cause annual performance bonus payments to reflect meaningful performance requirements.

Our compensation committee authorizes annual performance bonuses to the executive officers, other than the chief executive officer, in amounts that are commensurate with each executive officer s targeted maximum annual performance bonus and the result achieved by the end of the year. Prior to this offering, our compensation committee has authorized our chief executive officer to establish individual performance goals for each other executive officer on a basis consistent with compensation objectives for the year. At the end of the year, our chief executive officer assesses the achievement of the objectively determinable individual performance goals of the executive officers, other than herself, reports her findings to our compensation committee and submits recommendations for annual performance bonus payouts for the approval of our compensation committee. Our compensation committee reviews our chief executive officer s analysis and in its sole discretion may accept or reject, in whole or in part, the recommendations of Ms. Hollingsworth.

For our chief executive officer, our compensation committee assesses the achievement of the objectively determinable performance goals and reports its findings and annual performance bonus recommendations to our board of directors. In its sole discretion, our board of directors may accept or reject, in whole or in part, the annual performance bonus recommendations of our compensation committee. For 2009, our board of directors reviewed and accepted our compensation committee s annual performance bonus recommendation with respect to Ms. Hollingsworth.

As discussed above, Ms. Hollingsworth s 2009 annual performance bonus award payout was based 100% on the achievement of our company objectives. The 2009 annual performance bonuses for each of the other named executive officers was based 75% on the achievement of company objectives and 25% on the

achievement of individual performance objectives. Our compensation committee establishes our company objectives for each fiscal year prior to the end of the first quarter of the year and determines a separate weighting for each of our company objectives. For 2009, our company objectives, including their weightings, are set forth below:

Successfully complete our pivotal Phase III clinical trial for Zelrix (weighted 50%);

Facilitate a significant transaction involving our company or Zelrix (weighted 25%); and

Raise capital in 2009 through new investors (weighted 25%).

For 2009, we completed our pivotal Phase III clinical trial for Zelrix but did not achieve the other two company objectives. As a result, in March 2010, Ms. Hollingsworth was paid 50% of her 2009 targeted annual performance bonus. All other named executive officers were allocated 50% of the company objective portion of their 2009 annual performance bonus award payout.

As discussed above, our chief executive officer established individual performance objectives for each other executive officer at approximately the same time as the company objectives were established. Each component of the individual performance goals was assigned equal weight for 2009.

Ms. Sebree s 2009 individual performance goals consisted entirely of operational objectives related to:

Completing pivotal Phase III clinical trial for Zelrix;

Establishing commercial manufacturing arrangements for Zelrix;

Preparing an NDA for Zelrix; and

Implementing preclinical studies for NP201.

Mr. Goldan s 2009 individual performance goals consisted of the same operational objectives as Ms. Sebree and functional objectives related to:

Developing and implementing financing arrangements;

Improving financial controls, financial management, budgeting and forecasting; and

Managing information technology, facilities, human resources and treasury functions.

Mr. McLaughlin s 2009 individual performance goals consisted entirely of functional objectives related to:

Developing plans for commercial launch of Zelrix;

Developing marketing plans for Zelrix, including packaging and market research;

Establishing support for Zelrix with key opinion leaders; and

Engaging in efforts to identify new product candidates and partnering opportunities.

Mr. Felker s 2009 individual performance goals consisted of the same operational objectives as Ms. Sebree and functional objectives related to:

Engaging in efforts to identify partnering opportunities;

Establishing manufacturing relationships for Zelrix;

Developing strategies for continued enhancement of migraine patch design; and

Creating strategies for development and partnering of NP201.

The compensation committee assessed the performance of these named executive officers against the individual performance metrics and determined they achieved the following percentages for individual performance: Ms. Sebree, 56%, Mr. Goldan, 58%, Mr. McLaughlin, 80%, and Mr. Felker, 50%.

Taking into account the relative weighting of the corporate and individual performance goals, with 75% for corporate goals and 25% for individual performance goals for the named executive officers other than Ms. Hollingsworth, and the achievement of these goals on a percentage basis as described above, we paid each named executive officer the following 2009 annual performance bonus in 2010:

	2009 Annual Performance Bonus			
Named Executive Officer	**Maximum as % of 2009 Base Salary**	**Maximum Bonus Amount**	**% of Maximum Achieved**	**Actual Bonus Payout**
Jane H. Hollingsworth	40%	$ 121,902	50%	$ 60,952
Terri B. Sebree	30	84,000	52	43,680
Keith A. Goldan	30	82,500	52	42,900
Gerald W. McLaughlin	25	51,719	58	29,997
Ezra H. Felker	25	49,208	50	24,604

For 2010, the compensation committee has set the following maximum annual performance bonus amounts:

	2010 Annual Performance Bonus	
Named Executive Officer	**Maximum as % of 2010 Base Salary**	**Maximum Bonus Amount**
Jane H. Hollingsworth	40%	$ 128,000
Terri B. Sebree	35	102,500
Keith A. Goldan	30	84,000
Gerald W. McLaughlin	30	65,950
Ezra H. Felker	30	65,950

The compensation committee established the maximum annual performance bonus amounts for 2010 so that total annual compensation for the named executive officer was in the mid-range based on position and experience of the CompStudy survey, which resulted in an increase in the maximum bonus as a percentage of 2010 salary for Ms. Sebree, Mr. McLaughlin and Mr. Felker.

Long-Term Incentive Compensation

We believe that long-term performance is enhanced through stock and equity awards that reward our executives for maximizing stockholder value over time and that align the interests of our employees and management with those of stockholders. Our compensation committee believes that the use of equity awards offers an effective way to align the interests of our executive officers with our stockholders because equity ownership ties a significant portion of an executive s potential compensation to the market price of our stock. Prior to this offering, we have used stock options

and, to a very limited degree, restricted stock, as the primary long-term equity incentive vehicle. Our last grants of restricted stock were in 2006 when the fair value of our stock was lower and the awards had less income tax consequence to the executive upon vesting. Since then, we have made option grants to executive officers who are newly hired, and generally made stock option grants to existing executives at times when we have raised capital from new investors.

We expect to continue to use equity awards as a long-term incentive vehicle, with vesting based on multi-year periods and, perhaps, performance-based goals. These equity awards may be in the form of stock options, restricted stock or restricted stock units. We believe that:

- The opportunity to receive future equity awards provides an incentive for executives to deliver superior performance;
- The vesting period of equity awards helps retain executives;

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- Equity awards are inherently performance-based because the value our executives realize from the equity award depends on the success of our business and any increase in the market price of our common stock following this offering; and

- Equity awards help to provide a balance to the overall executive compensation program as base salary and our annual performance bonus program focus on short-term compensation, while equity grants reward executives for increases in stockholder value over the longer term.

Our 2005 Equity Compensation Plan, or our 2005 Plan, authorizes us to grant a wide variety of equity awards, including stock options, restricted stock, restricted stock units, stock appreciation rights, or SARs, and other stock-based awards to our employees and executive officers as well as non-employee members of our board of directors and certain consultants and advisors to the company. Our 2005 Plan is described in more detail under Employee Benefit Plans.

We have not generally used equity compensation in our annual performance bonus program. We have typically paid these bonuses in cash. To preserve cash, however, our compensation committee did not pay cash bonuses for 2008. The compensation committee instead granted fully vested stock options to our named executive officers in January 2009. The compensation committee determined the grant amounts based on a subjective analysis of the performance and the relative position of each executive in the management team, and not based on specific performance goals for 2008. Our named executive officers received fully vested stock options to purchase the following number of shares of common stock: Ms. Hollingsworth 67,000 shares; Ms. Sebree 60,000 shares; Mr. McLaughlin 48,000 shares; and Mr. Felker 36,000 shares. Mr. Goldan did not receive an option grant because he had recently joined us in November 2008, at which time he received a new hire option grant.

Our board of directors has adopted a new 2010 Omnibus Incentive Compensation Plan, or our 2010 Plan, which we expect to be approved by our stockholders prior to this offering and is described in more detail under Employee Benefit Plans. Immediately following the closing of this offering, our 2010 Plan will replace our existing 2005 Plan for use in granting future equity awards, including stock options, restricted stock, restricted stock units, SARs and other stock-based awards, including equity grants intended to qualify as qualified performance-based compensation under Section 162(m) of the Code, to our executive officers and our other employees, as well as non-employee members of our board of directors and our consultants and advisors. Our 2010 Plan also provides for the grant of cash awards to our named executive officers that are considered qualified performance-based compensation under Section 162(m) of the Code.

Our board of directors has delegated oversight of the administration of our equity compensation plans to our compensation committee. We do not have any equity security ownership guidelines or requirements for our executive officers. We do not have any program, plan or obligation that requires us to grant equity compensation on specified dates. The compensation committee considers and approves equity awards to executive officers based upon a review of competitive compensation data, its assessment of individual performance, a review of each executive s existing long-term incentives and retention considerations.

The exercise price of stock options is the fair value of our common stock as determined by our board of directors or compensation committee on the date of grant. Our stock options typically vest over a four-year period, either monthly over 48 months or with 25% vesting 12 months after the vesting commencement date and the remainder vesting monthly thereafter over a three-year period, subject to continued employment or association with us, and generally expire ten years after the date of grant. Incentive stock options also include terms necessary to assure compliance with the applicable provision of the Code.

Because we have not been a public company, we have not made equity grants in connection with the release or withholding of material non-public information. However, we intend to implement policies to ensure that equity awards are granted at fair market value on the date that the grant action occurs.

Other Benefits

Executive officers are eligible to participate in all of our employee benefit plans, such as medical, dental, vision, group life, short and long-term disability, and our 401(k) plan, in each case on the same basis as other

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employees, subject to applicable laws. We also provide vacation and other paid holidays to all employees, including our executive officers.

Tax Considerations

As discussed above, our compensation committee considers the tax and accounting treatment associated with the cash and equity awards it makes, although these considerations are not dispositive. Section 162(m) of the Code places a limit of $1.0 million per person on the amount of compensation that we may deduct in any year with respect to each of our named executive officers. There is an exemption from the $1.0 million limitation for performance-based compensation that meets certain requirements. Since we are a privately held corporation, Section 162(m) does not currently apply to our compensation. Under the transition rules, in general, compensation paid under a plan that existed while we are private is exempt from the $1.0 million deduction limit until the third annual meeting of our stockholders following this offering. We will take these transition rules into account when awarding compensation to our named executive officers. Following this offering, grants of options or SARs under our 2010 Plan are intended to qualify for the exemption. Grants of restricted shares or stock units that are made in the future under our 2010 Plan may qualify for the exemption if vesting is contingent on the attainment of objectives based on the performance criteria set forth in the plan and if certain other requirements are satisfied. Grants of restricted shares or stock units that vest solely on the basis of service cannot qualify for the exemption. In addition, the terms of our 2010 Plan contemplate that cash performance bonuses made in the future may qualify for the exemption. To maintain flexibility in compensating officers in a manner designed to promote varying company goals, our compensation committee has not adopted a policy requiring all compensation to be deductible. Our compensation committee may approve compensation or changes to plans, programs or awards that may cause the compensation or awards to exceed the limitation under Section 162(m) if it determines that action is appropriate and in our best interests.

Summary Compensation Table

The following table sets forth information for the year ended December 31, 2009 regarding compensation awarded to or earned by our named executive officers.

Name and Principal Position	Year	Salary ($)	Option Awards[1] ($)	Non-Equity Incentive Plan Compensation[2] ($)	All Other Compensation[3] ($)	Total ($)
Jane H. Hollingsworth Chief Executive Officer	2009	$ 304,483	$ 11,377	$ 60,952	$ 8,705	$ 385,517
Terri B. Sebree President	2009	279,462	10,188	43,680	8,705	342,035
Keith A. Goldan Vice President and Chief Financial Officer	2009	275,000		42,900	8,718	326,618
Gerald W. McLaughlin Vice President Commercial Operations	2009	206,690	8,150	29,997	7,555	252,392
Ezra H. Felker Vice President Business Development	2009	196,657	6,113	24,604	7,221	234,595

(1) Amounts reflect the grant date fair value of option awards granted in 2009 in accordance with FASB ASC Topic 718, or ASC 718, formerly Statement of Financial Accounting Standards No. 123R. Our named executive officers will only realize compensation to the extent the market price of our common stock is greater than the exercise price of such stock options. For information regarding assumptions underlying the valuation of equity awards, see note 8 to our financial statements appearing at the end of this prospectus.

(2) Amounts represent annual performance bonus compensation earned for the year ended December 31, 2009 based on pre-established performance objectives. Annual performance bonus compensation for 2009 was paid in 2010. Our annual performance bonus program is described in more detail under Compensation Discussion and Analysis Annual Performance Bonus Compensation.

(3) Amounts include the premium amounts paid by us for life insurance and long-term disability insurance coverage for the named executive officer, plus the employer matching contributions made on behalf of the named executive officer to our 401(k) plan.

Grants of Plan-Based Awards

The following table sets forth information regarding grants of plan-based awards to the named executive officers during the year ended December 31, 2009. Annual performance bonus amounts paid in respect of the non-equity plan incentive awards for 2009 are reported in the Summary Compensation Table under the Non-Equity Incentive Plan Compensation column.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards[1]			All Other Option Awards: Number of Securities Underlying Options[2]	Exercise or Base Price of Option Awards[3]	Grant Date Fair Value of Stock and Option Awards[4]
Name	**Grant Date**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**(#)**	**($/Sh)**	**($)**
Jane H. Hollingsworth	1/29/2009				67,000	$ 0.24	$ 11,377
	1/29/2009			$ 121,902			
Terri B. Sebree	1/29/2009				60,000	0.24	10,188
	1/29/2009			84,000			
Keith A. Goldan	1/29/2009			82,500			
Gerald W. McLaughlin	1/29/2009				48,000	0.24	8,150
	1/29/2009			51,719			
Ezra H. Felker	1/29/2009				36,000	0.24	6,113
	1/29/2009			49,208			

(1) Amounts represent maximum payouts for 2009 annual performance bonuses determined by our compensation committee for each named executive as a percentage of 2009 base salary.

(2) Amounts represent 2008 annual incentive compensation that was paid in January 2009 in the form of fully vested stock options.

(3) Amounts represent the fair value of our common stock as determined in good faith by our compensation committee on the date of the grant.

(4) Amounts reflect the aggregate grant date fair value of the awards calculated in accordance with ASC 718.

Outstanding Equity Awards at December 31, 2009

The following table sets forth information regarding outstanding equity awards granted to our named executive officers that remain outstanding as of December 31, 2009. Equity awards made to our named executive officers are described in more detail under Compensation Discussion and Analysis Long-Term Incentive Compensation.

	Option Awards				Stock Awards	
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)(1)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)(2)**
Jane H. Hollingsworth	100,000		$ 0.10	7/19/2015		
	665,789	1,214,088(3)	0.24	9/11/2018		
	67,000		0.24	1/29/2019		
					25,000	$ 6,000
Terri B. Sebree	100,000		0.10	7/19/2015		
	373,322	680,764(3)	0.24	9/11/2018		
	60,000		0.24	1/29/2019		
					25,000	6,000
Keith A. Goldan	199,780	599,342(4)	0.24	12/15/2018		
Gerald W. McLaughlin	91,000	91,000(5)	0.18	9/20/2017		
	161,956	295,333(3)	0.24	9/11/2018		
	48,000		0.24	1/29/2019		
Ezra H. Felker	75,000	25,000(6)	0.12	1/2/2016		
	78,750	26,250(7)	0.18	10/12/2016		
	132,560	241,729(3)	0.24	9/11/2018		
	36,000		0.24	1/29/2019		
					15,000	3,600

(1) All restricted stock awards were granted on March 16, 2006 and vest based on the achievement of performance factors.

(2) The market value of the restricted stock awards is based on the fair value of $0.24 per share of our common stock as of December 31, 2009, as determined in good faith by our compensation committee.

(3) Such stock option vests in equal monthly increments over the 48-month period following September 11, 2008.

(4) Such stock option vested 25% on November 3, 2009 and the remainder vests in equal monthly increments over the 36-month period following November 3, 2009.

(5) Such stock option vested 25% on each of September 20, 2007 and 2009 and vests 25% on each of September 20, 2010 and 2011.

(6) Such stock option vested 25% on each of January 2, 2007, 2008, 2009 and 2010.

(7) Such stock option vested 25% on each of October 12, 2007, 2008 and 2009 and vests 25% on October 12, 2010.

Option Exercises and Stock Vested

None of our named executive officers exercised stock options or had restricted stock vest during 2009. On April 27, 2009, Ms. Hollingsworth forfeited 378,000 shares of restricted stock and Ms. Sebree forfeited 117,000 shares of restricted stock pursuant to the performance-based vesting terms of their August 31, 2006

restricted stock grant agreements, which were not met. Equity awards made to the named executive officers are described in more detail under Compensation Discussion and Analysis Long-Term Incentive Compensation.

Pension Benefits

None of our named executive officers participate in or have account balances in qualified or non-qualified defined benefit plans sponsored by us. Our compensation committee may elect to adopt qualified or non-qualified benefit plans in the future if it determines that doing so is in our best interests.

Nonqualified Deferred Compensation

None of our named executive officers participate in or have account balances in nonqualified defined contribution plans or other nonqualified deferred compensation plans maintained by us. Our compensation committee may elect to provide our officers and other employees with non-qualified defined contribution or other nonqualified deferred compensation benefits in the future if it determines that doing so is in our best interests.

Employee Benefit Plans

2005 Plan and 2010 Plan

Our board of directors previously adopted our 2005 Plan, which was approved by stockholders effective as of July 19, 2005, to provide for the grant of incentive stock options, nonqualified stock options, stock awards, stock units, SARs and other equity-based awards to employees, certain consultants and advisors and non-employee members of the board.

On , 2010, our board of directors adopted our 2010 Plan, which was approved by our stockholders on , 2010. Our 2010 Plan will become effective immediately prior to the effective date of the registration statement for this offering. Our 2010 Plan provides for the grant of incentive stock options, nonqualified stock options, stock awards, stock units, performance units, SARs and other stock-based awards to employees, certain consultants and advisors and non-employee members of the board. Our 2010 Plan will also provide for the grant of equity awards intended to qualify as qualified performance-based compensation for purposes of Section 162(m) of the Code and for the payment of bonus awards in cash to selected executive employees that are also intended to so qualify.

As of the effective date of our 2010 Plan, our 2005 Plan will be merged with and into our 2010 Plan and no additional grants will be made thereafter under our 2005 Plan. Outstanding grants under our 2005 Plan will continue in effect according to their terms as in effect before our 2010 Plan merger, and the shares with respect to outstanding grants under our 2005 Plan will be issued or transferred under our 2010 Plan.

Except as provided in the description below with respect to the definition of a change of control under our 2005 Plan, the descriptions provided below regarding incentive stock options, nonqualified stock options, stock awards, stock units, SARs and other stock-based awards under our 2010 Plan are also applicable to the terms of such awards under our 2005 Plan. Our 2005 Plan does not provide for payment of performance units or cash bonus awards.

Under our 2005 Plan, a change of control occurs if:

A person, entity or affiliated group (with certain exceptions) acquires more than 50% of our then outstanding voting securities;

A transaction in which we merge into another entity is consummated unless the holders of our voting shares immediately prior to the merger have at least 50% of the combined voting power of the securities in the merged entity or its parent;

We sell or dispose of all or substantially all of our assets; or

We are liquidated or dissolved.

2010 Plan

Introduction. The purpose of our 2010 Plan is to attract and retain employees, non-employee directors and consultants and advisors. Our 2010 Plan provides for the issuance of incentive stock options, nonqualified stock options, stock awards, stock units, performance units, SARs and other stock-based awards. Our 2010 Plan also provides for the issuance of annual bonus awards, intended to qualify as qualified performance-based compensation for purposes of Section 162(m) of the Code, to selected executive employees. Our 2010 Plan is intended to provide an incentive to participants to contribute to our economic success by aligning the economic interests of participants with those of our stockholders.

Administration. Our 2010 Plan will be administered by our compensation committee, and our compensation committee will determine all of the terms and conditions applicable to grants under our 2010 Plan. Our compensation committee will also determine who will receive grants under our 2010 Plan and the number of shares of common stock that will be subject to grants, except that grants to members of our compensation committee must be authorized by a disinterested majority of our board of directors.

Awards. Our 2010 Plan authorizes the issuance or transfer of up to shares of common stock, which includes the number of shares that are subject to outstanding grants under our 2005 Plan and shares that remain available for issuance under our 2005 Plan. During the term of our 2010 Plan, the share reserve will automatically increase on the first trading day in January each calendar year, beginning in calendar year 2011, by an amount equal to the lesser of % of the total number of outstanding shares of common stock on the last trading day in December in the prior calendar year or shares. In no event will any such annual increase exceed shares.

If any options or SARs, including options and SARs granted under our 2005 Plan, terminate, expire or are canceled, forfeited, exchanged or surrendered without having been exercised or if any stock awards, stock units or other stock-based awards, including awards granted under our 2005 Plan, are forfeited, terminated or otherwise not paid in full, the shares subject to such grants will again be available for purposes of our 2010 Plan. In addition, if any shares of our common stock are surrendered in payment of the exercise price of an option or stock appreciation right, the number of shares available for issuance under our 2010 Plan will be reduced only by the net number of shares actually issued upon exercise and not by the total number of shares under which such option or stock appreciation right is exercised. If shares of our common stock otherwise issuable under our 2010 Plan are withheld in satisfaction of the withholding taxes incurred in connection with the issuance, vesting or exercise of any grant or the issuance of our common stock, then the number of shares of our common stock available for issuance under our 2010 Plan shall be reduced by the net number of shares issued, vested or exercised under such grant. If any grants are paid in cash, and not in shares of our common stock, any shares of our common stock subject to such grants will also be available for future grants.

Our 2010 Plan also contains annual limits of shares for all grants measured in shares of common stock and $, for all grants measured in cash dollars. Both limits are subject to adjustment as described in our 2010 Plan.

Adjustments. In connection with stock splits, stock dividends, recapitalizations and certain other events affecting common stock, our compensation committee will make adjustments as it deems appropriate in the maximum number of shares of common stock reserved for issuance as grants, the maximum number of shares of common stock that any individual participating in our 2010 Plan may be granted in any year, the number and kind of shares covered by outstanding grants, the kind of shares that may be issued or transferred under our 2010 Plan, and the price per share or market value of any outstanding grants.

Eligibility. All of our employees are eligible to receive grants under our 2010 Plan. In addition, our non-employee directors and consultants and advisors who perform services for us may receive grants under our 2010 Plan.

Vesting. Our compensation committee determines the vesting of awards granted under our 2010 Plan.

Options. Under our 2010 Plan, our compensation committee will determine the exercise price of the options granted and may grant options to purchase shares of common stock in such amounts as it determines.

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Our compensation committee may grant options that are intended to qualify as incentive stock options under Section 422 of the Code, or nonqualified stock options, which are not intended to so qualify. Incentive stock options may only be granted to employees. Anyone eligible to participate in our 2010 Plan may receive a grant of nonqualified stock options. The exercise price of a stock option granted under our 2010 Plan cannot be less than the fair market value of a share of our common stock on the date the option is granted. If an incentive stock option is granted to a 10% stockholder, the exercise price cannot be less than 110% of the fair market value of a share of our common stock on the date the option is granted. The exercise price for any option is generally payable in cash; in certain circumstances as permitted by our compensation committee, by the surrender of shares of our common stock with an aggregate fair market value on the date the option is exercised equal to the exercise price; by payment through a broker in accordance with procedures established by the Federal Reserve Board; by surrender of the vested portion of the option to us for an appreciation distribution payable in shares of our common stock with a fair market value at the time of the option surrender equal to the dollar amount by which the then fair market value of the shares of our common stock subject to the surrendered portion exceeds the aggregate exercise price. The term of an option cannot exceed ten years from the date of grant, except that if an incentive stock option is granted to a 10% stockholder, the term cannot exceed five years from the date of grant.

Except as provided in the grant instrument or as otherwise determined by our compensation committee, an option may only be exercised while a grantee is employed by or providing service to us or during an applicable period after termination of employment or service.

Stock Awards. Under our 2010 Plan, our compensation committee may grant stock awards. A stock award is an award of our common stock that may be subject to restrictions as our compensation committee determines. The restrictions, if any, may lapse over a specified period of employment or based on the satisfaction of pre-established criteria, in installments or otherwise, as our compensation committee may determine. Except to the extent restricted under the grant instrument relating to the stock award, a grantee will have all of the rights of a stockholder as to those shares, including the right to vote and the right to receive dividends or distributions on the shares. All unvested stock awards are forfeited if the grantee s employment or service is terminated for any reason, unless our compensation committee determines otherwise.

Stock Units. Under our 2010 Plan, our compensation committee may grant stock units to anyone eligible to participate in our 2010 Plan. Stock units are phantom units that represent shares of our stock. Stock units become payable on terms and conditions determined by our compensation committee and will be payable in cash or shares of our stock as determined by our compensation committee. All unvested stock units are forfeited if the grantee s employment or service is terminated for any reason, unless our compensation committee determines otherwise.

Performance Units. Under our 2010 Plan, our compensation committee may grant performance units to anyone eligible to participate in our 2010 Plan. Performance units represent a participating interest in a special bonus pool tied to the attainment of pre-established corporate performance objectives based on one or more performance goals or the right to receive a targeted dollar amount tied to the attainment of pre-established corporate performance objectives based on one or more performance goals. The amount of the bonus pool and the targeted dollar amounts may vary based on the level at which the applicable performance objectives are attained. The value of each performance unit which becomes due and payable upon the attained level of performance shall be determined by dividing the amount of the resulting bonus pool, if any, by the total number of performance units issued and outstanding at the completion of the applicable performance period or based on the threshold, target and maximum amounts that may be paid if the performance goals are met. Performance units become payable on the attainment of the applicable performance objectives as determined by our compensation committee and will be payable in cash, in shares of common stock, or in a combination of cash and shares of common stock, as determined by our compensation committee. All unvested performance units are forfeited if the grantee s employment or service is terminated for any reason, unless the committee determines otherwise.

Other Stock-Based Awards. Under our 2010 Plan, our compensation committee may grant other types of awards that are based on, measured by or payable to anyone eligible to participate in our 2010 Plan in shares

of common stock, including SARs. Our compensation committee will determine the terms and conditions of such awards, including the base amount of a SAR, which will not be less than the fair market value of a share of our common stock on the date the SAR is granted. Other stock-based awards may be payable in cash, shares of common stock or a combination of the two.

Dividend Equivalents. Under our 2010 Plan, our compensation committee may grant dividend equivalents in connection with grants of stock units or other stock-based awards made under our 2010 Plan. Dividend equivalents entitle the grantee to receive amounts equal to ordinary dividends that are paid on the shares underlying a grant while the grant is outstanding. Our compensation committee will determine whether dividend equivalents will be paid currently or credited to a bookkeeping account as a dollar amount or in the form of stock units. Dividend equivalents may be paid in cash, in shares of common stock or in a combination of the two. Our compensation committee will determine whether dividend equivalents will be conditioned upon the exercise, vesting or payment of the grant to which they relate and the other terms and conditions of the grant.

Qualified Performance-Based Compensation. Our 2010 Plan permits our compensation committee to impose performance goals that must be met with respect to grants of stock awards, stock units, performance units, other stock-based awards and dividend equivalents that are intended to meet the exception for qualified performance-based compensation under Section 162(m) of the Code. Prior to or soon after the beginning of a performance period, our compensation committee will establish the performance goals that must be met, the applicable performance periods, the amounts to be paid if the performance goals are met and any other conditions.

The performance goals, to the extent designed to meet the requirements of Section 162(m) of the Code, will be based on one or more of the following criteria: cash flow; earnings (including gross margin, earnings before interest and taxes, earnings before taxes, earnings before interest, taxes, depreciation, amortization and charges for stock-based compensation, earnings before interest, taxes, depreciation and amortization, and net earnings); earnings per share; growth in earnings or earnings per share; stock price; return on equity or average stockholder equity; total stockholder return or growth in total stockholder return either directly or in relation to a comparative group; return on capital; return on assets or net assets; revenue, growth in revenue or return on sales; income or net income; operating income, net operating income or net operating income after tax; operating profit or net operating profit; operating margin; return on operating revenue or return on operating profit; regulatory filings; regulatory approvals; litigation and regulatory resolution goals; other operational, regulatory or departmental objectives; budget comparisons, growth in stockholder value relative to established indexes, or another peer group or peer group index; development and implementation of strategic plans and/or organizational restructuring goals; development and implementation of risk and crisis management programs; improvement in workforce diversity; compliance requirements and compliance relief; safety goals; productivity goals; workforce management and succession planning goals; economic value-added (including typical adjustments consistently applied from generally accepted accounting principles required to determine economic value-added performance measures); measures of customer satisfaction, employee satisfaction or staff development; development or marketing collaborations, formations of joint ventures or partnerships or the completion of other similar transactions intended to enhance our revenue or profitability or enhance its customer base; merger and acquisitions; and other similar criteria consistent with the foregoing.

If dividend equivalents are granted as qualified performance-based compensation, the maximum amount of dividend equivalents that may be accrued by a grantee in a calendar year is $1.0 million.

Change of Control. If we experience a change of control, unless our compensation committee determines otherwise, all outstanding options and SARs will automatically accelerate and become fully exercisable, the restrictions and conditions on all outstanding stock awards will immediately lapse and all grantees holding stock units, performance units, dividend equivalents and other equity-based awards will

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receive a payment in settlement of such grants in an amount determined by our compensation committee. Our compensation committee may also provide that:

Grantees will be required to surrender their outstanding stock options and SARs in exchange for a payment, in cash or shares of common stock, equal to the difference between the exercise price and the fair market value of the underlying shares of common stock;

After grantees have the opportunity to exercise their stock options and SARs, any unexercised stock options and SARs will be terminated on the date determined by our compensation committee; or

All outstanding stock options and SARs not exercised will be assumed or replaced with comparable options or rights by the surviving corporation (or a parent or subsidiary of the surviving corporation) and other outstanding grants will be converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation) as determined by our compensation committee.

In general terms, a change of control under our 2010 Plan occurs if:

A person, entity or affiliated group, with certain exceptions, acquires more than 50% of our then outstanding voting securities;

We merge into another entity unless the holders of our voting shares immediately prior to the merger have at least 50% of the combined voting power of the securities in the merged entity or its parent;

We merge into another entity and the members of the board of directors prior to the merger would not constitute a majority of the board of the merged entity or its parent;

We sell or dispose of all or substantially all of our assets;

We are liquidated or dissolved; or

A majority of the members of our board of directors is replaced during any 12-month period or less by directors whose appointment or election is not endorsed by a majority of the incumbent directors.

Cash Bonus Awards. Our 2010 Plan authorizes our compensation committee to grant cash bonus awards, which are intended to qualify as qualified performance-based compensation for purposes of Section 162(m) of the Code, to executive employees as selected by our compensation committee. Our compensation committee will impose and specify the performance goals that must be met with respect to the grant of cash bonus awards and the performance period for the performance goals. To satisfy the requirements of Section 162(m) of the Code for qualified performance-based compensation, our compensation committee will establish in writing the performance goals that must be met in order to receive payment for the bonus award, the maximum amounts to be paid if the performance goals are met, performance threshold levels that must be met to receive payment for the bonus award, and any other conditions our compensation committee determines and to be consistent with the requirements of Section 162(m) of the Code.

Our compensation committee will use performance goals based on one or more criteria as described above for qualified performance-based compensation.

Separate and apart from the cash bonus awards, our compensation committee may also grant to selected executive employees other bonuses which may be based on individual performance, our performance, or such other criteria as

determined by our compensation committee.

Deferrals. Our compensation committee may permit or require grantees to defer receipt of the payment of cash or the delivery of shares of common stock that would otherwise be due to the grantee in connection with a grant under our 2010 Plan. Our compensation committee will establish the rules and procedures applicable to any such deferrals, consistent with the requirements of Section 409A of the Code.

Repricing. Our compensation committee may cancel, with the consent of the affected holders, any or all of the outstanding options or SARs, including options or SARs transferred from our 2005 Plan, and in exchange for (i) new options or SARs with an exercise price or base amount per share not less than the fair market value per share of our common stock on the new grant date or (ii) cash or shares of our common

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stock. Our compensation committee shall also have the authority, with the consent of the affected holders, to reduce the exercise price or base amount of one or more outstanding options or SARs to the then current fair market value per share of our common stock or issue new options or SARs with a lower exercise price or base amount.

Amendment; Termination. Our board of directors may amend or terminate our 2010 Plan at any time; except that our stockholders must approve any amendment if such approval is required in order to comply with the Code, applicable laws, or applicable stock exchange requirements. Unless terminated sooner by our board or extended with stockholder approval, our 2010 Plan will terminate on the day immediately preceding the tenth anniversary of the date on which the underwriting agreement related to this offering is signed.

Foreign Participants. If any individual who receives a grant under our 2010 Plan is subject to taxation in countries other than the U.S., our 2010 Plan provides that our compensation committee may make grants to such individuals on such terms and conditions as our compensation committee determines appropriate to comply with the laws of the applicable countries.

Outstanding Grants. Our compensation committee has previously approved the grant of options to the following executive officers at an exercise price equal to the initial public offering price as shown in the following table:

2010 Employee Stock Purchase Plan

Introduction. Our 2010 Employee Stock Purchase Plan, or our ESPP, was adopted by our board of directors on , 2010 and approved by our stockholders on , 2010. Our ESPP will become effective immediately prior to the effective date of the registration statement for this offering. Our ESPP permits eligible employees to purchase shares of our common stock through after-tax payroll deductions. It is intended that the ESPP meets the requirements for an employee stock purchase plan under Section 423 of the Code.

Share Reserve. shares of common stock, representing % of our outstanding common stock, are initially reserved for issuance under our ESPP. During the term of our ESPP, the reserve will automatically increase on the first trading day in January each calendar year, beginning in calendar year 2011, by an amount equal to the lesser of % of the total number of outstanding shares of common stock outstanding on the last trading day in December of the prior calendar year or shares. In no event will any such annual increase exceed shares. All of the foregoing share limits are subject to adjustment as described below.

Adjustments. In connection with stock splits, stock dividends, recapitalizations and other events affecting our common stock, our compensation committee will make adjustments as it deems appropriate to the maximum number and class of securities issuable under our ESPP, the maximum number and class of securities purchasable per participant on any interim purchase date, the maximum number and class of securities purchasable in total by all participants on any interim purchase date, and the number and class of securities and the price per share in effect under each outstanding option, in order to prevent the dilution or enlargement of benefits thereunder.

Eligibility. Each of our employees that adopt our ESPP who are regularly scheduled to work more than 20 hours per week and for more than five months per calendar year will be eligible to participate in our ESPP. Under the Code requirements, an employee who owns 5% or more of the total combined voting power of all classes of our stock is not eligible to participate. For purposes of determining who is a 5% owner, attribution of ownership rules apply, and shares of stock subject to outstanding options are taken into account. Eligible employees may not participate in more than one offering period at a time.

Offering Period. Under our ESPP, there will be a series of overlapping offering periods, each 24 months long with interim purchase intervals approximately every six months. The first offering period will begin on the effective date of

this initial public offering of our common stock and will end on , 20 . Purchase intervals will run from to and from to , except that the first purchase interval will run from the effective date of the initial public offering of our common stock until

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, 20 . Unless our compensation committee determines otherwise prior to the beginning of an offering period, each subsequent offering period will begin on and will end on , 24 months later. If any of the designated dates are not a business day, the purchase date will be moved to the next business day.

Reset Feature. If the fair market value of our common stock on any interim purchase date is less than the fair market value of our common stock on the first day of the offering period, the participants in the offering period will, immediately after the purchase of shares on such interim purchase date, be transferred from that offering period into the next offering period that commences after the interim purchase date.

Participation. Each eligible employee who elects to participate in an offering period will be granted an option to purchase shares of common stock on the first day of the offering period. The option will automatically be exercised on each interim purchase date during the offering period based on the employee s accumulated contributions to our ESPP. The purchase price for each share of stock during the initial offering period will be equal to 85% of the lesser of the initial public offering price of our common stock or the fair market value of our stock on the interim purchase date. For each subsequent offering period, the purchase price of each share of common stock under our ESPP will be equal to 85% of the lesser of the fair market value per share of our common stock on the first day of the offering period or the fair market value of our stock on each interim purchase date. Participants will generally be permitted to allocate up to 10% of their compensation to purchase common stock under our ESPP.

Initial Election Period. The first offering period will begin on the effective date of the registration statement for this offering. For the first offering period, all eligible employees will be automatically enrolled in our ESPP prior to the commencement of the offering period at a contribution rate equal to % of their compensation. Shortly after the first offering period commences, but prior to the first interim purchase date, participants will be able to elect to continue their participation in our ESPP, withdraw from participation in our ESPP or reduce the amount they contribute to our ESPP.

Termination of Employment. Participants may modify or end their participation in our ESPP at any time during any offering period. Participation ends automatically upon termination of employment or if the participant ceases to be an eligible employee.

Maximum Number of Purchasable Shares. The maximum number of shares that a participant may purchase on any interim purchase date may not exceed shares and the maximum number of shares purchasable in the aggregate by all participants in our ESPP on any one interim purchase date may not exceed shares, subject to adjustment by our compensation committee prior to the beginning of the offering period and subject to adjustments as described above. In addition, no participant may purchase more than $25,000 worth of common stock during each calendar year under our ESPP.

Change of Control. If we experience a change of control while our ESPP is in effect, all outstanding options under our ESPP will automatically be exercised immediately prior to the effective date of any change of control and the purchase price for each share of common stock under our ESPP on such purchase date will be equal to 85% of the lesser of the fair market value per share of our common stock on the first day of the offering period in which the participant is enrolled or the fair market value of our stock immediately prior to the change of control. If a change of control occurs, the limitation on the aggregate number of shares that all participants may purchase on the purchase date will not apply.

In general terms, a change of control under our ESPP occurs in the same circumstances described above with respect to our 2010 Plan.

Plan Administration. Our ESPP will be administered by our compensation committee.

Amendment; Termination. Our board of directors may amend or terminate our ESPP at any time, with such amendment or termination to become effective immediately following the close of an interim purchase date. However, our board of directors may not amend our ESPP without stockholder approval if such amendment increases the number of shares of common stock issuable under our ESPP except for permissible adjustments in the event of changes in our capitalization, alters the purchase price formula to reduce the purchase price payable

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for shares purchasable under our ESPP, or modifies the eligibility requirements under our ESPP. Unless sooner terminated by our board of directors, our ESPP will terminate upon the earliest of:

, 2020;

The date all shares available for issuance under our ESPP have been issued; or

The date all options are exercised in connection with a change of control.

401(k) Plan

We maintain a defined contribution employee retirement plan for our employees. Our 401(k) plan is intended to qualify as a tax-qualified plan under Section 401 of the Code so that contributions to our 401(k) plan, and income earned on such contributions, are not taxable to participants until withdrawn or distributed from the 401(k) plan. Our 401(k) plan provides that each participant may contribute up to 90% of his or her pre-tax compensation, up to a statutory limit, which is $16,500 for 2010. Participants who are at least 50 years old can also make catch-up contributions, which in 2010 may be up to an additional $5,500 above the statutory limit. Under our 401(k) plan, each employee is fully vested in his or her deferred salary contributions. Employee contributions are held and invested by the plan s trustee. Our 401(k) plan also permits us to make discretionary contributions and matching contributions, subject to established limits and a vesting schedule. For 2009, we made an employer matching contribution equal to 50% of employee deferral contributions up to a maximum deferral rate of 6% of compensation.

Non-Employee Director Compensation

The following table sets forth information regarding the total compensation paid to our current non-employee directors during the year ended December 31, 2009 for their service on our board of directors. The compensation amounts presented in the table below are historical and are not indicative of the amounts we may pay our directors in the future. Directors who are also our employees receive no additional compensation for their services as directors and are not set forth in the table below. After this offering, each non-employee director will be entitled to receive an annual fee. The chairpersons of our audit committee, compensation committee and nominating and corporate governance compensation committee will each receive an additional annual fee. Committee members who are not chairpersons will also receive an annual fee. We also reimburse non-employee directors for reasonable expenses incurred in connection with attending board of director and committee meetings.

Name	Fees Earned or Paid in Cash ($)	Option Awards ($)(1)	Total ($)
Michael Cola		$ 1,720	$ 1,720
Jeanne Cunicelli			
Michael C. Diem, MD			
John H. Dillon, II		1,720	1,720
Richard S. Kollender			
Gary J. Kurtzman, MD			

(1) Amounts reflect the grant date fair value of option awards granted in accordance with ASC 718. The aggregate number of shares subject to each director s outstanding option awards as of December 31, 2009 was as follows: Mr. Cola 265,000 and Mr. Dillon 90,000. Ms. Cunicelli, Dr. Diem, Mr. Kollender and Dr. Kurtzman did not hold any options at December 31, 2009. For information regarding assumptions underlying the valuation of equity awards, see note 8 to our financial statements appearing at the end of this prospectus.

Limitation of Liability and Indemnification

Our restated certificate of incorporation, which will become effective upon the closing of this offering, limits the liability of directors to the maximum extent permitted by Delaware law. Delaware law

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provides that directors of a corporation will not be personally liable for monetary damages for breach of their fiduciary duties as directors, except for liability for any:

Breach of their duty of loyalty to the corporation or its stockholders;

Act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;

Unlawful payment of dividends or redemption of shares; or

Transaction from which the directors derived an improper personal benefit.

These limitations of liability do not apply to liabilities arising under federal securities laws and do not affect the availability of equitable remedies such as injunctive relief or rescission.

Our bylaws, which will become effective upon the closing of this offering, provide that we will indemnify our directors and executive officers, and may indemnify other officers, employees and other agents, to the fullest extent permitted by law. Our bylaws also permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in connection with their services to us, regardless of whether our bylaws permit such indemnification. We have obtained a policy of directors and officers liability insurance.

We have entered into separate indemnification agreements with our directors in addition to the indemnification provided for in our bylaws. These agreements, among other things, require us to indemnify our directors for certain expenses, including attorneys fees, judgments, fines and settlement amounts incurred by a director in any action or proceeding arising out of their services as one of our directors or any subsidiaries or any other company or enterprise to which the person provides services at our request.

At present, there is no pending litigation or proceeding involving any of our directors or executive officers as to which indemnification is required or permitted, and we are not aware of any threatened litigation or proceeding that may result in a claim for indemnification.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, executive officers or persons controlling us, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

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TRANSACTIONS WITH RELATED PERSONS

The following is a description of transactions since January 1, 2007 to which we have been a party, in which the amount involved in the transaction exceeds $120,000, and in which any of our directors, executive officers or beneficial owners of more than five percent of our voting securities, or affiliates or immediate family members of any of our directors, executive officers or beneficial owners of more than five percent of our voting securities, had or will have a direct or indirect material interest. We believe the terms obtained or consideration that we paid or received, as applicable, in connection with the transactions described below were comparable to terms available or the amounts that would be paid or received, as applicable, from unrelated third parties.

Convertible Note Financings

In July 2009, we sold $1,934,183 in gross principal amount of subordinated convertible promissory notes, or the 2009 Convertible Notes, in a private placement to certain of our existing investors. In August 2009, pursuant to the terms of the 2009 Convertible Notes, all principal and interest due under the 2009 Convertible Notes was converted into shares of Series B preferred stock. At the time of conversion, pursuant to the terms of the 2009 Convertible Notes, warrants to purchase an aggregate of 736,514 shares of Series B preferred stock were issued to the holders of such notes. This purchase is described in more detail under Preferred Stock Financings.

Purchasers of the 2009 Convertible Notes included two of our executive officers and certain holders of more than five percent of our capital stock, or entities affiliated with them. The following table sets forth the amount purchased by each such party of the 2009 Convertible Notes, and the warrants received in connection with the conversion of such notes:

Participants	Initial Principal Amount of Note	Warrant to Purchase Shares of Series B Preferred Stock Upon Conversion
5% Stockholders:		
Quaker BioVentures II, L.P. and its affiliates	$ 855,638	325,817
Safeguard Delaware, Inc.	394,910	150,377
SR One, Limited	329,092	125,314
Battelle Ventures, L.P. and its affiliates	197,456	75,189
Birchmere Ventures III, L.P. and its affiliates	142,606	54,303
Executive Officers:		
Jane H. Hollingsworth	3,291	1,253
Ezra H. Felker	2,962	1,128

In April 2010, we sold $10.1 million in gross principal amount of the April 2010 Convertible Notes, in a private placement to certain of our existing investors. The April 2010 Convertible Notes accrue interest at a rate equal to 8% per annum, compounding monthly, and have a maturity date of December 31, 2010, unless converted prior thereto. The April 2010 Convertible Notes are automatically convertible into common stock at a 20% discount to the initial public offering price. They also are convertible into shares of Series B preferred stock if we experience a change of control or shares of preferred equity securities sold in a financing of at least $10.0 million prior to the closing of this offering.

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Purchasers of the April 2010 Convertible Notes included two of our executive officers and certain holders of more than five percent of our capital stock, or entities affiliated with them. The following table sets forth the amount purchased by each such party of the April 2010 Convertible Notes:

Participants	Initial Principal Amount of Note
5% Stockholders:	
Quaker BioVentures II, L.P. and its affiliates	$ 3,396,226
Safeguard Delaware, Inc.	2,716,981
SR One, Limited	1,132,075
Battelle Ventures, L.P. and its affiliates	1,358,491
Birchmere Ventures III, L.P. and its affiliates	1,396,227
Executive Officers:	
Jane H. Hollingsworth	50,000
Keith A. Goldan	7,500

Preferred Stock Financings

In August 2006, we entered into a Series A Preferred Stock Purchase Agreement pursuant to which we issued and sold to investors an aggregate of 19,610,677 shares of Series A preferred stock in four separate closings from August 2006 through April 2008, at a purchase price of $0.93 per share, or the Series A Preferred Stock Financing. The aggregate consideration for the Series A Preferred Stock Financing included $15,000,000 in cash and $2,590,343 in aggregate principal and interest due under convertible promissory notes held by existing investors, which pursuant to the terms of such notes, was converted into shares of Series A preferred stock.

The following table sets forth the shares of Series A preferred stock issued to our executive officers and holders of more than five percent of our capital stock and their affiliates, and the breakdown of the purchase price paid for such shares in the Series A Preferred Stock Financing by such persons:

Participants	Shares of Series A Preferred Stock Issued	Purchase Price for Series A Shares	
		Paid in Cash	Financed by Amounts Due Under Existing Convertible Notes
5% Stockholders:			
Safeguard Delaware, Inc.	6,451,612	$ 5,999,999	
Battelle Ventures, L.P. and its affiliates	3,225,806	2,550,000	
Birchmere Ventures III, L.P. and its affiliates	4,301,076	3,573,334	
BioAdvance Ventures, L.P.	2,150,538	2,000,000	
Executive Officers:			
Jane H. Hollingsworth	143,668		$ 106,889

In July 2008, we entered into a Series B Preferred Stock Purchase Agreement pursuant to which we issued and sold to investors an aggregate of 33,485,663 shares of Series B preferred stock in three separate closings from July 2008 through August 2009, at a purchase price of $0.93 per share, or the Series B Preferred Stock Financing. The aggregate

consideration paid in the Series B Preferred Stock Financing included $29,184,643 in cash and $1,957,023 in aggregate principal and interest due under the 2009 Convertible Notes, which, pursuant to the terms of the 2009 Convertible Notes was converted into shares of Series B preferred stock. In addition, 2,688,171 shares of Series A preferred stock that were acquired in a prior financing by certain persons participating in the Series B Preferred Stock Financing were exchanged for an equal number of shares of Series B preferred stock.

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The following table sets forth the shares of Series B preferred stock issued to our executive officers and holders of more than five percent of our capital stock and their affiliates, and the breakdown of the purchase price paid for such shares in the Series B Preferred Stock Financing by such persons:

		Purchase Price for Series B Shares		
Participants	Shares of Series B Preferred Stock Issued	Paid in Cash	Financed by Amounts Due Under the 2009 Convertible Notes	Represented by Exchange of Series A Shares
5% Stockholders:				
Quaker BioVentures II, L.P. and its affiliates	14,336,918	$ 12,134,258	$ 865,742	358,423
Safeguard Delaware, Inc.	7,526,881	5,600,427	399,573	1,075,268
SR One, Limited	5,376,344	4,667,022	332,978	
Battelle Ventures, L.P. and its affiliates	3,763,441	2,800,213	199,788	537,634
Birchmere Ventures III, L.P. and its affiliates	3,046,595	2,022,377	144,290	716,846
Executive Officers:				
Jane H. Hollingsworth	53,763	46,670	3,330	
Keith A. Goldan	26,882	25,000		
Ezra H. Felker	48,387	42,003	2,997	

These stockholders and their equity holdings are described in more detail under Principal Stockholders.

The following table sets forth the members of our board of directors as of April 30, 2010 that are associated with the holders of more than five percent of our capital stock.

Director	5% Stockholder
Jeanne Cunicelli	Birchmere Ventures III, L.P. and its affiliates
Michael C. Diem, MD	SR One, Limited
Richard S. Kollender	Quaker BioVentures II, L.P. and its affiliates
Gary J. Kurtzman, MD	Safeguard Delaware, Inc.

Investor Rights Agreement and Stockholders Agreement

In connection with our various preferred stock financings, we entered into our amended and restated investor rights agreement, or our Investor Rights Agreement, and our amended and restated stockholders agreement, or our Stockholders Agreement, containing voting rights, information rights, rights of first refusal, preemptive rights and registration rights, among other things, with certain holders of preferred stock and certain holders of common stock. The Stockholders Agreement will automatically terminate upon the closing of this offering. The registration rights in our Investor Rights Agreement are described in more detail under Description of Capital Stock Registration Rights.

Stock Option and Restricted Stock Grant Awards to Executive Officers and Directors

We have granted stock options and restricted stock to certain of our executive officers and directors, as described in more detail under Executive Compensation.

Indemnification Agreements

We have entered into indemnification agreements with each of our directors, as described in more detail under Executive Compensation Limitation of Liability and Indemnification.

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Policies and Procedures for Transactions with Related Persons

In connection with this offering, our board of directors is adopting written policies and procedures for the review of any transaction, arrangement or relationship in which we are a participant, the amount involved exceeds $120,000 and one of our executive officers, directors, director nominees or 5% stockholders, or their immediate family members, each of whom we refer to as a related person, has a direct or indirect material interest. Transactions involving compensation for services provided to us as an employee, director, consultant or similar capacity by a related person will not be covered by this policy.

Under the policy, where a transaction has been identified as a related person transaction, management must present information regarding the proposed related person transaction to our audit committee, or, where review by our audit committee would be inappropriate, to another independent body of our board of directors, for review. The presentation must include a description of, among other things, the material facts, the direct and indirect interests of the related persons, the benefits of the transaction to us and whether any alternative transactions are available. To identify related person transactions in advance, we rely on information supplied by our executive officers, directors and certain significant stockholders. In considering related person transactions, our audit committee or other independent body of our board of directors takes into account the relevant available facts and circumstances including:

- The risks, costs and benefits to us;
- The impact on a director s independence in the event the related person is a director, immediate family member of a director or an entity with which a director is affiliated;
- The terms of the transaction;
- The availability of other sources for comparable services or products; and
- The terms available to or from, as the case may be, unrelated third parties or to or from our employees generally.

In the event a director has an interest in the proposed transaction, the director must recuse himself or herself from the deliberations and approval. Our policy requires that, in reviewing a related-person transaction, our audit committee or other independent body of our board of directors must consider, in light of known circumstances, whether the transaction is in, or is not inconsistent with, the best interests of us and our stockholders, as our audit committee or other independent body of our board of directors determines in the good faith exercise of its discretion. We did not previously have a formal policy concerning transactions with related persons.

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PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding beneficial ownership of our common stock outstanding as of April 30, 2010 by:

- Each person, or group of affiliated persons, known by us to beneficially own more than 5% of our common stock;
- Each of our directors;
- Each of our named executive officers; and
- All of our directors and executive officers as a group.

The number of shares and percentage of shares beneficially owned before the offering shown in the table is based on a total of shares of common stock, which includes:

- 3,143,905 shares of common stock outstanding as of April 30, 2010, including 71,250 shares of unvested restricted stock;
- 61,824,121 shares of common stock issuable upon the conversion of all outstanding shares of our preferred stock, including accrued dividends, upon the closing of this offering, assuming that the closing occurred on April 30, 2010; and
- shares of common stock issuable upon the automatic conversion of all principal and accrued interest outstanding under the April 2010 Convertible Notes upon the closing of this offering, assuming an initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, and that the closing occurred on April 30, 2010.

The number of shares and percentage of shares beneficially owned after the offering also gives effect to the issuance by us of shares of common stock in this offering.

Each individual or entity shown in the table has furnished information to us with respect to beneficial ownership. We have determined beneficial ownership in accordance with the rules and regulations of the SEC, which generally attribute beneficial ownership of our common stock and other securities to those persons who possess sole or shared voting power or investment power with respect to such securities. Shares of our common stock subject to options or warrants that are currently exercisable or exercisable within 60 days of April 30, 2010, are considered outstanding and beneficially owned by the person holding the options or warrants for the purpose of calculating the percentage ownership of that person but not for the purpose of calculating the percentage ownership of any other person. Unless otherwise indicated, the persons or entities identified in the table have sole voting and investment power with respect to all shares shown as beneficially owned by them, subject to applicable community property laws.

Except as otherwise noted in the table, the address for each person or entity listed in the table is c/o NuPathe Inc., 227 Washington Street, Suite 200, Conshohocken, Pennsylvania 19428.

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Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned	
		Before Offering	After Offering
5% Stockholders:			
Quaker BioVentures II, L.P. and its affiliates[1] Cira Center 2929 Arch Street Philadelphia, PA 19104-2868		%	%
Safeguard Delaware, Inc.[2] 1105 N. Market St. Suite 1300 Wilmington, DE 19801			
Birchmere Ventures III, L.P. and its affiliates[3] 2835 East Carson Street, Suite 208 Pittsburgh, PA 15203			
Battelle Ventures, L.P. and its affiliates[4] 103 Carnegie Center, Suite 100 Princeton, NJ 08540			
SR One, Limited[5] 161 Washington Street, Suite 500 Conshohocken, PA 19428			
Executive Officers and Directors:			
Jane H. Hollingsworth[6]			
Terri B. Sebree[7]			
Keith A. Goldan[8]			
Gerald W. McLaughlin[9]			
Ezra H. Felker [10]			
Michael Cola[11]			
Jeanne Cunicelli[12]			
Michael C. Diem, MD[13]			
John H. Dillon, II[14]			
Richard S. Kollender[15]			
Gary J. Kurtzman, MD[16]			
All executive officers and directors as a group (11 persons)			

(1) Includes with respect to Quaker BioVentures II, L.P., or Quaker, (a) 12,903,226 shares of common stock issuable upon the automatic conversion of 12,903,226 shares of Series B preferred stock, (b) 1,453,085 shares of common stock that represent accrued dividends on such Series B preferred stock**,** (c) 300,754 shares of common stock issuable upon the exercise of a warrant within 60 days of April 30, 2010 and (d) shares of common stock issuable upon the automatic conversion of all principal and accrued interest outstanding under the April 2010 Convertible Note held by Quaker upon the closing of this offering, assuming an initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, and that the closing occurred on April 30, 2010.

Includes with respect to BioAdvance Ventures, L.P., or BioAdvance, (a) 1,792,115 shares of common stock issuable upon the automatic conversion of 1,792,115 shares of Series A preferred stock, (b) 1,433,692 shares of common stock issuable upon the automatic conversion of 1,433,692 shares of Series B preferred stock, (c) 644,428 shares of common stock that represent accrued dividends on such Series A and Series B preferred stock and (d) 25,063 shares of common stock issuable upon the exercise of a warrant within 60 days of April 30, 2010.

Richard S. Kollender, a member of our board of directors, serves in a variety of roles related to Quaker and BioAdvance. Mr. Kollender is a Vice President of Quaker BioVentures Management, LLC, which is the general partner of Quaker BioVentures Management, L.P., which is the management company for Quaker. Mr. Kollender is also a Vice President of Quaker BioVentures Capital II, LLC, which is the general partner of Quaker BioVentures Capital II, L.P., which is the general partner of Quaker. Mr. Kollender is also a partner of Quaker BioVentures Management, L.P. and a limited partner of Quaker BioVentures Capital II Joint Venture, L.P., which is a limited partner of Quaker BioVentures Capital II, L.P.

Mr. Kollender is also a Vice President of Quaker BioAdvance Management, LLC, the general partner of Quaker BioAdvance Management, L.P., which is the manager of BioAdvance. Mr. Kollender is also a partner of Quaker Joint Venture, which is a limited partner of Quaker BioVentures Capital, L.P., which is a limited partner of BioAdvance GP I, L.P., which is the general partner of BioAdvance.

Mr. Kollender disclaims beneficial ownership of the shares of capital stock held by Quaker and BioAdvance, except to the extent of his pecuniary interest therein.

(2) Consists of (a) 5,376,344 shares of common stock issuable upon the automatic conversion of 5,376,344 shares of Series A preferred stock, (b) 7,526,881 shares of common stock issuable upon the automatic conversion of 7,526,881 shares of Series B preferred stock, (c) 2,287,360 shares of common stock that represent accrued dividends on such Series A and Series B preferred stock, (d) 150,377 shares of common stock issuable upon the exercise of a warrant within 60 days of April 30, 2010 and (e) shares of common stock issuable upon the automatic conversion of all principal and accrued interest outstanding under the April 2010 Convertible Note held by Safeguard Delaware, Inc., or Safeguard Delaware, upon the closing of this offering, assuming an initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, and that the closing occurred on April 30, 2010.

Gary J. Kurtzman, MD, a member of our board of directors, is a Vice President and Managing Director of Safeguard, which is the parent of Safeguard Delaware. Dr. Kurtzman disclaims beneficial ownership of the shares of capital stock held by Safeguard, except to the extent of his pecuniary interest therein.

(3) Includes with respect to Birchmere Ventures III TSIB, L.P., or Birchmere TSIB, (a) 1,290,323 shares of common stock issuable upon the automatic conversion of 1,290,323 shares of Series A preferred stock, (b) 1,096,775 shares of common stock issuable upon the automatic conversion of 1,096,775 shares of Series B preferred stock, (c) 471,440 shares of common stock that represent accrued dividends on such Series A and Series B preferred stock, (d) 19,549 shares of common stock issuable upon the exercise of a warrant within 60 days of April 30, 2010 and (e) shares of common stock issuable upon the automatic conversion of all principal and accrued interest outstanding under the April 2010 Convertible Note held by Birchmere TSIB upon the closing of this offering, assuming an initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, and that the closing occurred on April 30, 2010.

Includes with respect to Birchmere Ventures III, L.P., or Birchmere, (a) 2,293,907 shares of common stock issuable upon the automatic conversion of 2,293,907 shares of Series A preferred stock, (b) 1,949,820 shares of common stock issuable upon the automatic conversion of 1,949,820 shares of Series B preferred stock, (c) 838,115 shares of common stock that represent accrued dividends on such Series A and Series B preferred stock, (d) 34,754 shares of common stock issuable upon the exercise of a warrant within 60 days of April 30, 2010 and (e) shares of common stock issuable upon the automatic conversion of all principal and accrued interest outstanding under the April 2010 Convertible Note held by Birchmere upon the closing of this offering, assuming an initial public offering price of $ per share, the midpoint of the price range set forth on the cover

page of this prospectus, and that the closing occurred on April 30, 2010.

Jeanne Cunicelli, a member of our board of directors, is an Investment Partner of Bay City Capital LLC, which is the manager of BV3GP Investors, LLC, which is the managing member of BV3 LLC, which is the general partner of BV3 Management LP, which is the general partner of Birchmere and the general partner of Birchmere TSIB. Ms. Cunicelli disclaims beneficial ownership of the shares of capital stock

held by the funds managed by Bay City Capital LLC, except to the extent of her pecuniary interest therein.

(4) Includes with respect to Battelle Ventures, L.P., or Battelle, (a) 2,274,194 shares of common stock issuable upon the automatic conversion of 2,274,194 shares of Series A preferred stock, (b) 3,387,097 shares of common stock issuable upon the automatic conversion of 3,387,097 shares of Series B preferred stock, (c) 985,845 shares of common stock that represent accrued dividends on such Series A and Series B preferred stock, (d) 67,670 shares of common stock issuable upon the exercise of a warrant within 60 days of April 30, 2010 and (e) shares of common stock issuable upon the automatic conversion of all principal and accrued interest outstanding under the April 2010 Convertible Note held by Battelle upon the closing of this offering, assuming an initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, and that the closing occurred on April 30, 2010.

Includes with respect to Innovation Valley Partners, LP, or IVP, (a) 413,978 shares of common stock issuable upon the automatic conversion of 413,978 shares of Series A preferred stock, (b) 376,344 shares of common stock issuable upon the automatic conversion of 376,344 shares of Series B preferred stock, (c) 155,766 shares of common stock that represent accrued dividends on such Series A and Series B preferred stock, (d) 7,519 shares of common stock issuable upon the exercise of a warrant within 60 days of April 30, 2010 and (e) shares of common stock issuable upon the automatic conversion of all principal and accrued interest outstanding under the April 2010 Convertible Note held by IVP upon the closing of this offering, assuming an initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, and that the closing occurred on April 30, 2010.

(5) Consists of (a) 5,376,344 shares of common stock issuable upon the automatic conversion of 5,376,344 shares of Series B preferred stock, (b) 620,939 shares of common stock that represent accrued dividends on such Series B preferred stock, (c) 125,314 shares of common stock issuable upon the exercise of a warrant within 60 days of April 30, 2010 and (d) shares of common stock issuable upon the automatic conversion of all principal and accrued interest outstanding under the April 2010 Convertible Note held by SR One upon the closing of this offering, assuming an initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, and that the closing occurred on April 30, 2010.

Michael C. Diem, MD, a member of our board of directors, is a Partner of SR One. Dr. Diem disclaims beneficial ownership of the shares of capital stock held by SR One, except to the extent of his pecuniary interest therein.

(6) Consists of (a) 1,350,000 shares of common stock**,** which includes 25,000 shares of unvested restricted stock, 50,000 shares of common stock held by Jane Hollingsworth 2000 Irrevocable Family Trust I, and 50,000 shares of common stock held by Bradford Hollingsworth 2000 Irrevocable Family Trust I, (b) 143,668 shares of common stock issuable upon the automatic conversion of 143,668 shares of Series A preferred stock, (c) 53,763 shares of common stock issuable upon the automatic conversion of 53,763 shares of Series B preferred stock, (d) 48,394 shares of common stock that represent accrued dividends on such Series A and Series B preferred stock, (e) 1,067,774 shares of common stock issuable upon the exercise of stock options within 60 days of April 30, 2010, (f) 1,253 shares of common stock issuable upon the exercise of a warrant within 60 days of April 30, 2010 and (g) shares of common stock issuable upon the automatic conversion of all principal and accrued interest outstanding under the April 2010 Convertible Note held by Ms. Hollingsworth upon the closing of this offering, assuming an initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, and that the closing occurred on April 30, 2010.

Ms. Hollingsworth disclaims beneficial ownership of the shares held by the Jane Hollingsworth 2000 Irrevocable Family Trust I and the Bradford Hollingsworth 2000 Irrevocable Family Trust I.

(7) Consists of 1,350,000 shares of common stock, which includes 25,000 shares of unvested restricted stock and 665,082 shares of common stock issuable upon the exercise of stock options within 60 days of April 30, 2010.

(8) Consists of (a) 26,882 shares of common stock issuable upon the automatic conversion of 26,882 shares of Series B preferred stock, (b) 3,212 shares of common stock that represent accrued dividends on such Series B preferred stock, (c) 299,670 shares of common stock issuable upon the exercise of stock options within 60 days of April 30, 2010 and (d) shares of common stock issuable upon the automatic conversion of all principal and accrued interest outstanding under the April 2010 Convertible Note held by Mr. Goldan upon the closing of this offering, assuming an initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, and that the closing occurred on April 30, 2010.

(9) Consists of 358,117 shares of common stock issuable upon the exercise of stock options within 60 days of April 30, 2010.

(10) Consists of (a) 60,000 shares of common stock, which includes 15,000 shares of unvested restricted stock, (b) 48,387 shares of common stock issuable upon the automatic conversion of 48,387 shares of Series B preferred stock held by Mr. Felker in his IRA account, (c) 5,588 shares of common stock that represent accrued dividends on such Series B preferred stock, (d) 394,096 shares of common stock issuable upon the exercise of stock options within 60 days of April 30, 2010 and (e) 1,128 shares of common stock issuable upon the automatic conversion of 1,128 shares of Series B preferred stock issuable to Mr. Felker s IRA account upon the exercise of a warrant within 60 days of April 30, 2010.

(11) Consists of 187,083 shares of common stock issuable upon the exercise of stock options within 60 days of April 30, 2010.

(12) Jeanne Cunicelli is an Investment Partner of Bay City Capital LLC, which is the manager of BV3GP Investors, LLC, which is the managing member of BV3 LLC, which is the general partner of BV3 Management LP, which is the general partner of Birchmere and the general partner of Birchmere TSIB. Ms. Cunicelli may be considered to have beneficial ownership of the Bay City Capital LLC funds interest in us. Ms. Cunicelli disclaims beneficial ownership of all such shares, except to the extent of her pecuniary interest therein. See note 3 above.

(13) Michael C. Diem, MD is a Partner of SR One and may be considered to have beneficial ownership of SR One s interest in us. Dr. Diem disclaims beneficial ownership of all such shares, except to the extent of his pecuniary interest therein. See note 5 above.

(14) Consists of 50,000 shares of common stock and 51,145 shares of common stock issuable upon the exercise of stock options within 60 days of April 30, 2010.

(15) Richard S. Kollender serves in a variety of roles related to Quaker and BioAdvance, and Mr. Kollender may be considered to have beneficial ownership of Quaker s and BioAdvance s interests in us. Mr. Kollender disclaims beneficial ownership of all such shares, except to the extent of his pecuniary interest therein. See note 1 above.

(16) Gary J. Kurtzman, MD, is a Vice President and Managing Director of Safeguard and may be considered to have beneficial ownership of Safeguard Delaware s interest in us. Dr. Kurtzman disclaims beneficial ownership of all such shares, except to the extent of his pecuniary interest therein. See note 2 above.

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DESCRIPTION OF CAPITAL STOCK

General

The following description of our capital stock and provisions of our restated certificate of incorporation and our bylaws are summaries, and are qualified by reference to the provisions of our restated certificate of incorporation and our bylaws that will be in effect upon the closing of this offering. We have filed forms of these documents as exhibits to the registration statement for this offering. The description of our capital stock reflects changes to our capital structure that will occur upon the closing of this offering.

Upon the closing of this offering, our authorized capital stock will consist of shares of common stock, par value $0.001 per share, and shares of undesignated preferred stock.

As of April 30, 2010, we had issued and outstanding:

- 3,143,905 shares of common stock held by 12 stockholders of record, which included 71,250 shares of unvested restricted stock; and

- 53,096,340 shares in the aggregate of Series A and Series B preferred stock, which, together with accrued dividends thereon, are automatically convertible into 61,824,121 shares of common stock upon the closing of this offering, assuming that the closing occurred on April 30, 2010.

As of April 30, 2010, we also had outstanding:

- Options to purchase an aggregate of 7,520,075 shares of common stock under our 2005 Plan at a weighted average exercise price of $0.23 per share;

- An aggregate of $10,109,081 of principal and accrued interest under the April 2010 Convertible Notes, which is automatically convertible into shares of common stock upon the closing of this offering, assuming an initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, and that the closing occurred on April 30, 2010; and

- Warrants to purchase an aggregate of 870,922 shares of preferred stock at a weighted average exercise price of $0.93 per share, which will become, in accordance with their terms, warrants to purchase 870,922 shares of common stock at an exercise price of $0.93 per share of common stock upon the closing of this offering, held by a total of 13 persons.

Common Stock

Voting Rights. Each holder of common stock is entitled to one vote per share on all matters submitted to a vote of the stockholders, including the election of directors. Our restated certificate of incorporation and our bylaws will not provide for cumulative voting rights. Because of this, the holders of a majority of the shares of common stock entitled to vote in any election of directors can elect all of the directors standing for election, if they should so choose. An election of directors by our stockholders is determined by a plurality of the votes cast by stockholders entitled to vote on the election.

Dividends. Subject to preferences that may be applicable to any then outstanding preferred stock, the holders of our outstanding shares of common stock are entitled to receive dividends, if any, as may be declared from time to time by our board of directors out of legally available funds.

Liquidation. In the event of our liquidation, dissolution or winding up, holders of common stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of our debts and other liabilities, subject to the satisfaction of any liquidation preference granted to the holders of any outstanding shares of preferred stock.

Rights and Preferences. Holders of our common stock have no preemptive, conversion or subscription rights, and there are no redemption or sinking fund provisions applicable to our common stock. The rights, preferences and privileges of the holders of common stock are subject to, and may be adversely affected by,

the rights of the holders of shares of any series of our preferred stock that we may designate and issue in the future.

Preferred Stock

Our restated certificate of incorporation will not reference any existing series of preferred stock and will authorize our board of directors to issue up to shares of undesignated preferred stock. Under the restated certificate of incorporation, our board will be authorized, without stockholder approval, to issue preferred stock in one or more series, to establish the number of shares to be included in each such series and to fix the designation, powers, preferences and rights of such shares and any qualifications, limitations or restrictions thereof. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in our control that may otherwise benefit holders of common stock. The issuance of preferred stock with voting and conversion rights may adversely affect the voting power of the holders of common stock, including the loss of voting control to others. We have no current plans to issue any shares of preferred stock.

Warrants

Assuming no warrants have been exercised as of May 14, 2010, upon the closing of this offering there will be outstanding 12 warrants to purchase an aggregate of 736,514 shares of common stock, each at an exercise price of $0.93 per share and each of which expire on August 20, 2016, one warrant to purchase 134,408 shares of common stock at an exercise price of $0.93 per share, which will expire on the date five years following the closing of this offering, but in any event no later than March 29, 2017 and two warrants to purchase 255,376 shares of common stock, each at an exercise price of $0.93 per share and each of which expire ten years from the date of issuance.

Each of these warrants has a net exercise provision under which its holder may, in lieu of payment of the exercise price in cash, surrender the warrant and receive a net amount of shares based on the fair market value of our common stock at the time of exercise of the warrant after deduction of the aggregate exercise price. Each of these warrants also contains provisions for the adjustment of the exercise price and the aggregate number of shares issuable upon the exercise of the warrant in the event of stock dividends, split-ups, reclassifications, mergers, consolidations, combinations or exchanges of shares, separations, reorganizations or liquidations.

The holders of certain of these warrants are entitled to registration rights under our Investor Rights Agreement, as described in more detail under Registration Rights.

Registration Rights

Upon the closing of this offering, holders of a total of shares of our common stock as of April 30, 2010, including shares of our common stock issuable upon exercise of outstanding warrants, will have the right to require us to register these shares under the Securities Act, under specified circumstances, pursuant to the terms of the Investor Rights Agreement. After registration pursuant to these rights, these shares will become freely tradable without restriction under the Securities Act. These registration rights will terminate upon the earlier of the date that is three years following the closing of this offering and the date that all registrable shares may immediately be sold pursuant to Rule 144 without regard to volume limitations.

Demand and Form S-3 Registration Rights. Subject to specified limitations, the holders of at least 662/3% of our preferred stock having registration rights may demand that we register all or a portion of their registrable shares under the Securities Act. We are not obligated to file a registration statement pursuant to this provision:

Until 180 days after the closing of this offering; and

On more than two occasions.

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In addition, the holders of our registrable shares may demand that we register on Form S-3 all or a portion of the registrable shares held by them. We are not obligated to file a Form S-3 pursuant to this provision on more than two occasions in any 12-month period.

Incidental Registration Rights. If at any time after the closing of this offering we propose to file a registration statement to register any of our securities under the Securities Act, either for our own account or for the account of any of our stockholders, the holders of our registrable shares are entitled to notice of registration and are entitled to include their shares of common stock in the registration.

Limitations and Expenses. In the event that any registration in which the holders of registrable shares participate pursuant to the Investor Rights Agreement is an underwritten public offering, the number of registrable shares to be included may, in specified circumstances, be limited due to market conditions. Pursuant to the Investor Rights Agreement, we are required to pay all registration expenses, including the fees and expenses of one counsel to represent the selling holders, other than any underwriting discounts, selling commissions and similar discounts relating to underwriters or commissions related to sales, related to any demand or incidental registration. We are also required to indemnify each participating holder with respect to each registration of registrable shares that is effected.

Delaware Anti-Takeover Law and Provisions of Our Restated Certificate of Incorporation and Our Bylaws

Delaware Anti-Takeover Law. We are subject to Section 203 of the DGCL. Section 203 generally prohibits a public Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the interested stockholder attained such status with the approval of our board of directors, the business combination is approved in a prescribed manner or the interested stockholder acquired at least 85% of our outstanding voting stock in the transaction in which it became an interested stockholder. A business combination includes, among other things, a merger or consolidation involving us and the interested stockholder and the sale of more than 10% of our assets. In general, an interested stockholder is any entity or person beneficially owning 15% or more of our outstanding voting stock and any entity or person affiliated with or controlling or controlled by such entity or person.

Restated Certificate of Incorporation and Bylaws. Provisions of our restated certificate of incorporation and our bylaws, which will become effective upon the closing of this offering, may delay or discourage transactions involving an actual or potential change of control or change in our management, including transactions in which stockholders might otherwise receive a premium for their shares, or transactions that our stockholders might otherwise deem to be in their best interests. Therefore, these provisions could adversely affect the price of our common stock. Among other things, our restated certificate of incorporation and our bylaws:

- Authorize the issuance of blank check preferred stock, the terms of which may be established and shares of which may be issued without stockholder approval;
- Prohibit stockholder action by written consent, thereby requiring all stockholder actions to be taken at a meeting of our stockholders;
- Eliminate the ability of stockholders to call a special meeting of stockholders; and
- Establish advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted upon at stockholder meetings.

The amendment of any of these provisions would require approval by the holders of at least 662/3% of our then outstanding common stock.

Listing on The NASDAQ Global Market

We are applying to have our common stock listed on The NASDAQ Global Market under the symbol PATH.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock will be .

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock, and a liquid trading market for our common stock may not develop or be sustained after this offering. Future sales of substantial amounts of our common stock in the public market, including shares issued upon exercise of outstanding options and warrants or in the public market after this offering, or the anticipation of these sales, could adversely affect market prices prevailing from time to time and could impair our ability to raise equity capital in the future.

Upon the closing of this offering, we will have outstanding an aggregate of shares of common stock, assuming the underwriters do not exercise their over-allotment option and no options or warrants outstanding as of April 30, 2010 are exercised.

Of the shares to be outstanding immediately after the closing of this offering, we expect that shares will be freely tradable without restriction under the Securities Act unless purchased by our affiliates, as that term is defined in Rule 144 under the Securities Act. The remaining shares of our common stock outstanding after this offering will be restricted securities under Rule 144 of the Securities Act, and we expect that substantially all of these shares will be subject to a 180-day lock-up period under the lock-up agreements as described below. Restricted securities as defined under Rule 144 were issued and sold by us in reliance on exemptions from the registration requirements of the Securities Act. These shares may be sold in the public market only if registered or pursuant to an exemption from registration, such as Rule 144 or Rule 701 under the Securities Act. Resale of the restricted shares that will become available for sale in the public market starting 180 days after the date of this prospectus will be limited by volume and other resale restrictions under Rule 144 because certain holders are our affiliates.

Lock-Up Agreements

We, our officers and directors and holders of substantially all of our outstanding stock, options and warrants have agreed, subject to specified exceptions, not to sell or transfer any common stock or securities convertible into, or exchangeable or exercisable for, common stock, during a period ending 180 days after the date of this prospectus, subject to extension, without first obtaining the written consent of Leerink Swann LLC and Lazard Capital Markets LLC. Specifically, we and these other individuals and entities have agreed not to:

Offer, pledge, sell or contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock; or

Enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock.

The lock-up restrictions and specified exceptions are described in more detail under Underwriting Lock-Up Agreements.

Rule 144

In general, under Rule 144, beginning 90 days after the date of this prospectus, any person who is not our affiliate and has held their shares for at least six months, including the holding period of any prior owner other than one of our affiliates, may sell shares without restriction. In addition, under Rule 144, any person who is not an affiliate of ours

and has held their shares for at least one year, including the holding period of any prior owner other than one of our affiliates, would be entitled to sell an unlimited number of shares immediately upon the closing of this offering without regard to whether current public information about us is available.

Beginning 90 days after the date of this prospectus, a person who is our affiliate or who was our affiliate at any time during the preceding three months and who has beneficially owned restricted securities for at least

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six months, including the holding period of any prior owner other than one of our affiliates, is entitled to sell a number of shares within any three-month period that does not exceed the greater of:

1% of the number of shares of our common stock then outstanding, which will equal approximately shares immediately after this offering; and

The average weekly trading volume of our common stock on The NASDAQ Global Market during the four calendar weeks preceding the filing of a Notice of Proposed Sale of Securities Pursuant to Rule 144 with respect to the sale.

Sales under Rule 144 by our affiliates are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us.

Upon expiration of the 180-day lock-up period described above, approximately shares of our common stock will be eligible for sale under Rule 144, including shares eligible for resale immediately upon the closing of this offering as described above. We cannot estimate the number of shares of our common stock that our existing stockholders will elect to sell under Rule 144.

Rule 701

In general, under Rule 701 of the Securities Act, any of our employees, consultants or advisors, other than our affiliates, who purchased shares from us in connection with a qualified compensatory stock plan or other written agreement is eligible to resell these shares 90 days after the date of this prospectus in reliance on Rule 144, but without compliance with the holding period requirements of Rule 144 and without regard to the volume of such sales or the availability of public information about us. Subject to the 180-day lock-up period described above, approximately shares of our common stock will be eligible for sale in accordance with Rule 701.

Registration Rights

Subject to the lock-up agreements described above, upon closing of this offering, the holders of shares of our common stock and warrants to purchase up to shares of our common stock will be entitled to require us to register these shares under the Securities Act under specified circumstances. After registration pursuant to these rights, these shares will become freely tradable without restriction under the Securities Act. These registration rights are described in more detail under Description of Capital Stock Registration Rights.

Equity Incentive Plans

We intend to file one or more registration statements on Form S-8 under the Securities Act to register all shares of common stock subject to outstanding stock options and common stock issuable under our 2005 Plan, 2010 Plan and ESPP. We expect to file the registration statement covering shares offered pursuant to our stock plans shortly after the date of this prospectus, permitting the resale of such shares by non-affiliates in the public market without restriction under the Securities Act and the sale by affiliates in the public market, subject to compliance with the resale provisions of Rule 144. Our equity incentive plans are described in more detail under Executive Compensation Employee Benefit Plans.

UNDERWRITING

Subject to the terms and conditions set forth in an underwriting agreement dated the date of this prospectus among us and the underwriters named below, we have agreed to sell to the underwriters, and each underwriter has severally agreed to purchase from us, the number of shares of common stock listed next to its name in the following table. Leerink Swann LLC and Lazard Capital Markets LLC are acting as joint book-running managers for the offering and as representatives of the underwriters.

Name	Number of Shares
Leerink Swann LLC	
Lazard Capital Markets LLC	
Thomas Weisel Partners LLC	
Needham & Company, LLC	
Total	

The underwriters are committed to purchase all the shares of common stock offered by us if they purchase any shares. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may be increased or the offering may be terminated. The underwriters are not obligated to purchase the shares of common stock covered by the underwriters over-allotment option described below.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officer s certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Discounts and Commissions

The underwriters propose initially to offer the shares to the public at the public offering price set forth on the cover page of this prospectus and to dealers at that price less a concession not in excess of $ per share. After the initial offering of the shares, the public offering price and other selling terms may be changed by the representatives.

The following table shows the public offering price, underwriting discounts and commissions and proceeds before expenses to us. The information assumes either no exercise or full exercise by the underwriters of their over-allotment option.

	Per Share	Without Option	With Option
Public offering price	$	$	$
Underwriting discounts and commissions	$	$	$
Proceeds, before expenses, to us	$	$	$

The total estimated expenses of the offering, including registration, filing and listing fees, printing fees and legal and accounting expenses, but excluding underwriting discounts and commissions, are approximately $ and are payable by us.

Lazard Frères & Co. LLC referred this transaction to Lazard Capital Markets LLC and will receive a referral fee from Lazard Capital Markets LLC in connection therewith.

Over-Allotment Option

We have granted the underwriters an option to purchase up to additional shares of common stock at the public offering price, less underwriting discounts and commissions. The underwriters may exercise this option for 30 days from the date of this prospectus solely to cover sales of shares of common stock by the underwriters in excess of the total number of shares set forth in the table above. If any shares are purchased pursuant to this over-allotment option, the underwriters will purchase the additional shares in approximately the same proportion as shown in the table above. If any of these additional shares are purchased, the

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underwriters will offer the additional shares on the same terms as those on which the shares are being offered. We will pay the expenses associated with the exercise of the over-allotment option.

Initial Public Offering Pricing

Prior to this offering, there has been no public market for our common stock. The initial public offering price will be negotiated between us and the representatives. Among the factors considered in these negotiations are:

- The prospects for our company and the industry in which we operate;
- Our past and present financial and operating performance;
- Financial and operating information and market valuations of publicly traded companies engaged in activities similar to ours;
- The prevailing conditions of U.S. securities markets at the time of this offering; and
- Other factors deemed relevant.

The estimated initial public offering price range set forth on the cover of this preliminary prospectus is subject to change as a result of market conditions and other factors.

Lock-Up Agreements

We, our officers and directors and holders of substantially all of our outstanding stock, options and warrants have entered into lock-up agreements with the underwriters. Under these agreements, we and these other individuals have agreed, subject to specified exceptions, not to sell or transfer any common stock or securities convertible into, or exchangeable or exercisable for, common stock, during a period ending 180 days after the date of this prospectus, without first obtaining the written consent of Leerink Swann LLC and Lazard Capital Markets LLC. Specifically, we and these other individuals have agreed not to:

- Offer, pledge, sell or contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock; or
- Enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock,

whether any such transaction described above is to be settled by delivery of common stock or other securities, in cash or otherwise.

The restrictions described above do not apply to:

- The sale of shares of common stock to the underwriters pursuant to the underwriting agreement;
- The issuance by us of shares of common stock upon the exercise of an option or warrant or the conversion of a security outstanding on the date of this prospectus of which the underwriters have been advised in writing or that is described in this prospectus;

The grant by us of stock options or other stock-based awards, or the issuance of shares of common stock upon exercise thereof, to eligible participants pursuant to employee benefit or equity incentive plans described in this prospectus, provided that, prior to the grant of any such stock options or other stock-based awards that vest within the restricted period, each recipient of such grant shall sign and deliver a lock-up agreement agreeing to be subject to the restrictions on transfer described above;

Transactions by security holders relating to shares of common stock or other securities acquired in open market transactions after the completion of this offering, provided that no filing under Section 16(a) of the Exchange Act is required or is voluntarily made in connection with subsequent sales of common stock or other securities acquired in such open market transactions;

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Sales or transfers by security holders of shares of common stock to us pursuant to the exercise on a net-issuance basis of any warrant outstanding on the date of the underwriting agreement of which the representatives have been advised in writing or that is described in this prospectus;

The exercise of any option or warrant to purchase shares of common stock outstanding on the date of the underwriting agreement of which the representatives have been advised in writing or that is described in this prospectus, provided that the underlying shares of common stock issued upon exercise remain subject to the restrictions imposed by the lock-up agreement;

Transfers or contributions by security holders of shares of common stock or any security convertible into common stock as a bona fide gift, in connection with estate planning or upon death by will or intestate succession;

Transfers or distributions by security holders of shares of common stock or any security convertible into common stock to limited partners, members, stockholders or affiliates of the security holder; or

Transfers or contributions by security holders of shares of common stock or any security convertible into common stock to any trust for the direct or indirect benefit of the security holder or the immediate family of the security holder;

provided that in the case of each of the preceding three types of transactions, each transferee or distributee signs and delivers a lock-up agreement agreeing to be subject to the restrictions on transfer described above and no filing under Section 16(a) of the Exchange Act, reporting a reduction in beneficial ownership of shares of common stock, is required or is voluntarily made during the restricted period.

The 180-day restricted period is subject to extension if (1) during the last 17 days of the restricted period we issue an earnings release or material news or a material event relating to us occurs or (ii) prior to the expiration of the restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the restricted period, in which case the restrictions imposed in the lock-up agreements will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

Indemnification

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the underwriters may be required to make for these liabilities.

The NASDAQ Global Market Listing

We are applying to have our common stock listed on The NASDAQ Global Market under the symbol PATH.

Price Stabilization, Short Positions and Penalty Bids

In order to facilitate the offering of our common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of our common stock. In connection with the offering, the underwriters may purchase and sell our common stock in the open market. These transactions may include short sales, purchases on the open market to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the underwriters of a greater number of shares of common stock than they are required to purchase in the offering.

Covered short sales are sales made in an amount not greater than the underwriters option to purchase additional shares of common stock in the offering. The underwriters may close out any covered short position by either exercising their over-allotment option or purchasing shares of common stock in the open market. In determining the source of shares of common stock to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. Naked short sales are sales in excess of the over-allotment option. The underwriters

must close out any naked short position by purchasing shares of common stock in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of shares of common stock made by the underwriters in the open market prior to the completion of the offering.

Similar to other purchase transactions, the underwriters purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market.

The underwriters have advised us that, pursuant to Regulation M of the Securities Act, they may also engage in other activities that stabilize, maintain or otherwise affect the price of our common stock, including the imposition of penalty bids. This means that if the representatives of the underwriters purchase common stock in the open market in stabilizing transactions or to cover short sales, the representatives can require the underwriters that sold those shares as part of this offering to repay the underwriting discount received by them.

The underwriters make no representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor the underwriters make any representation that the underwriters will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Electronic Offer, Sale and Distribution of Shares

A prospectus in electronic format may be made available on the websites maintained by one or more underwriters or selling group members, if any, participating in the offering. The underwriters may agree to allocate a number of shares of common stock to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters and selling group members that may make Internet distributions on the same basis as other allocations. Other than the prospectus in electronic format, the information on the underwriters websites and any information contained in any other website maintained by the underwriters is not part of this prospectus or the registration statement of which this prospectus forms a part.

Notice to Non-U.S. Investors

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive, each of which we refer to as a relevant member state, with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state, or the relevant implementation date, an offer of securities described in this prospectus may not be made to the public in that relevant member state other than:

To legal entities that are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

To any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000 and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts;

To fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of representatives for any such offer; or

In any other circumstances that do not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive;

provided that no such offer of securities shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

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For the purposes of this provision, the expression an offer of shares to the public in relation to any shares of common stock in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe for the shares, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each relevant member state.

Other Relationships

From time to time, certain of the underwriters and their affiliates have provided, and may provide in the future, various advisory, investment and commercial banking and other services to us in the ordinary course of business, for which they have received and may continue to receive customary fees and commissions.

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LEGAL MATTERS

The validity of the shares of common stock being offered by this prospectus will be passed upon for us by Morgan, Lewis & Bockius LLP, Philadelphia, Pennsylvania. Wilmer Cutler Pickering Hale and Dorr LLP, New York, New York, is acting as counsel for the underwriters in connection with this offering.

EXPERTS

The financial statements of NuPathe Inc. as of December 31, 2008 and 2009, and for each of the years in the three-year period ended December 31, 2009 and the period from January 7, 2005 (inception) through December 31, 2009, have been included herein and in this prospectus in reliance upon the report of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing. The audit report covering the December 31, 2009 financial statements contains an explanatory paragraph that states that NuPathe has incurred recurring losses and negative cash flows from operations since its inception that raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of that uncertainty.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 (File Number 333-) under the Securities Act with respect to the shares of common stock we are offering by this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all of the information in the registration statement and its exhibits. For further information with respect to us and the common stock offered by this prospectus, you should refer to the registration statement and the exhibits to the registration statement. Statements contained in this prospectus as to the contents of any contract, agreement or any other document are not necessarily complete, and in each instance, we refer you to the copy of the contract, agreement or other document filed as an exhibit to the registration statement. Each of these statements is qualified in all respects by this reference.

You may read and copy the registration statement for this offering at the SEC s Public Reference Room, which is located at 100 F Street, N.E., Room 1580, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet website, which is located at http://www.sec.gov that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. You may access the registration statement for this offering at the SEC s Internet website.

Upon closing of this offering, we will be subject to the information and periodic reporting requirements of the Exchange Act, and we will file reports, proxy and information statements and other information with the SEC. These reports, proxy and information statements and other information will be available for inspection and copying at the Public Reference Room and website of the SEC, as described above.

INDEX TO FINANCIAL STATEMENTS

NUPATHE INC.
(A Development-Stage Company)

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
NuPathe Inc.:

We have audited the accompanying balance sheets of NuPathe Inc. (a development-stage company) (the Company) as of December 31, 2008 and 2009, and the related statements of operations, redeemable convertible preferred stock and stockholders deficit, and cash flows for each of the years in the three-year period ended December 31, 2009 and the period from January 7, 2005 (inception) through December 31, 2009. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NuPathe Inc. as of December 31, 2008 and 2009, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2009 and for the period from January 7, 2005 (inception) through December 31, 2009, in conformity with U.S. generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in note 2 to the financial statements, the Company has incurred recurring losses and negative cash flows from operations since its inception that raise substantial doubt about its ability to continue as a going concern. Management s plans in regard to these matters are also described in note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ KPMG LLP

Philadelphia, Pennsylvania
May 14, 2010

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NUPATHE INC.
(A Development-Stage Company)

Balance Sheets

	December 31, 2008	December 31, 2009	Pro Forma December 31, 2009 Unaudited (See note 3)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 8,368,461	$ 3,926,574	$ 18,206,978
Prepaid expenses and other	1,139,878	918,878	918,878
Total current assets	9,508,339	4,845,452	19,125,856
Property and equipment, net	122,726	70,628	70,628
Other assets	144,521	93,053	296,308
Total assets	$ 9,775,586	$ 5,009,133	$ 19,492,792
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)			
Current liabilities:			
Current portion of long-term debt	$ 890,929	$ 818,139	$ 36,043
Accounts payable	920,422	1,464,106	1,464,106
Accrued expenses	1,412,350	1,035,826	1,035,826
Total current liabilities	3,223,701	3,318,071	2,535,975
Long-term debt	782,096		5,000,000
Warrant liability	102,354	626,492	
Total liabilities	4,108,151	3,944,563	7,535,975
Commitments (note 9)			
Redeemable convertible preferred stock, $0.001 par value; authorized 71,745,055 shares at December 31, 2009; issued and outstanding 42,205,062, and 53,096,340 shares at December 31, 2008 and 2009, respectively (liquidation value of $56,179,639 at December 31, 2009)	41,808,630	55,538,191	
Stockholders equity (deficit):			
Common stock, $0.001 par value; authorized 90,830,376 shares, issued and outstanding 3,626,250, 3,131,250 and shares at December 31, 2008 and 2009 and December 31, 2009 pro forma, respectively	3,626	3,131	63,539

Additional paid-in capital			66,370,030
Deficit accumulated during the development stage	(36,144,821)	(54,476,752)	(54,476,752)
Total stockholders equity (deficit)	(36,141,195)	(54,473,621)	11,956,817
Total liabilities and stockholders equity (deficit)	$ 9,775,586	$ 5,009,133	$ 19,492,792

See accompanying notes to financial statements.

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NUPATHE INC.
(A Development-Stage Company)

Statements of Operations

	Year Ended December 31,			Period from January 7, 2005 (inception) through December 31,
	2007	2008	2009	2009
Operating expenses:				
Research and development	$ 7,761,442	$ 8,815,354	$ 11,309,503	$ 31,787,569
Acquired in-process research and development		5,500,000		5,500,000
General and administrative	1,883,822	3,075,084	3,142,253	9,827,382
Total operating expenses	(9,645,264)	(17,390,438)	(14,451,756)	(47,114,951)
Interest income	222,866	157,622	30,437	526,473
Interest expense	(252,675)	(278,387)	(1,320,005)	(2,622,537)
Loss before tax benefit	(9,675,073)	(17,511,203)	(15,741,324)	(49,211,015)
Income tax benefit			151,012	151,012
Net loss	(9,675,073)	(17,511,203)	(15,590,312)	$ (49,060,003)
Accretion of redeemable convertible preferred stock	(1,126,265)	(2,330,344)	(3,617,211)	
Net loss applicable to common stockholders	$ (10,801,338)	$ (19,841,547)	$ (19,207,523)	
Basic and diluted net loss per common share	$ (3.67)	$ (6.49)	$ (6.28)	
Weighted average basic and diluted common shares outstanding	2,947,005	3,059,137	3,060,000	
Unaudited pro forma net loss			$ (15,590,312)	
Unaudited pro forma basic and diluted net loss per common share			$	
Unaudited pro forma weighted average basic and diluted common shares outstanding				

See accompanying notes to financial statements.

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NUPATHE INC.
(A Development-Stage Company)

Statements of Redeemable Convertible Preferred Stock and Stockholders Deficit
Period from January 7, 2005 (inception) through December 31, 2009

	Redeemable Convertible Preferred Stock		Common Stock		Stockholders Deficit		
					Additional Paid-in	Deficit Accumulated During the Development	
	Shares	Amount	Shares	Amount	Capital	Stage	Total
nce, January 7, 2005 eption)		$		$	$	$	$
ance of common stock itial stockholders at 8 per share			2,710,000	2,710	214,090		216,8
oss						(1,067,659)	(1,067,6
nce, December 31, 5			2,710,000	2,710	214,090	(1,067,659)	(850,8
k-based compensation			915,000	915	43,195		44,1
version of convertible s and accrued interest Series A redeemable ertible preferred stock	3,481,645	2,590,343			647,587		647,5
of Series A emable convertible erred stock at $0.93 per e, net of expenses of ,458	8,064,516	7,232,542					
retion of Series A emable convertible erred stock to mption value		340,998			(340,998)		(340,9
oss						(5,215,756)	(5,215,7
nce, December 31, 6	11,546,161	10,163,883	3,625,000	3,625	563,874	(6,283,415)	(5,715,9
k-based compensation					59,205		59,2
of Series A emable convertible erred stock at $0.93 per e, net of expenses of 272	5,376,345	4,979,729					
retion of Series A emable convertible		1,126,265			(623,079)	(503,186)	(1,126,2

erred stock to mption value							
oss						(9,675,073)	(9,675,0
nce, December 31, 7	16,922,506	16,269,877	3,625,000	3,625		(16,461,674)	(16,458,0
k-based compensation					158,176		158,1
cise of stock options			1,250	1	224		2
of Series A emable convertible erred stock at $0.93 per e	2,688,171	2,499,999					
of Series B emable convertible erred stock at $0.93 per e, net of expenses of -,368	22,594,385	20,708,410					
retion of Series A and es B redeemable vertible preferred stock demption value		2,330,344			(158,400)	(2,171,944)	(2,330,3
oss						(17,511,203)	(17,511,2
nce, December 31, 3	42,205,062	41,808,630	3,626,250	3,626		(36,144,821)	(36,141,1
k-based compensation					319,055		319,0
eiture of restricted k			(495,000)	(495)	495		
of Series B emable convertible erred stock at $0.93 per e, net of expenses of 538	8,786,952	8,155,327					
version of convertible s and accrued interest Series B redeemable ertible preferred stock	2,104,326	1,957,023					
eficial conversion ure related to the ertible note and ant agreement					556,042		556,0
retion of Series A and es B redeemable ertible preferred stock demption value		3,617,211			(875,592)	(2,741,619)	(3,617,2
oss						(15,590,312)	(15,590,3
nce, December 31,)	53,096,340	$ 55,538,191	3,131,250	$ 3,131	$	$ (54,476,752)	$ (54,473,6

See accompanying notes to financial statements.

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NUPATHE INC.
(A Development-Stage Company)

Statements of Cash Flows

	Year Ended December 31,			Period from January 7, 2005 (inception) through December 31,
	2007	**2008**	**2009**	**2009**
Cash flows from operating activities:				
Net loss	$ (9,675,073)	$ (17,511,203)	$ (15,590,312)	$ (49,060,003)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation expense	17,140	48,197	57,383	130,825
Loss on asset disposal			23,508	23,508
Acquired in-process research and development		5,500,000		5,500,000
Stock-based compensation	59,205	158,176	319,055	589,346
Noncash interest expense	36,816	49,503	1,154,486	1,888,392
Changes in operating assets and liabilities:				
Prepaid expenses and other assets	(267,662)	(702,692)	301,090	(832,456)
Accounts payable	663,389	(11,149)	543,684	1,464,106
Accrued expenses	537,134	195,537	(376,524)	1,160,196
Net cash used in operating activities	(8,629,051)	(12,273,631)	(13,567,630)	(39,136,086)
Cash flows from investing activities:				
Purchase of in-process research and development		(5,500,000)		(5,500,000)
Purchases of property and equipment	(35,721)	(126,677)	(28,792)	(224,960)
Net cash used in investing activities	(35,721)	(5,626,677)	(28,792)	(5,724,960)
Cash flows from financing activities:				
Proceeds from issuance of debt	2,507,992	100,749		2,608,741
Proceeds from convertible notes			1,934,183	4,404,183
Payment of debt issuance costs	(74,034)			(74,034)
Repayment of debt	(129,648)	(870,879)	(934,975)	(1,935,502)
Proceeds from sale of preferred stock, net	4,979,729	23,208,409	8,155,327	43,576,007
Proceeds from sale of common stock		225		208,225
Net cash provided by financing activities	7,284,039	22,438,504	9,154,535	48,787,620
Net increase (decrease) in cash and cash equivalents	(1,380,733)	4,538,196	(4,441,887)	3,926,574

Cash and cash equivalents, beginning of period		5,210,998		3,830,265		8,368,461		
Cash and cash equivalents, end of period	$	3,830,265	$	8,368,461	$	3,926,574	$	3,926,574
Supplemental cash flow disclosures:								
Noncash investing and financing activities:								
Conversion of note principal and accrued interest to redeemable convertible preferred stock	$		$		$	1,957,023	$	4,547,366
Accretion of redeemable convertible preferred stock		1,126,265		2,330,344		3,617,211		7,414,818
Cash paid for interest		193,147		236,078		173,580		602,805

See accompanying notes to financial statements.

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NUPATHE INC.

Notes to Financial Statements

(1) Background

NuPathe Inc. (the Company) is a development-stage company incorporated in Delaware on January 7, 2005 (inception). The Company is a specialty pharmaceutical company focused on the development and commercialization of branded therapeutics for diseases of the central nervous system. The Company operates in one segment and has its principal offices in Conshohocken, Pennsylvania.

(2) Development-Stage Risks and Liquidity

The Company has incurred losses and negative cash flows from operations since inception and has a deficit accumulated during the development stage of $54,476,752 as of December 31, 2009. The Company anticipates incurring additional losses until such time, if ever, that it can generate significant sales of its products currently in development. Management estimates that current cash and cash equivalents and the proceeds of $10,062,500 from convertible notes issued in April 2010 (the April 2010 Convertible Notes) (note 6) and the $5,000,000 of proceeds from a term loan facility entered into in May 2010 (the May 2010 Loan Facility) (note 6) are sufficient to sustain planned operations through the third quarter of 2010. Substantial additional financing will be needed by the Company to fund its operations and to commercially develop its products. There is no assurance that such financing will be available when needed or on acceptable terms. These factors raise substantial doubt about the Company s ability to continue as a going concern.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

Management is currently evaluating different strategies to obtain the required funding of future operations. These strategies may include, but are not limited to: an initial public offering of the Company s common stock, additional venture capital funding, collaborative arrangements with third parties and/or borrowings of debt. There can be no assurance that these future funding efforts will be successful.

The Company is subject to those risks associated with any specialty pharmaceutical company that has substantial expenditures for research and development. There can be no assurance that the Company s research and development projects will be successful, that products developed will obtain necessary regulatory approval, or that any approved product will be commercially viable. In addition, the Company operates in an environment of rapid technological change, and is largely dependent on the services of its employees and consultants.

(3) Summary of Significant Accounting Policies

(a) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from such estimates.

(b) Fair Value of Financial Instruments

Management believes that the carrying amounts of the Company s financial instruments, including cash equivalents, prepaid expenses and other current assets, accounts payable and accrued expenses, approximate fair value due to the short-term nature of those instruments. The carrying amount of the Company s debt obligations approximate fair value based on interest rates available on similar borrowings.

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NUPATHE INC.

Notes to Financial Statements (Continued)

The Company follows Financial Accounting Standards Board (FASB) accounting guidance on fair value measurements for financial assets and liabilities measured on a recurring basis. The guidance requires fair value measurements be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not active, or input which are observable, either directly or indirectly, for substantially the full term of the asset or liabilities; or

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

The following fair value hierarchy table presents information about each major category of the Company s financial assets and liability measured at fair value on a recurring basis as of December 31, 2008 and 2009:

	Fair Value Measurement at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
At December 31, 2008				
Assets				
Cash equivalents	$ 8,109,821	$	$	$ 8,109,821
Liabilities				
Warrant liability	$	$	$102,354	$ 102,354
At December 31, 2009				
Assets				
Cash equivalents	$ 3,654,831	$	$	$ 3,654,831
Liabilities				
Warrant liability	$	$	$626,492	$ 626,492

The reconciliation of warrant liability measured at fair value on a recurring basis using unobservable inputs (Level 3) is as follows:

	Warrant Liability
Balance at January 1, 2008	$ 104,319
Change in fair value of warrant liability	(1,965)

Balance at December 31, 2008	102,354
Issuance of additional warrants	556,042
Change in fair value of warrant liability	(31,904)
Balance at December 31, 2009	$ 626,492

The fair value of the warrant liability is based on Level 3 inputs. For this liability, the Company developed its own assumptions that do not have observable inputs or available market data to support the fair value. See note 6 for further discussion of the warrant liability.

NUPATHE INC.

Notes to Financial Statements (Continued)

(c) Unaudited Pro forma Balance Sheet Presentation

The unaudited pro forma balance sheet as of December 31, 2009 reflects:

The automatic conversion of all outstanding shares of redeemable convertible preferred stock, including accrued dividends, as of December 31, 2009, into 60,408,215 shares of common stock upon the closing of the initial public offering (IPO) contemplated by the Company s prospectus as of December 31, 2009. The shares of common stock issued in the IPO and any related estimated net proceeds are excluded from such pro forma information. In addition, the Company has outstanding warrants to purchase 134,408 shares of Series A redeemable convertible preferred stock (Series A) and 736,514 shares of Series B redeemable convertible preferred stock (Series B), which will become warrants to purchase 870,922 shares of common stock upon the closing of the IPO. The liability of $626,492 related to these warrants has been reclassified to additional paid-in capital as these warrants will no longer be exercisable for redeemable preferred shares.

The receipt in April 2010 of gross proceeds of $10,062,500 upon the issuance of the April 2010 Convertible Notes and the automatic conversion of all principal outstanding under the April 2010 Convertible Notes into an aggregate of shares of common stock upon the closing of the IPO (note 6).

The receipt in May 2010 of gross proceeds of $5,000,000 upon entering into the May 2010 Loan Facility and the issuance of warrants to purchase 255,376 shares of Series B at $0.93 per share to the lenders under such facility, which will become warrants to purchase 255,376 shares of common stock upon the closing of the IPO. The estimated fair value of the warrants of $203,255 has been reflected as deferred financing costs and additional paid-in capital in the pro forma balance sheet. The pro forma balance sheet also reflects the repayment in full of the finance company loan balance of $782,096 with the proceeds from the term loan facility (note 6).

(d) Cash and Cash Equivalents

The Company considers all highly liquid debt instruments that have maturities of three months or less when acquired to be cash equivalents. As of December 31, 2008 and 2009, cash equivalents of $8,109,021 and $3,654,831, respectively, consisted of money market mutual funds invested in commercial paper and short-term corporate and government obligations. The Company maintains its checking account at one bank. The Company utilizes major financial institutions in order to reduce the associated risks. Since March 2007, the Company s cash accounts have been subject to account control agreements with the secured finance company that give the finance company the right to assume control of the accounts in the event of a loan default (note 6).

(e) Property and Equipment

Property and equipment are recorded at cost and are depreciated on a straight-line basis over their estimated useful lives. The Company uses a life of three years for laboratory equipment and computer equipment, including software, and five years for office equipment and furniture. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the asset. Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an

asset exceeds its estimated future cash flows, then an impairment charge is recognized for the amount by which the carrying value of the asset exceeds the fair value of the asset. As of December 31, 2008 and 2009, management believes that no revision of the remaining useful lives or write-down of long-lived assets is required.

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NUPATHE INC.

Notes to Financial Statements (Continued)

(f) Research and Development and In-Process Research and Development

Research and development costs are charged to expense as incurred. Upfront and milestone payments made to third parties who perform research and development services on the Company s behalf will be expensed as services are rendered. Costs incurred in obtaining technology licenses are charged to research and development expense if the technology licensed has not reached technological feasibility and has no alternative future use.

(g) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

In June 2006, the FASB issued guidance related to accounting for uncertainty in income taxes. This authoritative interpretation clarified and standardized the manner by which companies are required to account for uncertain income tax positions. Under this guidance, the Company may recognize, the tax benefit from an uncertain tax position only if it is more likely than not to be sustained upon examination based on the technical merits of the position. The amount of the accrual for which an exposure exists is measured as the largest amount of benefit determined on a cumulative probability basis that the Company believes is more likely than not to be realized upon ultimate settlement of the position. This interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosures, and transition. The Company adopted this guidance effective January 1, 2007. The adoption of this guidance did not have any impact on the Company s financial position, results of operations or cash flows.

(h) Stock-Based Compensation

The Company measures employee stock-based awards at grant date fair value and records compensation expense on a straight-line basis over the vesting period of the award.

Determining the appropriate fair value of stock-based awards requires the use of subjective assumptions, including the fair value of the Company s common stock, and for stock options, the expected life of the option and expected stock price volatility. The Company uses the Black-Scholes option-pricing model to value its stock option awards. The assumptions used in calculating the fair value of stock-based awards represent management s best estimates and involve inherent uncertainties and the application of management s judgment. As a result, if factors change and management uses different assumptions, stock-based compensation expense could be materially different for future awards.

The expected life of stock options was estimated using the simplified method, as the Company has limited historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior for its stock option grants. The simplified method is the midpoint between the vest date and the contractual term of the option. For stock price volatility, the Company uses comparable public companies as a basis for the expected volatility to calculate the fair value of option grants.

Nonemployee awards are revalued until an award vests and compensation expense is recorded on a straight-line basis over the vesting period of each separate vesting tranche of the award, or the accelerated attribution method. The estimation of the number of stock awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from the Company s current estimates, such amounts will be recorded as an adjustment in the period in which estimates are revised.

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NUPATHE INC.

Notes to Financial Statements (Continued)

(i) Net Loss Per Common Share

Basic and diluted net loss per common share is determined by dividing net loss applicable to common stockholders by the weighted average common shares outstanding less the weighted average shares subject to repurchase, during the period. For all periods presented, the outstanding shares of Series A and Series B, common stock options, unvested restricted stock and preferred stock warrants have been excluded from the calculation because their effect would be anti-dilutive. Therefore, the weighted average shares used to calculate both basic and diluted loss per share are the same.

The following potentially dilutive securities have been excluded from the computations of diluted weighted average shares outstanding as of December 31, 2007, 2008 and 2009, as they would be anti-dilutive:

	December 31,		
	2007	2008	2009
Redeemable convertible preferred stock	16,922,506	42,205,062	53,096,340
Shares issuable pursuant to redeemable convertible preferred stock accretion	1,309,674	3,616,584	7,311,875
Options outstanding	1,328,557	7,203,947	7,620,042
Unvested restricted stock	566,250	566,250	71,250
Preferred stock warrants outstanding	134,408	134,408	870,922

The unaudited pro forma net loss per common share is computed using the weighted average number of common shares outstanding and assumes the conversion of all outstanding shares of the Company s Series A and Series B, including accrued dividends, into shares of common stock and the conversion of the April 2010 Convertible Notes into shares of common stock upon the closing of the Company s planned IPO, as if they had occurred at the later of the beginning of the period or date of issuance. Accordingly, net loss applicable to common stockholders is adjusted to remove all preferred stock accretion. The Company believes the unaudited pro forma net loss per common share provides material information to investors, as the conversion of the Company s preferred stock to common stock, including accrued dividends, and the conversion of the April 2010 Convertible Notes is expected to occur upon the closing of an IPO, and the disclosure of pro forma net loss per common share provides an indication of net loss per common share that is comparable to what will be reported by the Company as a public company following the closing of the IPO.

The following table summarizes the calculation of unaudited pro forma basic and diluted net loss per common share for the year ended December 31, 2009:

Numerator:	
Net loss applicable to common stockholders	$ (19,207,523)
Effect of pro forma conversion of preferred stock:	
Accretion of redeemable convertible preferred stock	3,617,211
Pro forma net loss applicable to common stockholders	$ (15,590,312)

Denominator:		
Weighted average common shares outstanding		3,060,000
Effect of pro forma conversion of redeemable convertible preferred stock:		
Series A redeemable convertible preferred stock		20,262,880
Series B redeemable convertible preferred stock		31,303,945
Effect of pro forma conversion of April 2010 Convertible Notes		
Shares used in computing unaudited pro forma weighted average basic and diluted common shares outstanding		
Unaudited pro forma basic and diluted net loss per common share	$	

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NUPATHE INC.

Notes to Financial Statements (Continued)

(j) Segment Information

The Company is managed and operated as one business. The entire business is managed by a single management team that reports to the chief executive officer. The Company does not operate separate lines of business or separate business entities with respect to any of its product candidates. Accordingly, the Company does not prepare discrete financial information with respect to separate product areas and does not have separately reportable segments.

(k) Recently Issued Accounting Standards

The Company adopted new accounting guidance on fair value measurements effective January 1, 2008, for financial assets and liabilities. In addition, effective January 1, 2009, the Company adopted this guidance as it relates to nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on at least an annual basis. This guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability, referred to as the exit price, in an orderly transaction between market participants at the measurement date. The standard outlines a valuation framework and creates a fair value hierarchy in order to increase the consistency and comparability of fair value measurements and the related disclosures. The adoption of this guidance did not have a material impact on the Company s financial statements.

In June 2008, the FASB issued new guidance related to assessing whether an equity-linked financial instrument (or embedded feature) is indexed to an entity s own stock for the purposes of determining whether such equity-linked financial instrument (or embedded feature) is subject to derivative accounting. The Company adopted this new guidance effective January 1, 2009. The adoption of this guidance did not have a material impact on the Company s financial statements.

In May 2009, the FASB issued new guidance on subsequent events. The standard provides guidance on management s assessment of subsequent events and incorporates this guidance into accounting literature. The standard is effective prospectively for interim and annual periods ending after June 15, 2009 and the Company adopted this guidance beginning with the interim period ended June 30, 2009. The adoption of this standard did not have a material impact on the Company s financial statements.

In April 2009, the FASB issued a staff position requiring fair value disclosures in both interim as well as annual financial statements in order to provide more timely information about the effects of current market conditions on financial instruments. The guidance is effective for interim and annual periods ending after June 15, 2009, and the Company adopted this guidance commencing with the issuance of the September 30, 2009 financial statements. The adoption of this standard did not have a material impact on the Company s financial statements.

In June 2009, the FASB Accounting Standards Codification (ASC) was issued, effective for financial statements issued for interim and annual periods ending after September 15, 2009. The ASC supersedes literature of the FASB, Emerging Issues Task Force and other sources. The ASC did not change U.S. generally accepted accounting principles. The adoption of this standard did not have a material impact on the Company s financial statements.

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NUPATHE INC.

Notes to Financial Statements (Continued)

(4) Property and Equipment

Property and equipment consisted of the following:

	December 31,	
	2008	2009
Computer equipment and software	$ 153,878	$ 109,414
Office equipment and furniture	3,086	3,086
Lab equipment	10,817	19,623
Leasehold improvements	28,387	38,238
	196,168	170,361
Less accumulated depreciation and amortization	(73,442)	(99,733)
	$ 122,726	$ 70,628

Depreciation and amortization expense was $17,140, $48,197 and $57,383 for the years ended December 31, 2007, 2008 and 2009, respectively.

(5) Accrued Expenses

Accrued expenses consisted of the following:

	December 31,	
	2008	2009
Accrued compensation and benefits	$ 182,277	$ 504,091
Accrued professional fees	159,802	112,301
Accrued research and development expenses	839,374	238,401
Accrued interest and other	230,897	181,033
	$ 1,412,350	$ 1,035,826

(6) Debt

(a) Convertible Notes

From October 2005 to June 2006, the Company issued convertible promissory notes for cash proceeds of $2,470,000 to five institutional and individual investors, including an officer of the Company. The notes bore interest of 8% per year and were due two years from the issuance dates. The notes were convertible into preferred stock upon completion

of a Qualified Financing, as defined.

In August 2006, the note holders converted their notes, including accrued interest of $120,343, into 3,481,645 shares of Series A at a conversion price of $0.74 per share, equal to a 20% discount from the per share price paid by the Series A investors (note 7). As a result of the discount and in accordance with FASB accounting guidance, the Company recorded a beneficial conversion feature (BCF) of $647,587 in connection with the conversion of the notes, which was recorded as interest expense in 2006.

In July 2009, the Company issued convertible promissory notes for cash proceeds of $1,934,183 to existing investors, including two officers of the Company (the 2009 Notes). The 2009 Notes bore interest of 10% per year and were due on June 30, 2010, if not converted prior to such date, and were mandatorily convertible into preferred stock upon the occurrence of the Second Tranche Closing, as defined. The holders of the 2009 Notes were entitled to receive warrants to purchase shares of Series B upon the conversion of the 2009 Notes. The fair value of the warrants of $556,042 was recorded as a reduction in the carrying value of the 2009 Notes as original issue discount and recognized as interest expense. After the allocation of the

NUPATHE INC.

Notes to Financial Statements (Continued)

original issue discount, the 2009 Notes contained a BCF of $556,042, which was also recognized as additional interest expense.

In August 2009, the holders of the 2009 Notes converted their notes, including accrued interest of $22,840, into 2,104,326 shares of Series B at a conversion price of $0.93 per share. Upon conversion, the investors received warrants to purchase 736,514 shares of Series B at 0.93 per share that are exercisable for a term of up to seven years. Because the Series B for which the warrants are exercisable is a redeemable security, the warrants are liability classified in accordance with FASB accounting guidance. The Company records the warrant liability at its fair value using the Black-Scholes option-pricing model and revalues the warrant at each reporting date. The following table summarizes the fair value and the assumptions used for the Black-Scholes option-pricing model for these Series B warrants:

	Date of Issuance (August 20, 2009)	December 31, 2009
Fair value	$ 556,042	$ 526,828
Expected dividend yield	%	%
Expected volatility	95.50%	87.83%
Risk-free interest rate	2.60%	3.26%
Remaining contractual term	7 years	6.6 years

In April 2010, the Company issued convertible promissory notes for cash proceeds of $10,062,500 to existing investors, including three officers of the Company. The April 2010 Convertible Notes bear interest of 8% per year and are due on December 31, 2010, if not converted prior to that date. The April 2010 Convertible Notes and related accrued interest are mandatorily convertible into common stock at a conversion price equal to 80% of the IPO price per share upon the occurrence of an IPO, as defined. Additionally, the April 2010 Convertible Notes are mandatorily convertible into preferred stock upon the execution of an acquisition agreement, as defined, or the issuance of equity securities with total proceeds greater than $10.0 million. In the event that an IPO does not occur and the April 2010 Convertible Notes convert as a result of the events previously noted or the notes are still outstanding at the maturity date, the Company will issue warrants to the holders of the April 2010 Convertible Notes. The terms of such warrants are dependent upon the conversion or repayment event and are defined in the notes.

(b) Credit Facilities and Vendor Debt

In March 2007, the Company received a $2,500,000 loan from a finance company. The loan was secured by a lien on all of the Company s assets, excluding intellectual property, which was subject to a negative pledge. The loan contained certain additional nonfinancial covenants. In connection with the loan agreement, the Company s cash and investment accounts were subject to account control agreements with the finance company that gave the finance company the right to assume control of the accounts in the event of a loan default. Loan defaults were defined in the loan agreement and included, among others, the finance company s determination that there was a material adverse change in the Company s operations. Interest on the loan was at a rate of 11.44%. The loan was interest-only for six months, and was repayable in equal monthly payments of principal and interest of $82,369 over 36 months. Interest

expense of $215,204, $226,594 and $142,785 was recognized during the years ended December 31, 2007, 2008 and 2009, respectively. At December 31, 2008 and 2009, the balance outstanding on this loan was $1,627,735 and $782,096, respectively. This loan was repaid on May 13, 2010.

In connection with the loan from the finance company, the Company issued a warrant to purchase 134,408 shares of Series A at an exercise price of $0.93 per share that is exercisable for a term of up to ten years. Because the Series A for which the warrant is exercisable is a redeemable security, the warrant is liability classified. The Company records the warrant liability at its fair value using the Black-Scholes option-

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NUPATHE INC.

Notes to Financial Statements (Continued)

pricing model and revalues the warrant at each reporting date. The following table summarizes the fair value and the assumptions used for the Black-Scholes option-pricing model for this warrant:

	Date of Issuance (March 29, 2007)	December 31, 2008	December 31, 2009
Fair value	$ 106,457	$ 102,354	$ 99,664
Expected dividend yield	%	%	%
Expected volatility	83.10%	89.79%	89.17%
Risk-free interest rate	4.64%	2.03%	3.43%
Remaining contractual term	10 years	8.25 years	7.25 years

The initial fair value of the warrant of $106,457 was recorded as deferred financing costs and is being amortized to interest expense over the life of the loan. Interest expense of $22,812, $30,416 and $30,416 related to the warrant was recorded during the years ended December 31, 2007, 2008 and 2009, respectively.

In May 2010, the Company executed a term loan facility with lenders to fund working capital needs. The loan is secured by a lien on all of the Company s assets, excluding intellectual property, which is subject to a negative pledge. The Company received proceeds of $5,000,000 at closing. An additional $6,000,000 of proceeds is available to the Company subject to the closing of an equity financing as defined, and subject to final approval from the lenders. The loan bears interest at an annual rate of LIBOR plus 8.75%, subject to a LIBOR floor of 3.00%. The loan contains a material adverse change clause, as defined, which can trigger an event of default. The loan is repayable over 39 months with interest only payments for the first twelve months. In connection with the loan, the lenders received warrants to purchase 255,376 shares of Series B at $0.93 per share, which will become warrants to purchase 255,376 shares of common stock upon the closing of the IPO. The Company is required to issue additional warrants to purchase up to an additional 306,452 shares of Series B in the event that additional proceeds are received from the lenders.

Additionally, at December 31, 2008 and 2009, there was $45,290 and $36,043, respectively, outstanding on a short-term loan from a vendor. As of December 31, 2009, all of the Company s outstanding debt is due in 2010.

(7) Capital Structure

(a) Redeemable Convertible Preferred Stock

As of December 31, 2009, the authorized and outstanding redeemable convertible preferred stock and their principal terms are as follows:

Series	Shares Authorized	Shares Outstanding	Carrying Amount	Liquidation Value

A	17,056,914	16,922,506	$ 19,060,782	$ 19,473,996
B	54,688,141	36,173,834	36,477,409	36,705,643

In August 2006, the Company entered into an agreement with a group of investors to sell 16,129,032 shares of Series A at a price of $0.93 per share. Of these, 6,451,613 shares were sold in August 2006 and 1,612,903 shares were sold in October 2006, resulting in net cash proceeds of $7,232,542 in 2006. An additional 5,376,345 shares of Series A were sold to the investors in October 2007, resulting in net cash proceeds of $4,979,729, and 2,688,171 shares of Series A were sold to the investors in April 2008, resulting in cash proceeds of $2,499,999. The Series A shares sold in April 2008 were exchanged into Series B shares in July 2008 on a one-for-one basis.

NUPATHE INC.

Notes to Financial Statements (Continued)

An additional 3,481,645 shares of Series A were issued in August 2006 to the convertible note holders in exchange for notes with a principal amount of $2,470,000 and accrued interest of $120,343 (note 6).

In July 2008, the Company entered into an agreement with a group of investors to sell up to 37,634,409 shares of Series B at a price of $0.93 per share, of which 19,632,019 shares were sold in July 2008 and 2,962,366 shares were sold in November 2008, resulting in net cash proceeds of $20,708,410. In August 2009, an additional 10,891,278 shares of Series B were issued upon the achievement by the Company of a defined development milestone for net proceeds of $10,112,350 of which 2,104,326 shares of Series B were from the conversion of the 2009 notes (note 6). The Company does not currently have any purchase commitments for the balance of the 4,148,746 shares authorized under this agreement.

At the option of the holder, each share of Series A and Series B is convertible into the number of shares of common stock equal to the product obtained by multiplying the number of shares of preferred stock being converted by the quotient obtained by (i) dividing the sum of $0.93 per share plus all accrued and unpaid dividends per share by (ii) $0.93 (subject to certain antidilution adjustments). The Series A and Series B shares are mandatorily convertible in the event of a qualified public offering, as defined. Holders of the Series A and Series B have the number of votes equal to the number of common shares into which their stock is convertible. Holders of the Series A have the right to elect two directors. Holders of the Series B have the right to elect another two directors. Holders of the Series A and Series B, together with the holders of the common stock, all voting together as a single class, have the right to elect three additional members of the board of directors. Approval of holders of 66.67% of the Series A and Series B shares is required for certain significant corporate events.

Series A and Series B holders are entitled to receive dividends of 8% per year as and when declared by the board of directors. Series A and Series B dividends accrue cumulatively and no dividends have been declared through December 31, 2009. Dividends are accrued and are payable in the event of sale or liquidation of the Company or qualified public offering, as defined, or upon conversion or redemption of the Series A or Series B. As of December 31, 2008 and 2009, there were $2,477,031 and $3,736,066, respectively, of unpaid Series A dividends. As of December 31, 2008 and 2009, there were $886,392 and $3,063,978, respectively, of unpaid Series B dividends.

Series A and Series B holders are entitled to a liquidation preference in an amount equal to $0.93 per share, plus any accumulated but unpaid dividends, in the event of a liquidation, dissolution, or winding-up of the Company, or in the event the Company merges with or is acquired by another entity. Once the Series A and Series B liquidation preference has been paid, any remaining assets would be distributed pro rata to the Series B, Series A and common stockholders.

The Series B ranks senior to the Series A and common stock as to the payment of dividends or distributions of assets upon a liquidation or liquidity event.

At any time after July 31, 2013, the holders of 66.67% of Series A and Series B may require the Company to redeem the Series A and Series B shares for a price per share equal to the greater of $0.93, plus any accumulated but unpaid dividends, or its then-fair value. The carrying value of the Series A and Series B will be accreted to their redemption value by a charge to additional paid-in capital, if any, then to accumulated deficit.

(b) Common Stock

In 2005, 2,600,000 shares of common stock were issued to the Company s founders and officers for $0.08 per share in cash. An additional 110,000 shares were issued to an employee and a consultant in return for services, for which the Company recorded an expense of $8,800.

NUPATHE INC.

Notes to Financial Statements (Continued)

As mentioned above, holders of the common stock, together with holders of Series A and Series B, all voting together as a single class, have the right to elect three members of the board of directors.

(c) Warrants

In connection with the finance company loan and the 2009 Notes, the Company issued warrants to purchase shares of Series A and B, respectively (note 6). As of December 31, 2009, the following warrants to purchase Preferred Stock were outstanding:

Series	Number of Shares	Exercise Price	Expiration
A	134,408	$ 0.93	2017
B	736,514	0.93	2016

The warrants are classified as warrant liability on the accompanying balance sheet in accordance with FASB accounting guidance, as the warrants entitle the holder to purchase preferred stock, which may be redeemed at the option of the holder. See note 6 for further details.

(8) Stock-Based Compensation

In 2005 (and as amended in August 2006 and July 2008), the Company adopted the 2005 Equity Compensation Plan (the Plan) that authorized the Company to grant up to 3,800,000 shares of common stock to eligible employees, directors, and consultants to the Company in the form of restricted stock and stock options. In 2008, the Company authorized an additional 5,000,000 shares, for a total of 8,800,000 shares, available for grant. The amount, terms of grants, and exercisability provisions are determined by the board of directors. The term of the options may be up to 10 years, and options are exercisable in cash or as otherwise determined by the board of directors.

As of December 31, 2009, there were 758,708 shares of common stock available for future grants under the Plan.

Stock-based compensation expense for the years ended December 31, 2007, 2008 and 2009 includes compensation expense for employee and nonemployee stock option grants and restricted stock grants. The compensation expense for the years ended December 31, 2007, 2008 and 2009 is as follows:

	Year Ended December 31,		
	2007	2008	2009
Stock options:			
Employee	$ 36,000	$ 104,547	$ 308,418
Nonemployee	9,621	9,466	18,869
	45,621	114,013	327,287
Restricted stock:			

Employee	13,584	44,163	(8,232)
	$ 59,205	$ 158,176	$ 319,055

For the years ended December 31, 2007, 2008 and 2009, $18,759, $54,622 and $118,504, respectively, of expense is included in research and development expenses and $40,446, $103,554 and $200,551, respectively, is included in general and administrative expenses. The reversal of compensation expense for restricted stock in 2009 resulted from the cancellation of restricted stock grants for which expense was recorded in prior years.

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NUPATHE INC.

Notes to Financial Statements (Continued)

Stock Options

The weighted average fair value of the options granted during 2007, 2008 and 2009 was estimated at $0.13, $0.17 and $0.17, respectively, on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Year Ended December 31,		
	2007	**2008**	**2009**
Expected dividend yield	%	%	%
Expected volatility	80.7%	79.8%	92.8%
Risk-free interest rate	4.3%	2.9%	2.2%
Expected life	6 years	6 years	5.25 years

The expected life assumption is based on the use of the simplified method. The expected volatility was calculated based on a historical volatility analysis of public company peers that are similar to the Company. The risk-free interest rate is based on the zero-coupon U.S. Treasury yield at the date of grant for a term equivalent to the expected term of the option.

The following is a summary of stock option activity under the Plan through December 31, 2009:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term in Years	Aggregate Intrinsic Value
Outstanding at January 1, 2007	783,557	$ 0.14		
Granted	547,500	0.18		
Exercised				
Cancelled/forfeited	(2,500)	0.18		
Outstanding at December 31, 2007	1,328,557	0.16		
Granted	6,004,569	0.24		
Exercised	(1,250)	0.18		
Cancelled/forfeited	(127,929)	0.19		
Outstanding at December 31, 2008	7,203,947	0.22		
Granted	548,700	0.24		
Exercised				
Cancelled/forfeited	(132,605)	0.22		

Outstanding at December 31, 2009	7,620,042	$ 0.23	8.44	$	107,230
Vested and expected to vest at December 31, 2009	7,590,728	$ 0.23	8.38	$	107,086
Exercisable at December 31, 2009	3,464,595	$ 0.21	8.14	$	92,384

As of December 31, 2009, there was $667,013 of unrecognized compensation expense related to unvested stock options, which is expected to be recognized over a weighted average period of 2.5 years.

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NUPATHE INC.

Notes to Financial Statements (Continued)

Restricted Stock

The following summarizes the Company s restricted stock activity:

	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested shares at January 1, 2007	751,640	$ 0.16
Granted		
Vested	(185,390)	0.12
Forfeited/repurchased		
Nonvested shares at December 31, 2007	566,250	0.17
Granted		
Vested		
Forfeited/repurchased		
Nonvested shares at December 31, 2008	566,250	0.17
Granted		
Vested		
Forfeited/repurchased	(495,000)	0.18
Nonvested shares at December 31, 2009	71,250	0.12

In 2006, the Company issued 320,000 restricted shares of common stock with a grant date fair value of $38,400 to officers and employees. These shares vest based upon defined Company and individual performance goals. As of December 31, 2009, there were 71,250 unvested shares subject to vesting upon the achievement of such goals. As of December 31, 2009, there was $8,550 of unrecognized compensation expense related to the unvested restricted stock awards that will vest upon the achievement of a certain defined milestone.

In 2006, the Company issued 495,000 restricted shares of common stock to officers that vest based upon a specific milestone related to the value of the Company s Series A upon a change of control of the Company s stock. In 2009, these restricted shares were forfeited based on the terms of the restricted stock agreement.

(9) Commitments

(a) Leases

The Company leases office space and office equipment under operating leases, which expire at various times through March 2013. Rent expense under these leases was $89,817, $316,350 and $299,342 for the years ended December 31, 2007, 2008 and 2009, respectively. Rent expense under these leases since inception has been $845,000.

Future minimum lease payments as of December 31, 2009 are as follows:

2010	$ 346,063
2011	351,601
2012	356,708
2013	88,341
	$ 1,142,713

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Notes to Financial Statements (Continued)

(b) License Agreements

In July 2008, the Company and Travanti Pharma Inc. (Travanti) entered into an asset purchase and license agreement and an assignment agreement. Pursuant to the terms of the Travanti agreement, the Company paid $5,500,000 for the purchase of a patent application, including all supporting documentation and priority documents, that is directed to transdermal delivery of anti-migraine medications using an active delivery patch. The Company granted Travanti a nonexclusive, royalty-free, perpetual worldwide license to use the purchased patent application, and the invention covered by such patent application, outside the field of migraine. In addition, Travanti granted to the Company a perpetual, worldwide, exclusive, royalty-free license, with the right to grant sublicenses, under Travanti s patent rights and know-how that relate generally to specified iontophoresis technology to develop, make and commercialize migraine products. This fee was recognized in the accompanying statement of operations for the year ended December 31, 2008 as acquired in process research and development, as additional research and development efforts and regulatory approval is required in order to commercialize this product in the United States.

The Company entered into a patent license agreement with the University of Pennsylvania (Penn), which became effective in July 2006 and was amended in May 2007. Under the patent license agreement, Penn granted to the Company exclusive, worldwide rights under specified patent applications, and patents issuing therefrom, to make, use and sell products using Long Acting Delivery (LAD) technology. Under the agreement, the Company has the right to sublicense, subject to specified conditions, including the payment of sublicense fees. The patent license agreement requires that the Company use commercially reasonable efforts to develop and commercialize licensed products. The license agreement requires the Company to commit a minimum of $250,000 per year, towards the development and commercialization of licensed products, until the first commercial sale of the first licensed product. The license agreement requires annual license maintenance payments up to $50,000 until the first commercial sale of the first licensed product. In addition, the Company has agreed to pay Penn aggregate milestone payments of up to $950,000 upon the achievement of specified development and regulatory milestones related to each licensed product as specified and royalty payments equal to a specified percentage of future commercial sales of licensed products subject to the license through the expiration of the licensed patents. The Company paid fees of $25,000, $20,000 and $30,000 in 2007, 2008 and 2009, respectively, which were recorded as research and development expense. The Company reimbursed Penn for $34,534, $72,984 and $64,864 in 2007, 2008 and 2009, respectively, for patent prosecution costs, which was recorded as expense by the Company.

In September 2009, the Company entered into a license agreement with SurModics Pharmaceuticals, Inc. (SurModics), pursuant to which the Company received an exclusive worldwide license, with the right to sublicense, under SurModics intellectual property, including its interest in joint inventions developed under a feasibility agreement, to make, have made, use, sell, import and export products covered by the license agreement. The Company granted SurModics an exclusive, perpetual, worldwide, royalty-free license under the Company s interest in joint inventions for uses that do not relate to products covered by the agreement or include any of the Company s existing technology or confidential information. The Company also granted SurModics a right of first negotiation to manufacture clinical supplies of covered products. If the Company and SurModics enter into such clinical manufacturing agreement, SurModics has a right of first negotiation to manufacture commercial supplies of covered products. The Company is obligated to pay aggregate milestones of up to $4,750,000 upon the achievement of specified development, regulatory and sales level milestones related to the first clinical indication approved by regulatory authority for covered products. The Company must also pay an additional milestone payment upon regulatory approval of each additional clinical indication for covered products and specified royalties on sales of commercial product.

NUPATHE INC.

Notes to Financial Statements (Continued)

(c) Employment Agreements

Certain of the officers of the Company have employment agreements providing for severance and continuation of benefits in the event of termination without cause, including in the event of a Change of Control of the Company, as defined in the agreements.

(10) Related-Party Transactions

A former director and current shareholder and consultant of the Company is the chairman of a company that provides outsourced clinical development services to the pharmaceutical industry. During the years ended December 31, 2007, 2008 and 2009, the Company purchased $97,514, $166,308 and $454,337, respectively, of services from that company. The Company considers the fees paid fair value for the services rendered.

(11) 401(k) Profit Sharing Plan

The Company maintains a 401(k) Profit Sharing Plan (the 401(k) Plan) available to all employees meeting certain eligibility criteria. The 401(k) Plan permits participants to contribute up to 90% of their salary, not to exceed the limits established by the Internal Revenue Code. All contributions made by participants into the participants accounts vest immediately. Throughout 2008 and 2009, the Company provided a biweekly matching contribution to participant s accounts as provided for under the 401(k) Plan. This contribution is determined by a formula that is based on the employee s contributions, not to exceed 3% of their eligible wages, as defined by the 401(k) Plan. The Company sponsored match was $48,000, $61,565 and $74,425 for the years ended December 31, 2007, 2008 and 2009, respectively. The Company s contribution to the 401(k) Plan is 100% vested upon contribution date.

(12) Income Taxes

During the year ended December 31, 2009, the Company sold $151,012 of Pennsylvania research and development tax credits to a third party buyer. Accordingly, the Company recorded an income tax benefit of $151,012 for the year ended December 31, 2009.

A reconciliation of the statutory U.S. federal rate to the Company s effective tax rate is as follows:

	Year Ended December 31,		
	2007	**2008**	**2009**
Percent of pre-tax income:			
U.S. federal statutory income tax rate	34.0%	34.0%	34.0%
State taxes, net of federal benefit	6.5	6.5	6.5
Other	4.3	3.8	1.0
Change in valuation allowance	(44.8)	(44.3)	(40.6)
Effective income tax rate	%	%	0.9%

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Notes to Financial Statements (Continued)

The tax effects of temporary differences that gave rise to significant portions of the deferred tax assets were as follows:

	December 31,	
	2008	2009
Net operating loss carryforwards	$ 10,746,454	$ 17,118,099
Research and development credit	1,012,886	1,272,271
Depreciation and amortization	2,125,418	2,014,476
Capitalized start-up costs	169,429	141,190
Other temporary differences	215,083	182,720
Gross deferred tax asset	14,269,270	(20,728,756)
Deferred tax assets valuation allowance	(14,269,270)	(20,728,756)
	$	$

In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences representing net future deductible amounts become deductible. Due to the Company s history of losses, the deferred tax assets are fully offset by a valuation allowance at December 31, 2008 and 2009. The valuation allowance in 2008 increased by $7,800,000 over 2007 and the valuation allowance in 2009 increased by $6,500,000 over 2008, related primarily to additional net operating losses incurred by the Company and additional capitalized start-up expenses.

As of December 31, 2008 and 2009, $417,000 and $348,000, respectively, of the Company s expenses had been capitalized for tax purposes as start-up costs. For tax purposes, capitalized start-up costs will be amortized over fifteen years beginning when the Company commences operations, as defined under the Internal Revenue Code.

The following table summarizes carryforwards of net operating losses and tax credits as of December 31, 2009:

	Amount	Expiration
Federal net operating losses	$ 42,169,658	2025 2029
State net operating losses	1,272,271	2024 2029

The Tax Reform Act of 1986 (the Act) provides for a limitation of the annual use of net operating loss and research and development tax credit carryforwards following certain ownership changes (as defined by the Act) that could limit the Company s ability to utilize these carryforwards. The Company has not completed a study to assess whether an ownership change has occurred, or whether there have been multiple ownership changes since its formation, due to the significant costs and complexities associated with such a study. The Company may have experienced various ownership changes, as defined by the Act, as a result of past financings. Accordingly, the Company s ability to utilize

the aforementioned carryforwards may be limited. Additionally, U.S. tax laws limit the time during which these carryforwards may be applied against future taxes; therefore, the Company may not be able to take full advantage of these carryforwards for federal or state income tax purposes.

The Company did not have unrecognized tax benefits as of December 31, 2009 and does not expect this to change significantly over the next twelve months. As of December 31, 2009, the Company has not accrued interest or penalties related to uncertain tax positions. The Company s tax returns for the years ended December 31, 2006 through December 31, 2009 are still subject to examination by major tax jurisdictions.

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Shares

Common Stock

Leerink Swann

Lazard Capital Markets

Thomas Weisel Partners LLC

Needham & Company, LLC

, 2010

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. ***Other expenses of issuance and distribution.***

The following table sets forth all costs and expenses, other than underwriting discounts and commissions, in connection with the sale of the common stock being registered, all of which will be paid by us. All amounts shown are estimates except for the Securities Exchange Commission, or SEC, registration fee, the Financial Industry Regulatory Authority, or FINRA, filing fee and the listing fee for The NASDAQ Global Market.

		Amount Paid or to be Paid
SEC registration fee	$	6,150
FINRA filing fee		9,125
The NASDAQ Global Market listing fee		*
Blue sky qualification fees and expenses		*
Printing expenses		*
Legal fees and expenses		*
Accounting fees and expenses		*
Transfer agent and registrar fees and expenses		*
Insurance Policy Premium		*
Miscellaneous expenses		*
Total Expenses	$	*

* To be filed by amendment

Item 14. ***Indemnification of directors and officers.***

Section 102(b)(7) of the DGCL provides that a Delaware corporation, in its certificate of incorporation, may limit the personal liability of a director to the corporation or its stockholders for monetary damages for breach of fiduciary duties as a director, except for liability for any:

Transaction from which the director derived an improper personal benefit;

Act or omission not in good faith or that involved intentional misconduct or a knowing violation of law;

Unlawful payment of dividends or redemption of shares; or

Breach of the director s duty of loyalty to the corporation or its stockholders.

Section 145(a) of the DGCL provides, in general, that a Delaware corporation may indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) because that person is or was a director, officer, employee or agent of the corporation, or is or was serving at the

request of the corporation as a director, officer, employee or agent of another corporation or other enterprise. The indemnity may include against expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, so long as the person acted in good faith and in a manner he or she reasonably believed was in or not opposed to the corporation s best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

Section 145(b) of the DGCL provides, in general, that a Delaware corporation may indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action or

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suit by or in the right of the corporation to obtain a judgment in its favor because the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or other enterprise. The indemnity may include expenses (including attorneys fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action, so long as the person acted in good faith and in a manner the person reasonably believed was in or not opposed to the corporation s best interests, except that no indemnification shall be permitted without judicial approval if a court has determined that the person is to be liable to the corporation with respect to such claim. If a present or former director or officer has been successful in defense of any action referred to above, the corporation must indemnify such officer or director against the expenses (including attorneys fees) he or she actually and reasonably incurred in connection with such action.

Section 145(g) of the DGCL provides, in general, that a corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or other enterprise against any liability asserted against and incurred by such person, in any such capacity, or arising out of his or her status as such, whether or not the corporation could indemnify the person against such liability under Section 145 of the DGCL.

Our restated certificate of incorporation and our bylaws, each of which will become effective upon the closing of this offering, and our Investor Rights Agreement, each provide for the indemnification of our directors and officers to the fullest extent permitted under the DGCL.

In addition to the indemnification provisions provided for in our charter documents, we are party to indemnification agreements with certain of our directors. These indemnification agreements generally provide that we will indemnify the director to the fullest extent permitted by law for claims arising in his or her capacity as a director of our company or in connection with their service at our request for another corporation or entity. The indemnification agreements also provide for procedures that will apply in the event that a director makes a claim for indemnification and establish certain presumptions that are favorable to the director.

At present, there is no pending litigation or proceeding involving any of our directors or officers as to which indemnification is required or permitted, and we are not aware of any threatened litigation or proceeding that may result in a claim for indemnification.

We maintain a general liability insurance policy which covers certain liabilities of our directors and officers arising out of claims based on acts or omissions in their capacities as directors or officers.

We intend to purchase and maintain an insurance policy which covers certain liabilities of our officers and directors arising out of claims based on acts or omissions in their capacities as officers and directors, including liabilities arising under the Securities Act, the Exchange Act or otherwise.

We have entered into an underwriting agreement, which provides for indemnification by the underwriters of us, our officers and directors, for certain liabilities, including liabilities arising under the Securities Act.

Item 15. ***Recent sales of unregistered securities.***

The following list sets forth information regarding all securities sold by us in the three years preceding the filing of this registration statement:

Preferred Stock Financings

(a) In August 2006, we entered into a Series A Preferred Stock Purchase Agreement pursuant to which we issued and sold an aggregate of 19,610,677 shares of Series A preferred stock in four separate closings from August 2006 through April 2008, at a purchase price of $0.93 per share, for aggregate consideration of $15,000,000 in cash and $2,590,343 in aggregate principal and interest due under convertible promissory notes held by existing investors, which pursuant to the terms of such notes was converted into shares of Series A preferred stock.

(b) In July 2008, we entered into a Series B Preferred Stock Purchase Agreement pursuant to which we issued and sold an aggregate of 33,485,663 shares of Series B preferred stock in three separate closings from July 2008 through August 2009, at a purchase price of $0.93 per share, for aggregate consideration of $29,184,643 in cash and $1,957,023 in aggregate principal and interest due under convertible promissory notes held by existing investors, which pursuant to the terms of such notes was converted into shares of Series B preferred stock. In addition, 2,688,171 shares of Series A preferred stock that were acquired in a prior financing by certain persons participating in the Series B financing were exchanged for an equal number of shares of Series B preferred stock.

Convertible Note Financings and Warrant Issuances

(c) In July 2009, we received gross proceeds of $1,934,183 from the sale of convertible promissory notes in a private placement to certain of our existing investors. In August 2009, the convertible promissory notes converted into shares of Series B preferred stock pursuant to the terms of such notes. Upon such conversion, warrants to purchase an aggregate of 736,514 shares of Series B preferred stock were issued to the holders of such notes, which, upon the closing of this offering, will become warrants to purchase 736,514 shares of common stock in accordance with their terms.

(d) In April 2010, we received gross proceeds of $10,062,500 from the sale of the convertible promissory notes in a private placement to certain of our existing investors. The convertible promissory notes accrue interest at a rate equal to 8% per year, compounding monthly, and have a maturity date of December 31, 2010, unless converted prior thereto. The convertible promissory notes are automatically convertible into common stock upon the closing of this offering at a conversion price equal to 80% of the price to the public in this offering.

(e) In May 2010, we entered into a $5.0 million secured term loan facility. In connection with such loan we issued the lenders warrants to purchase 255,376 shares of Series B preferred stock at an exercise price of $0.93 per share. Upon the closing of this offering, in accordance with their terms, the warrants will automatically become exercisable for 255,376 shares of common stock at an exercise price of $0.93 per share of common stock.

Stock Option Grants

(f) From May 14, 2007 through May 14, 2010, we granted stock options under our 2005 Equity Compensation Plan to purchase an aggregate of 6,960,769 shares of common stock with a weighted average exercise price of $0.24 per share, to certain of our employees, consultants and directors.

We deemed the offers, sales and issuances of the securities described in paragraphs (a) through (f) to be exempt from registration under the Securities Act in reliance on either (i) Rule 701 of the Securities Act as offers and sales of securities under compensatory benefit plans and contracts relating to compensation in compliance with Rule 701 or (ii) Section 4(2) of the Securities Act, including Regulation D promulgated thereunder, relative to transactions by an issuer not involving a public offering. Each of the recipients of securities in any transaction exempt from registration either received or had adequate access, through employment, business or other relationships, to information about us. All purchasers of shares in transactions exempt from registration pursuant to Regulation D represented to us that they were accredited investors and were acquiring the shares for investment purposes only and not with a view to, or for sale in connection with, any distribution thereof and that they could bear the risks of the investment and could hold the securities for an indefinite period of time. The purchasers received written disclosures that the securities had not been registered under the Securities Act and that any resale must be made pursuant to a registration statement or an available exemption from such registration.

All certificates representing the securities issued in the transactions described in this Item 15 included appropriate legends setting forth that the securities had not been offered or sold pursuant to a registration statement and describing

the applicable restrictions on transfer of the securities. There were no underwriters employed in connection with any of the transactions set forth in this Item 15.

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Item 16. ***Exhibits and financial statement schedules.***

(a) Exhibits.

The exhibits to the registration statement are listed in the Exhibit Index attached hereto and incorporated by reference herein.

(b) Financial Statements Schedules.

No financial statement schedules are provided because the information called for is not required or is shown either in the financial statements or the notes thereto.

Item 17. ***Undertakings.***

(a) The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(c) The undersigned registrant hereby undertakes that:

1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b) (1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Conshohocken, Commonwealth of Pennsylvania, on the 14th day of May, 2010.

NUPATHE INC.

By: /s/ Jane H. Hollingsworth

Jane H. Hollingsworth
Chief Executive Officer

POWER OF ATTORNEY

Each person whose individual signature appears below hereby authorizes and appoints Jane H. Hollingsworth and Keith A. Goldan, and each of them, with full power of substitution and resubstitution and full power to act without the other, as his or her true and lawful attorney in fact and agent to act in his or her name, place and stead and to execute in the name and on behalf of each person, individually and in each capacity stated below, and to file any and all amendments to this Registration Statement, including any and all post effective amendments and amendments thereto, and any registration statement relating to the same offering as this Registration Statement that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys in fact and agents, and each of them, full power and authority to do and perform each and every act and thing, ratifying and confirming all that said attorneys in fact and agents or any of them or their or his substitute or substitutes may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Jane H. Hollingsworth Jane H. Hollingsworth	Chief Executive Officer and Director (*Principal Executive Officer*)	May 14, 2010
/s/ Keith A. Goldan Keith A. Goldan	Chief Financial Officer (*Principal Financial and Accounting Officer*)	May 14, 2010
/s/ Michael Cola Michael Cola	Chairman of the Board	May 14, 2010
/s/ Jeanne Cunicelli Jeanne Cunicelli	Director	May 14, 2010

/s/ Michael C. Diem	Director	May 14, 2010
Michael C. Diem, M.D.		
/s/ John H. Dillon, II	Director	May 14, 2010
John H. Dillon, II		
/s/ Richard S. Kollender	Director	May 14, 2010
Richard S. Kollender		
/s/ Gary J. Kurtzman	Director	May 14, 2010
Gary J. Kurtzman, M.D.		

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Exhibit Index

Exhibit Number	Description of Document
1.1*	Form of Underwriting Agreement
3.1*	Third Amended and Restated Certificate of Incorporation of NuPathe Inc., as amended August 20, 2009, April 9, 2010 and May 13, 2010
3.2*	Form of Restated Certificate of Incorporation of NuPathe Inc., to be in effect upon the closing of this offering
3.3*	Bylaws of NuPathe Inc.
3.4*	Form of Bylaws of NuPathe Inc., to be in effect upon the closing of this offering
4.1*	Amended and Restated Investor Rights Agreement, dated as of July 8, 2008
4.2*	Preferred Stock Warrant, dated as of March 29, 2007, as amended, issued to Oxford Finance Corp.
4.3*	Form Warrant to Purchase Shares of Series B Preferred Stock, as amended
4.4*	Series B Preferred Stock Warrant, dated May 13, 2010, issued to MidCap Funding III, LLC
4.5*	Series B Preferred Stock Warrant, dated May 13, 2010, issued to Silicon Valley Bank
5.1*	Opinion of Morgan, Lewis & Bockius LLP
10.1*	Patent License Agreement, effective as of July 1, 2006, as amended, between NuPathe Inc. and The Trustees of the University of Pennsylvania
10.2*	Development and License Agreement, dated September 14, 2007, as amended, between NuPathe Inc. and LTS Lohmann Therapie-Systeme AG
10.3*	Asset Purchase and License Agreement, dated July 8, 2008, between NuPathe Inc. and Travanti Pharma Inc.
10.4*	License Agreement, dated September 23, 2009, between NuPathe Inc. and SurModics Pharmaceuticals, Inc. (f/k/a Brookwood Pharmaceuticals, Inc.)
10.5*	Secured Subordinated Convertible Note and Warrant Purchase Agreement, dated April 9, 2010, between NuPathe Inc. and the Purchasers named therein
10.6*	Loan and Security Agreement, effective as of May 13, 2010, by and among MidCap Funding III, LLC, Silicon Valley Bank and NuPathe Inc.
10.7*	Secured Promissory Note, dated May 13, 2010, made by NuPathe Inc. in favor of MidCap Funding III, LLC
10.8*	Secured Promissory Note, dated May 13, 2010, made by NuPathe Inc. in favor of Silicon Valley Bank
10.9*	Office Space Lease, dated January 10, 2008, between NuPathe Inc. and Washington Street Associates II, L.P.
10.10*	Amended and Restated NuPathe Inc. 2005 Equity Incentive Plan, as amended
10.11*	NuPathe Inc. 2010 Omnibus Incentive Compensation Plan, including all forms of grant agreements thereunder
10.12*	NuPathe Inc. 2010 Employee Stock Purchase Plan
23.1	Consent of KPMG LLP, independent registered public accounting firm
23.2*	Consent of Morgan, Lewis & Bockius LLP (included in Exhibit 5.1)
24.1	Power of Attorney (included in the signature page to this registration statement)

* To be filed by amendment.